
Leading Spas of Canada

Snapshot Survey - October 2009

Quarterly Financial Performance Data

OVERVIEW

The recent Snapshot Surveys were conducted in partnership between ISPA and Leading Spas of Canada to secure research data on the Canadian spa industry. The October 2009 Snapshot Survey focused on information regarding quarterly financial performance, spa visits and workforce changes in comparison to the third quarter of the previous year.

Overall, the survey results indicate for spas:

- Spas experienced an improvement in gross revenue in the third quarter of 2009 with 56% of spas indicating an increase
- 65% of spas indicated an increase in their profits over the 3rd quarter of last year
- 49% indicated the number of spa visits were up; 39% indicated spa visits were down. 12% reported no change from last year
- 30% of spas reported adding new positions to their workforce, while 33% filled vacant positions only. Another 3% implemented a hiring freeze while 21% showed no change from third quarter last year
- Only 23% of spas reported partnering with local business to incorporate wellness into the workplace

For Leading Spas of Canada members who are suppliers and educational institutions:

- Only 14% indicated an increase in gross revenue over the third quarter of last year; 43% reported no change
- In profit change over last year, 29% reported an improvement and 43% showed no change
- 50% of suppliers/educational institutions have added new positions, while 17% have filled vacant positions only and an additional 17% have implemented a hiring freeze

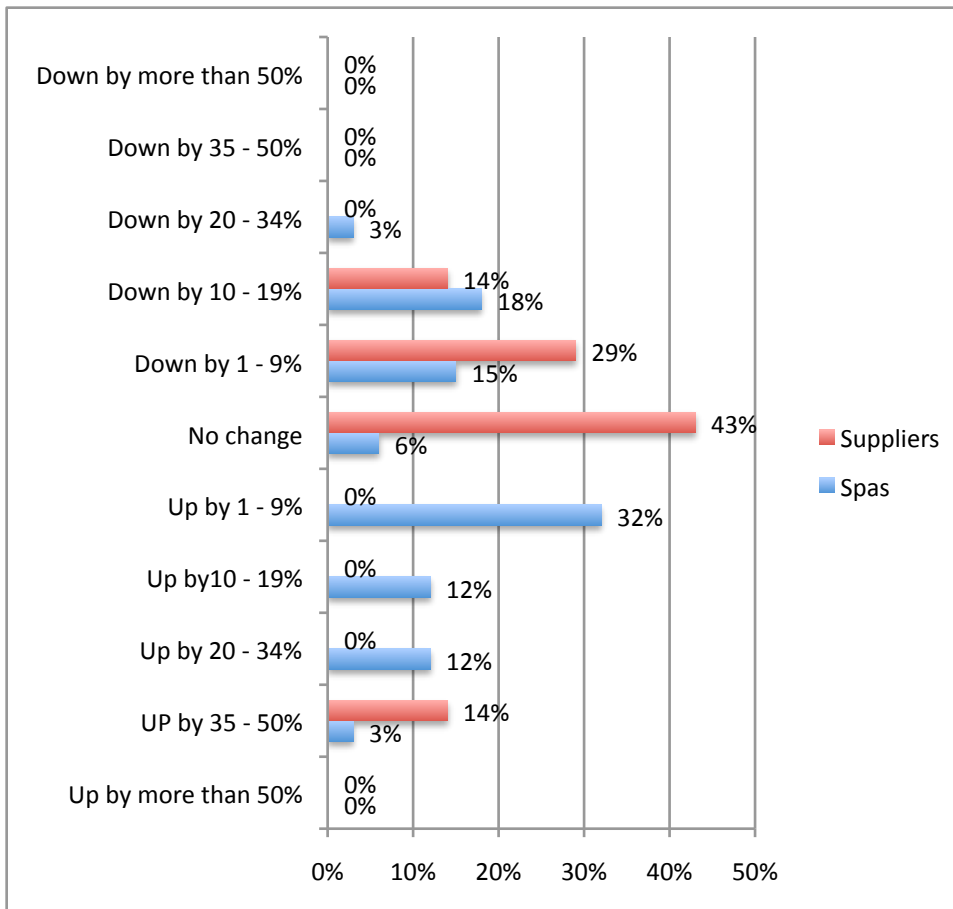
Preparations for the holiday season vary, but many spas are focusing their efforts on driving gift card sales. Special events and enhanced media advertising are being utilized by a number of spas. Suppliers are planning special gift packs.

