

Just relax: Expansion of services and high disposable income will likely benefit the industry

## IBISWorld Industry Report OD4186 Health & Wellness Spas in the US

February 2020

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# About this Industry

## Industry Definition

Companies in this industry offer spa services, such as massages, facials and body treatments.

The industry includes day spas, spa resorts, hotel spas and medical spas.

## Main Activities

### The primary activities of this industry are

Providing massages

Providing skin-care treatments

Providing facials

Providing hair treatments

Providing nail treatments

Retailing skin-care and cosmetic merchandise

### The major products and services in this industry are

Massage and bodywork treatments

Retail sales

Salon services

Skin-care treatments

All other

## Similar Industries

### 71394 Gym, Health & Fitness Clubs in the US

This industry operates fitness and recreational sports facilities. This industry also includes health spas.

### 72111 Hotels & Motels in the US

This industry provides short-term lodging in hotels, motor hotels, resort hotels and motels. This industry also includes resort spas.

### 81211 Hair & Nail Salons in the US

This industry includes salons that primarily offer hair-care and nail-care services. Industry operators may also offer day-spa services.

### 81219c Tanning Salons in the US

This industry includes companies that provide indoor tanning services and a variety of day-spas services.

## Additional Resources

### For additional information on this industry

[www.dayspaassociation.com](http://www.dayspaassociation.com)

Day Spa Association

[www.dayspamagazine.com](http://www.dayspamagazine.com)

Dayspa Magazine

[www.experienceispa.com](http://www.experienceispa.com)

International Spa Association

[www.census.gov](http://www.census.gov)

US Census Bureau

# Industry at a Glance

Health & Wellness Spas in 2020

## Key Statistics Snapshot

Revenue  
**\$19.8bn**

Annual Growth 15–20  
**2.1%**

Annual Growth 20–25  
**2.2%**

Profit  
**\$2.2bn**

Wages  
**\$10.2bn**

Businesses  
**20,659**

### Market Share

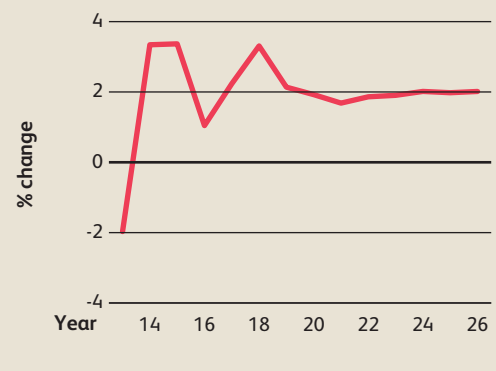
There are no major players in this industry

p. 23

Revenue vs. employment growth



Per capita disposable income



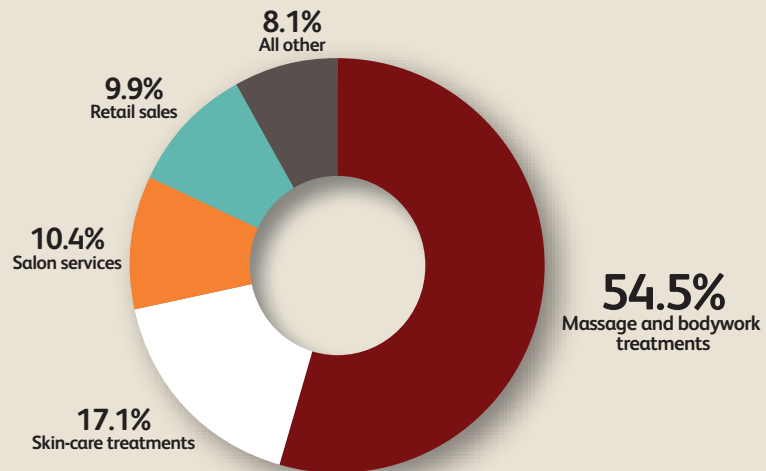
SOURCE: WWW.IBISWORLD.COM

### Key External Drivers

- Per capita disposable income
- Consumer spending
- Time spent on leisure and sports
- Number of adults aged 20 to 64
- Consumer Confidence Index

p. 4

Products and services segmentation (2020)



SOURCE: WWW.IBISWORLD.COM

## Industry Structure

Life Cycle Stage	Mature	Regulation Level	Medium
Revenue Volatility	Low	Technology Change	Low
Capital Intensity	Low	Barriers to Entry	Low
Industry Assistance	None	Industry Globalization	Low
Concentration Level	Low	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 28

# Industry Performance

Executive Summary | Key External Drivers | Current Performance  
Industry Outlook | Life Cycle Stage

## Executive Summary

The Health and Wellness Spas industry is anticipated to post strong growth over the five years to 2020. The industry includes a variety of health and wellness facilities such as day spas, spa resorts, hotel spas and medical spas. The majority of services that industry operators offer, such as massages and other bodywork services, are discretionary. As a result, industry performance is tied to fluctuations in consumer disposable income and confidence. Demand for

estimated 23,007.0 spas currently operating in the United States. According to ISPA, 79.1% of all industry establishments are day spas, while resort spas and medical spas make up the next largest categories. To generate growth, spas have expanded their array of service offerings, particularly their range of anti-aging treatments and medical treatments. These services, such as Botox, laser hair removal and teeth whitening, have represented strong sources of industry growth over the past five years.

**Demand for industry services has grown amid improved economic conditions**

industry services has grown amid favorable economic conditions. As per capita disposable income continues to rise, industry revenue is expected to grow at an annualized rate of 2.1% to \$19.8 billion over the five years to 2020, including 2.0% growth in 2020.

Americans made 190.0 million spa visits in 2018, according to the latest information from the International Spa Association (ISPA). According to IBISWorld estimates, there are an

Over the five years to 2025, improving economic conditions will continue to sustain industry growth. Industry revenue for the Health and Wellness Spas industry is forecast to rise at an annualized rate of 2.2% to an estimated \$22.1 billion. Rising per capita disposable income and sustained low unemployment are expected to lead to continued spending on discretionary spa services. Over the next five years, more spas are anticipated to market their services toward a growing male market. Nonetheless, a lack of qualified staff threatens to limit growth for the industry. Profit is anticipated to remain high, at an estimated 11.3% in 2025.

## Key External Drivers

### Per capita disposable income

Health and Wellness Spas industry revenue growth is positively correlated with trends in per capita disposable income. When per capita disposable income rises, consumers have more money to spend on discretionary services, such as massages, skin care treatments and nail treatments. Per capita disposable income is expected to increase in 2020.

### Consumer spending

Formally known as aggregate consumption, consumer spending

measures the total amount spent by Americans on services and new goods and net purchases of used goods. When consumer spending rises, individuals are more likely to spend on discretionary and luxury services, including on industry services. In 2020, the value of consumer spending is anticipated to increase, presenting a potential opportunity for the industry.

### Time spent on leisure and sports

As consumers have more free time available, they will be more likely to indulge in personal-care services, such as