Spas are reporting their 2010 budgets have been impacted by the current economy, resulting in advertising limits, reducing expenses and greater control over staff scheduling.

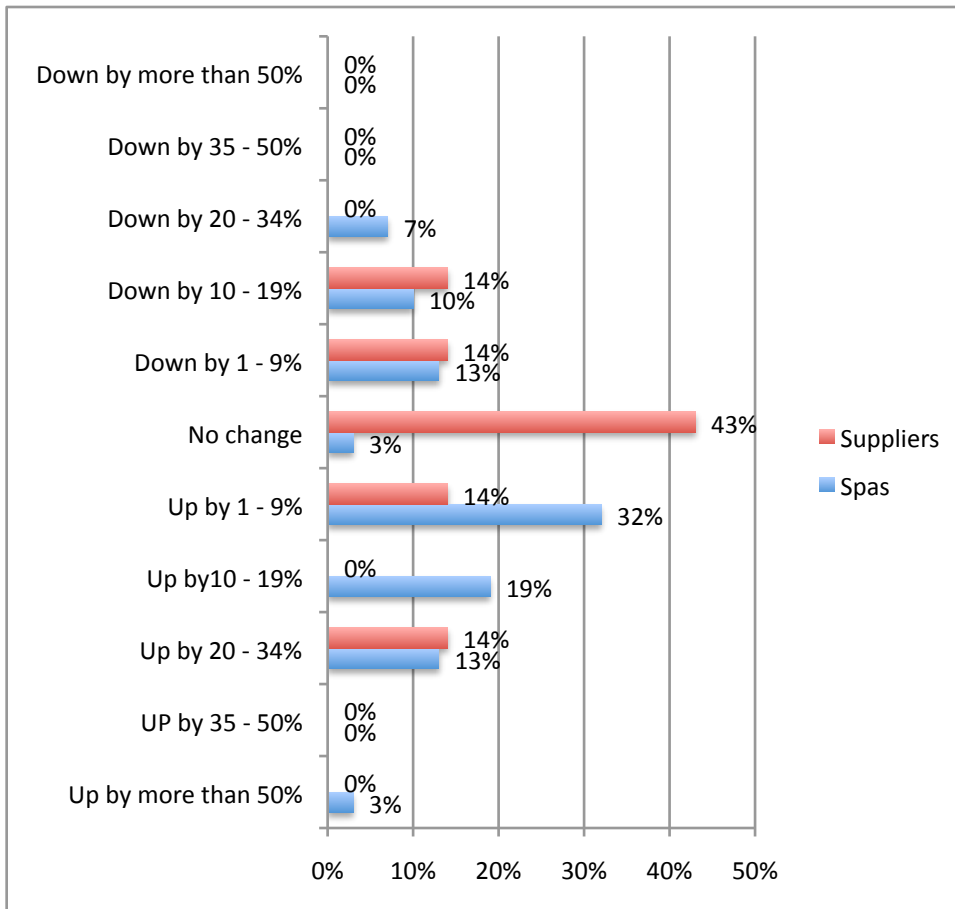
* A total of 50 LSC members participated in the survey. Due to rounding, totals may not equal 100 percent.