# Industry Performance

## Key External Drivers continued

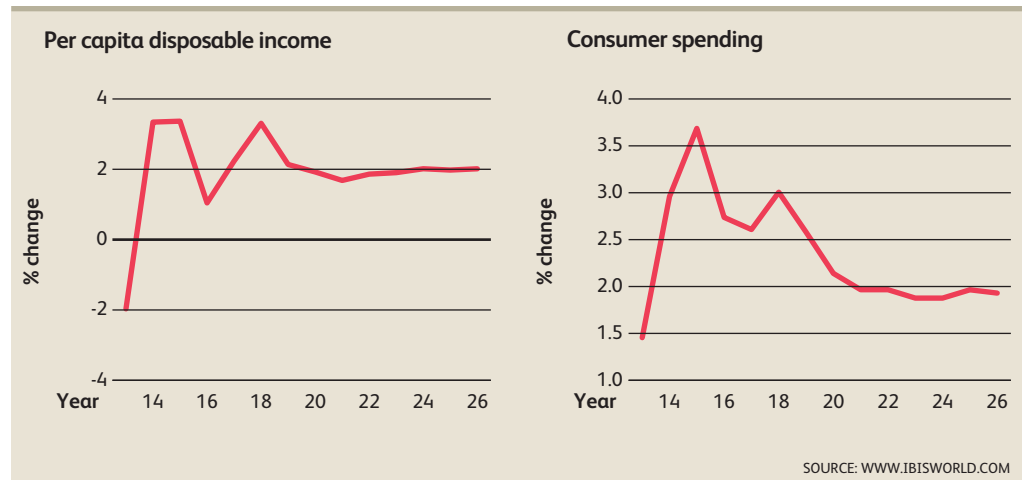
spa treatments and massages. The amount of time Americans spend on leisure and sports can be used as a proxy for free time. IBISWorld expects that time spend on leisure and sports will increase in 2020.

### Number of adults aged 20 to 64

Women within this age group are the largest source of demand for industry services given their average level of disposable income. An expansion in the size and income of this group will typically boost industry revenue. The number of adults aged 20 to 64 is expected to increase in 2020.

### Consumer Confidence Index

Consumer confidence reflects consumers' beliefs about how present economic conditions, such as the unemployment levels and inflation, will affect their future welfare. In addition to changes in the level of disposable income, consumers' expectations regarding their future income levels are central to their decision to purchase industry services, which are considered to be luxury discretionary services by nature. The consumer confidence index is expected to decline in 2020, posing a potential threat to industry operators.

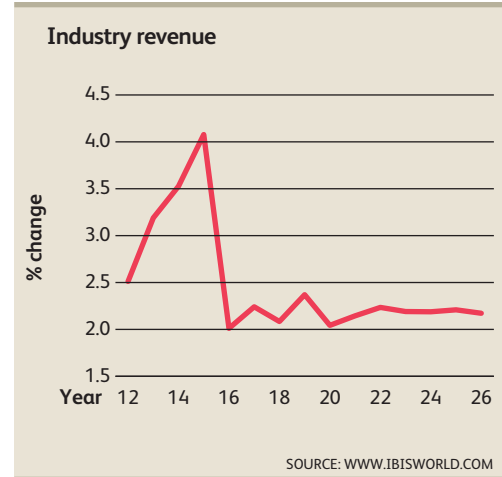


# Industry Performance

## Current Performance

The Health and Wellness Spas industry has experienced steady growth over the five years to 2020. Industry operators offer a wide variety of services, including massage and other bodywork treatments, skincare treatments, salon services and fitness and personal training services. In addition to day spas, which make up the vast majority of annual revenue, hotel spas, medical spas and spa resorts are also included in this industry.

Rising disposable income and consumer spending have supported demand for industry services during the period, evidenced by an increase in spa visits and an increase in the average revenue per visit. According to the 2019 ISPA US Spa Industry Study published by the International Spa Association (ISPA), an estimated 190.0 million people visited spas in 2018, up from 179.0 million visitors in 2015 during the beginning of the period. Moreover, the average



revenue per visitor has increased from an average consumer expenditure of \$89.00 in 2013 to \$96.50 in 2018. Overall, IBISWorld expects industry revenue to grow at an annualized rate of 2.1% to \$19.8 billion in 2020. Revenue is anticipated to grow 2.0% in 2019 alone.

## Consumer spending drives growth

Historically low unemployment and rising disposable incomes has propelled strong growth in consumer spending over the five years to 2020. During the five-year period, IBISWorld estimates that consumer spending has increased at an annualized rate of 2.6%, boosting demand for a variety of discretionary and luxury goods and services, including spa treatments. This trend is illustrated by an increase in the number of visitors to spas, indicating that more individuals have been able or willing to spend on industry services.

Alongside this, growth in the Consumer Price Index (CPI) has also supported revenue growth, contributing

to an increase in the average revenue per visit. IBISWorld estimates that the CPI has increased at an annualized rate of 2.0% during the five-year period. An increase in the price of services has contributed to an increase in revenue per visit, supporting revenue growth during the period. Nonetheless, increasing spending per visit is likely also due to growth in per capita disposable income, which has encouraged spa customers to upgrade to higher-priced services or request more treatments and services. Higher-value services and greater spending per visit has supported industry profit, which rose slightly from 9.3% in 2015 to an estimated 11.2% in 2020.

## Demand for industry labor

Growth in revenue and demand for industry services has encouraged industry operators to hire new

employees. During the five-year period, IBISWorld estimates that the number of industry employees has increased an

# Industry Performance

## Demand for industry labor continued

annualized 1.8% to 393,523 individuals in 2020. According to the latest data available from ISPA, the balance of full- and part-time employees is about even. Furthermore, the number of contract workers has continued a downward trend.

According to the 2018 ISPA US Spa Industry Study, one-third of spa operators stated an intention to create new jobs moving forward. Nonetheless, finding and retaining qualified employees has been one of the most significant challenges experienced by industry operators during the five-year period. According to the study, a lack of qualified talent is the most significant issue in the

industry, cited by 40.0% of respondents. An estimated 35,480 service provider roles and 2,540 spa director and manager positions remain unfilled, a factor that has increasingly affected the ability of the industry to meet growing demand from consumers. Spas need trained and certified personnel to deliver services, such as manicures, facials and massages. Operators that hire and retain qualified employees are more likely to attract loyal customer bases. To attract top personnel, spa operators have increased their salary and per-hour wage offerings, contributing to an increase in total industry wage expenditure alongside growth in employment.

## Franchises promote affordability

This industry is dominated by day spas, which are estimated to constitute 79.1% of total establishments in the industry. Following day spas, resort and hotel spas (8.7%) and medical spas (8.6%) also constitute a significant share of industry revenue. Overall, IBISWorld estimates that the number of industry establishments has increased at an annualized rate of 1.8% to 23,007 locations during the five-year period. This growth has been partly driven by franchise operators, such as Massage Envy Franchising LLC (Massage Envy) and The Woodhouse Spas Corporation (Woodhouse). Franchise spas are established relatively easily, with the majority of upfront costs dedicated to labor and franchise fees. Both of these companies, Massage Envy and Woodhouse, also tout the ability of their franchises to bring in average sales of \$1.2 million and \$2.0 million, respectively. The relatively low start-up costs of an industry franchise, coupled

## Relatively low start-up costs has encouraged new entrants

with the potential for high return, has helped to encourage new entrants into the industry by providing management support and easing barriers to entry.

In addition, franchise operators have helped shift the industry's reputation from an unaffordable luxury to an affordable luxury or even necessity. This shift has helped grow demand for industry services by making them, perceived or actually, more accessible to everyday consumers. This trend has also been aided by the overall wellness movement, which has enabled industry operators to position spa services within the broader movement as necessities that help consumers get closer to reaching an overall state of wellness.



# Industry Performance

## Industry Outlook

Over the five years to 2025, the Health and Wellness Spas industry is expected to experience sustained revenue growth. During the five-year period, IBISWorld projects that industry revenue will rise at an annualized rate of 2.2% to \$22.1 billion in 2025. Spa operators will benefit from continued growth in per capita disposable

income, fostering increased consumer spending on discretionary and luxury goods and services, including spa treatments and massages. Industry operators will continue to target traditionally untapped markets by tailoring services to men and marketing spa services as an aspect of an overall healthy lifestyle.