QUARTERLY FINANCIAL REPORT - OCTOBER 2009

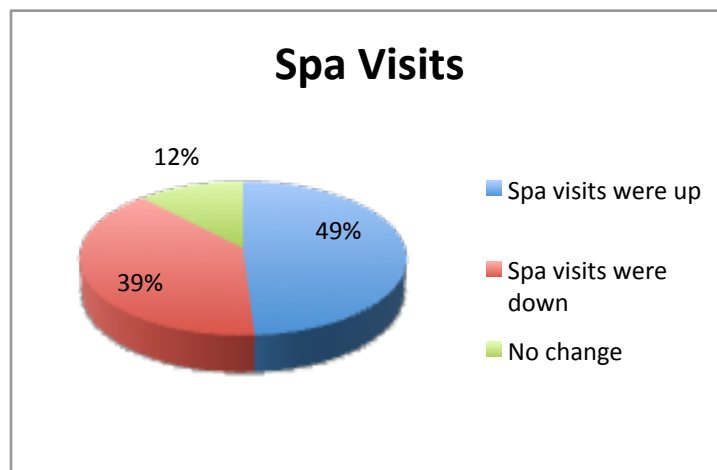
What was your gross revenue change for the third quarter of 2009 compared to the third quarter of 2008?



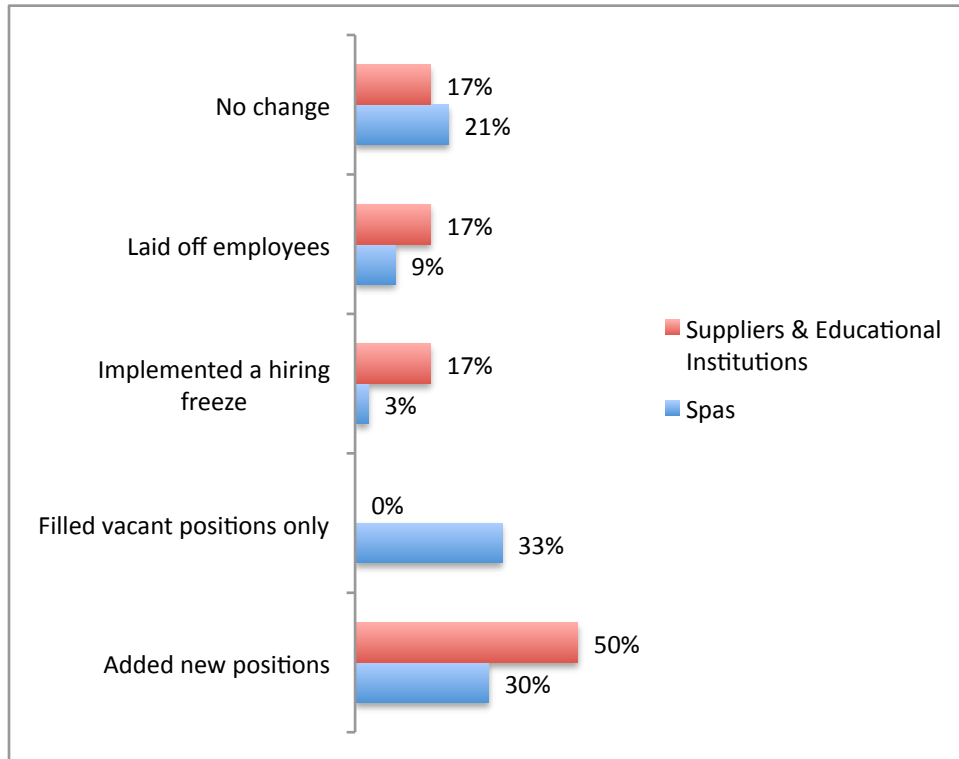
What was your profit change for the third quarter of 2009 compared to the third quarter of 2008?