### Demand continues to grow

Over the next five years, the underlying drivers influencing demand for industry services will remain favorable. As a discretionary service, demand for spa services will continue to be strongly tied to trends in disposable income and consumer spending patterns. IBISWorld projects the national unemployment rate to rise slightly, at an annualized rate of 3.4% during the five-year period. Natural slowdowns from recent rapid growth in sectors are expected to put upward pressure on the unemployment rate over the next five years. Nonetheless, the rate of unemployment is anticipated to remain below or around the natural rate of unemployment of 5.0%, which is considered favorable.

Sustained low unemployment is expected to foster continued growth in per capita disposable income and consumer spending, which will contribute to revenue growth for the Health and Wellness Spas industry. IBISWorld forecasts per capita disposable income to increase at an annualized rate of 1.9% over the next five years. As a result, the value of consumer spending is also anticipated to grow an annualized 1.9%. Growing disposable income and consumer spending is anticipated to drive industry revenue growth by encouraging more consumers to spend on discretionary and luxury spa treatments. In addition, this is expected to drive consumers to spend more per visit, which will also

### Low unemployment and rising consumer spending will contribute to revenue growth

contribute to revenue growth for the industry.

In response to continued economic growth and greater spending on luxury spa treatments, IBISWorld expects the size of the industry to continue growing. Over the next five years, the number of establishments is forecast to rise at an annualized rate of 2.0% to 25,429 locations in 2025. Similarly, employment is expected to grow at an annualized rate of 2.1% to 436,929 staff people to help meet growing demand. The majority of these entrants will likely be day spas, which currently make up an estimated 79.1% of the market; however, medical spas will also be a likely source of growth for the industry.

According to the American Med Spa Association, revenue for medical spas and the number of medical spas in operation is expected to continue growing over the next five years. These spas typically operate under the full-time supervision of a licensed healthcare professional and offer a range of services, such as Botox injections, laser hair removal, nutritionist services and teeth whitening. The top three revenue-



# Industry Performance

## Demand continues to grow continued

generating services for medical spas are Botox injections, aesthetician services and laser hair removal. Continued growth in per capita disposable

income and consumer spending is anticipated to drive demand for these services, contributing to industry revenue growth.

## Growth markets

Over the next five years, men are expected to grow as a share of demand for the Health and Wellness Spas industry. Women are expected to continue to constitute a majority of the industry's demographic; however, men have made up a rising percentage of the industry's client base in recent years, which is a trend IBISWorld expects to continue over the five years to 2025. The 2018 International Spa Association (ISPA) study reports that 41.0% of spas are planning to introduce new promotions targeting the male audience moving forward. Overall, staffing and employee development initiatives were reported 54.0% of spas, with many stating a focus to introduce new employee training opportunities and create new jobs. Over the next five years, greater consumer demand for spa services is expected

## Men are expected to grow as a share of demand for the industry

to motivate more operators to expand the services they provide. According to ISPA, 28.0% of spas plan on creating a new portfolio of services moving forward.

Industry profit is expected to remain high over the next five years. Profit is anticipated to represent 11.3% of total industry revenue in 2025. Continued employment gains and growth in the average wage are anticipated to weigh slightly on profit. The lack of qualified staff is the most important issue for the industry; therefore, more operators are expected to raise wages to attract and retain a competitive staff.