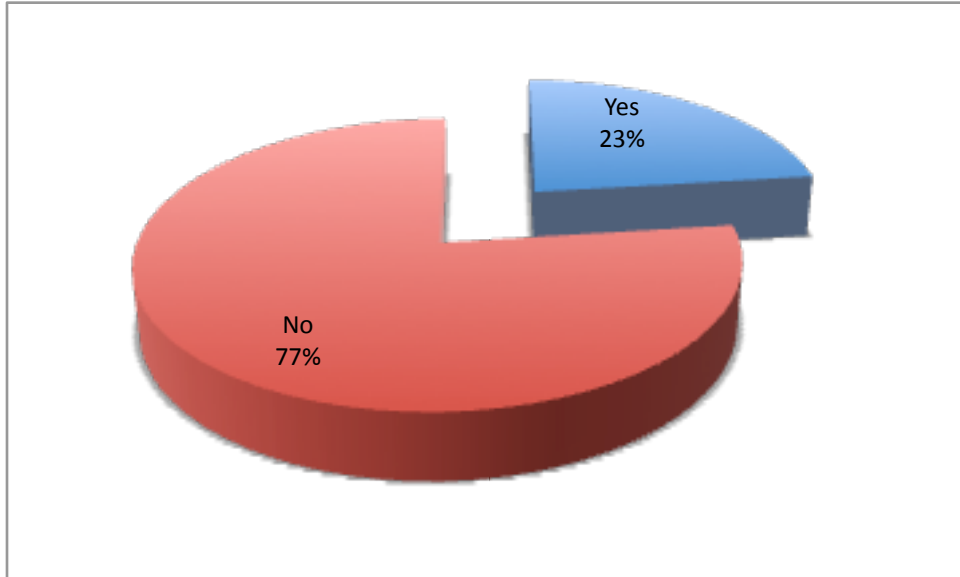
How did your number of spa visits change for the third quarter of 2009 compared to the third quarter of 2008?



Which of the following best describes your workforce changes for the third quarter of 2009?



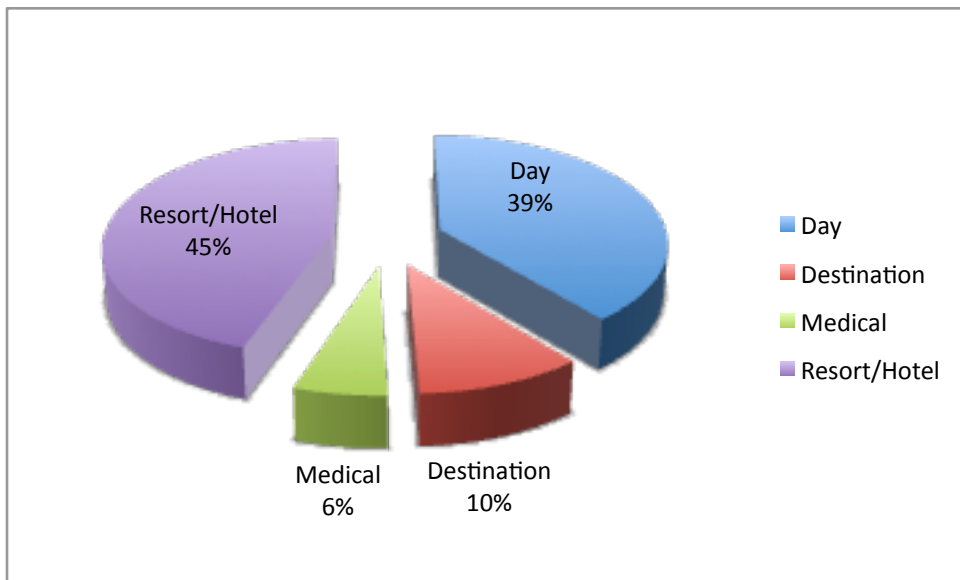
Does your spa partner with a local business to incorporate spa into their workplace? (eg. massage, wellness programs, employee reward programs, etc)?



If yes, please share how your spa partners with a local business to incorporate spa into their workplace

- They carry our newsletter, logos, pamphlets and participate in our events
- Specially priced access for employees/members
- We have joined with the Hilton Hotel as well as Exxon for their employee wellness days doing either chair massage or hand massages
- Affinity programs
- Corporate rates for hospitals, financial, pharmaceutical, associations
- Discounts for employees of major corporations

What spa type best describes your business?



Spa Members:

What is your company doing to prepare for the upcoming holiday season?