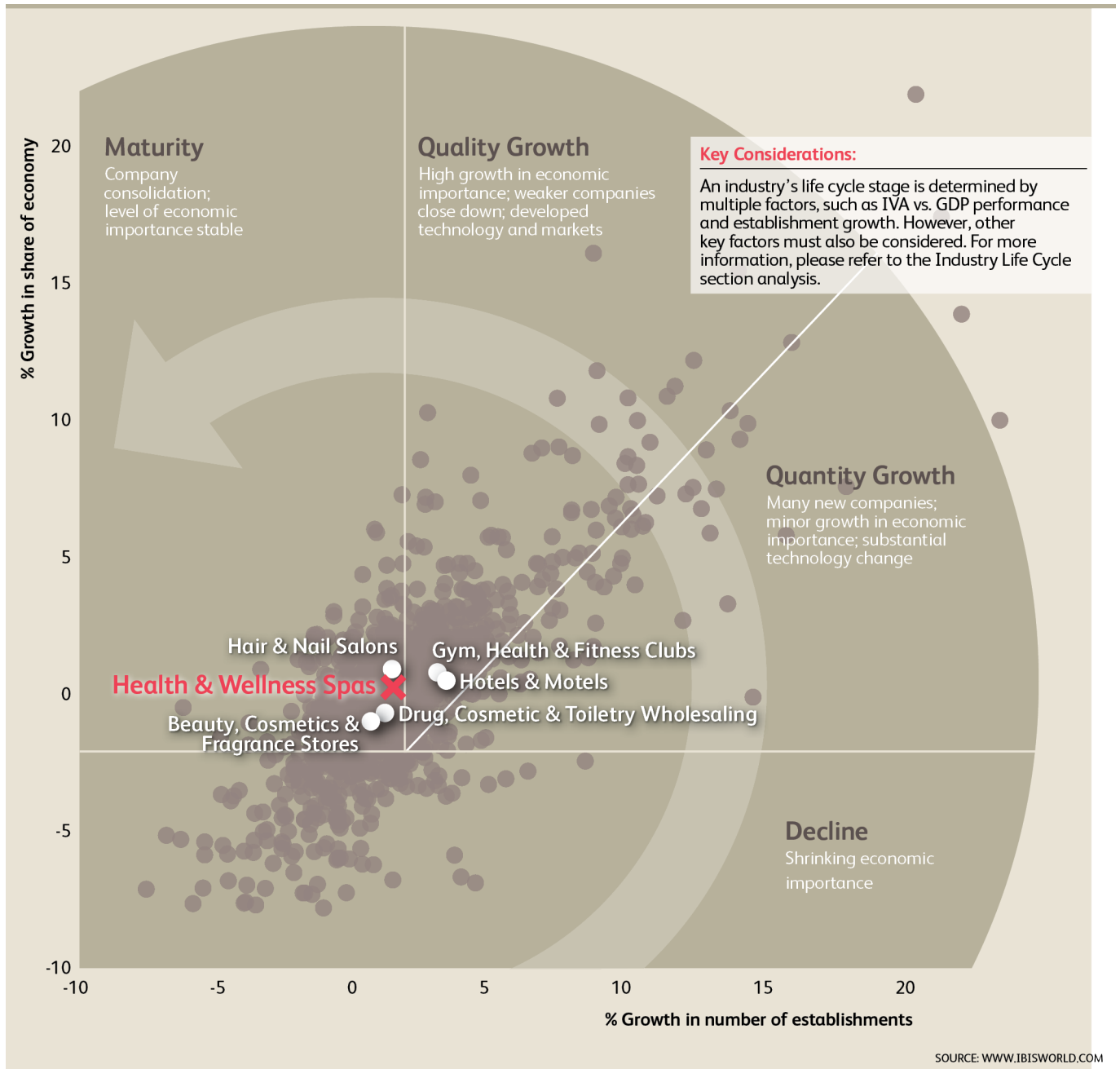
# Industry Performance

## Life Cycle Stage

Industry demand fluctuates in line with the economy

Product innovation is relatively low

The number of industry participants will increase modestly



# Industry Performance

## Industry Life Cycle

This industry is **Mature**

The Health and Wellness Spas industry is in the mature stage of its industry life cycle. Over the 10 years to 2025, industry value added (IVA), which measures the industry's contribution to the overall economy, is forecast to rise at an annualized rate of 2.7%. Comparatively, US GDP is projected to rise at an annualized rate of 2.1% during the same period. While IVA growth is projected to outpace GDP gains, low product innovation and establishment growth are key indicators that this industry is in the mature stage of its life cycle.