- Gift cards, re-merchandising boutique with gift items with limited stock, tastings, events, feature experiences, TV ads, print & radio
- Email promotions, extensive radio & electronic billboard
- Spa customer appreciation day, special discounts on selected products & services
- Promos on new services, advertising in local magazines for xmas edition, gift cards, fall promotions
- Gift cards, new product line, event days, advertising. Partnering with a college – student will work free of charge and those services will be passed on as a gift to our clients
- Holiday specials, member events, gift sets
- New package offerings, online advertising & radio
- Radio ads, corporate gift card programs, email marketing, website marketing, social media marketing, on site displays, special treatments for the holidays
- Increased advertising efforts and referral program promotions
- Retail promotions. Local business offers for gift card purchases for staff.
- Christmas open house with hourly prizes, radio advertising
- Client appreciation event in November where we begin traditional “pick your gift off the tree” event. Some years we use chocolate fortune cookies, other years we use pretty metallic box envelopes filled with a certificate for a future discount or for services or product.
- We encourage buying holiday gift certificates where the buyer also gets something back & for the corporate market, we offer gift with purchase or additional certificates after a certain dollar amount spend
- An aggressive online gift card campaign with a partner product – Aveda
- Newspaper ads
- Increase ads, mainly on the web and a few magazines
- Media blitz on radio & tv
- Holiday/wellness events
- Small gifts for regular clients
- Preferred pricing on multiple product purchases
- Email blasts, friends & family rates
- Consumer shows
- Gifting for VIP clients and Bring A Guest program

Spa Members:

How has the economy impacted your company’s budgetary plans for the upcoming fiscal year?

- Improving customer service policies, reward programs and partnering with new hair salon to increase database and awareness.
- Working with charity sector to partner for percentage donations on services in order to access databases
- Tightening our use of discretionary dollars but have increased our advertising budget
- Slowed down our print ads; more online ads
- Hasn’t affected us
- It has affected us, but not a lot to be concerned about
- Only necessary purchases, minimal increases
- We are having to tighten up employee hours while still trying to keep ourselves visible through advertising
- We find charity events to be great and we love to be able to give back to our clients in the form of incentives & hosting events.
- Advertising in print has become very strategic and our choices for this year are long term campaigns, such as high profile magazines & our association with LSC in their upcoming directory

- More \$ on marketing
- Less payroll, less expense
- Managing employee hours to meet guest demand is critical to controlling costs
- Numbers are increasing slightly. Groups are starting to return.
- Limit on advertising, ordering product just in time
- Less money to do staff events, more marketing wins out
- Reducing travel & conference budgets

Suppliers & Educational Institutions:

What is your company doing to prepare for the upcoming holiday season?

- Promotions
- No set plans for the holiday season
- Sending specials on all our regularly priced items
- Offering gift packages and promoting our gift certificates
- Preparing gift packs for retail. Clearing summer inventory
- Concentrating on my client's in-house promotions, upselling, cross-selling
- We have released new products and there will be marketing around the business visibility it can provide (crucial to businesses right now)
- Focusing our clients on preparing their boutique for maximizing retail sales during the upcoming holiday season
- Our business is not impacted

Suppliers & Educational Institutions:

How has the economy impacted your company's budgetary plans for the upcoming fiscal year?

- There has been an impact but we are innovative. We have introduced 23 new products in the last 8 months. This has proven to be fruitful
- We have not seen an effect from a softened economy as yet
- We have had little negative effect from the economy over the past year so our budgets have stayed on track
- Reduced marketing expenses and inventory size
- Concentrating on re-training staff on service excellence – combined with in-house, we will maximize existing business and fewer out your door initiatives but still some, with a close eye on advertising \$'s spent and more focus on word of mouth and community awareness which has lower cost and higher impact
- It is hard to have visibility in the top line in 2010. We are developing multiple budgets and operating plans based on different economic scenarios
- Reduced spending
- It has neutralized revenue growth expectations. However cost reduction/containment efforts will improve the bottom line
- We are not advertising in the first half of 2010