Although hardly a nascent industry, the Health and Wellness Spas industry came into greater prominence in the

1990s and 2000s with the proliferation of day and medical spas. The number of medical spas has grown, according to the International Spa Association. These spas offer services such as Botox injections, teeth whitening, nutritionist services, microdermabrasion and chemical peels. However, over the 10 years to 2025, the number of spas opening is expected to slow as the industry reaches greater saturation. During this period, the number of spa locations is estimated to grow at an annualized rate of 1.9% to 25,429 spas. This relatively slow growth indicates that the majority of the industry market is largely saturated, another hallmark of a mature industry.

# Products & Markets

Supply Chain | Products and Services | Demand Determinants  
 Major Markets | International Trade | Business Locations

## Supply Chain

### KEY BUYING INDUSTRIES

**99 Consumers in the US**  
 Private households account for nearly all demand for spa services.

### KEY SELLING INDUSTRIES

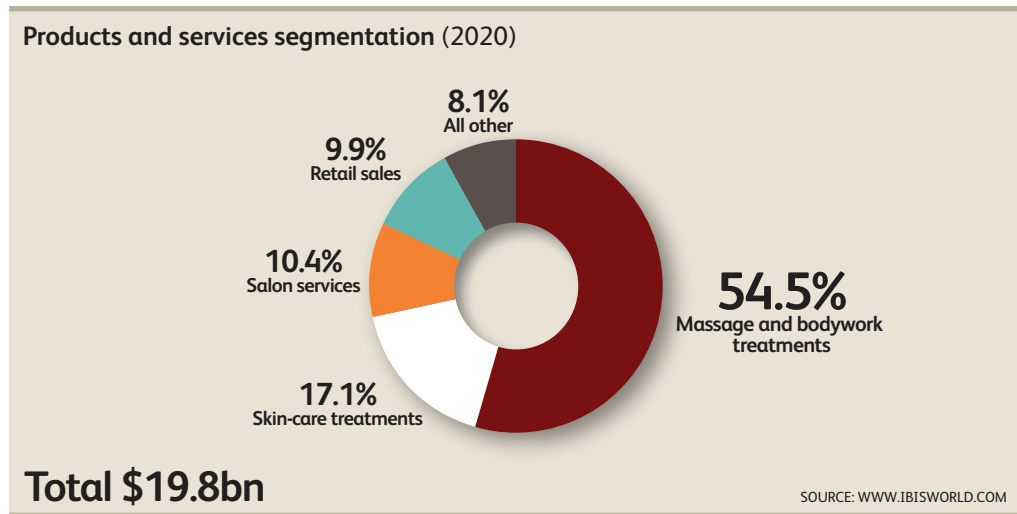
**42421 Drug, Cosmetic & Toiletry Wholesaling in the US**  
 Drug, cosmetic and toiletry wholesalers sell a wide range of cosmetics, hair and toiletry products to spas.

**44612 Beauty, Cosmetics & Fragrance Stores in the US**  
 These retailers provide cosmetic, skin and hair-care products for direct use and sale in spas.

**53112 Commercial Leasing in the US**  
 This industry leases shop space to spas.

**81232 Dry Cleaners in the US**  
 This industry launders gowns, towels and other linens used in spas.

## Products and Services



### Massage and bodywork treatments

Massage and bodywork encompass a wide range of treatments, including deep-tissue massage, acupuncture, trigger-point therapy and many others. These treatments target muscles, tendons, ligaments, skin, joints and many other points of the body and can also include a nonphysical component, usually aimed at deep relaxation. Massage and bodywork treatments comprise more than half of revenue for resort- and hotel-based spas but typically comprise less than a quarter of revenue for medical spas. In 2020,

IBISWorld estimates massage and other bodywork treatments to represent 54.5% of total Health and Wellness Spas industry revenue.

### Skin-care treatments

Skin-care treatments comprise cleansing, facial masks, exfoliation, toning, moisturizing and protection. Each of these treatments helps clean skin of dirt, oil or other debris; remove dead skin; unclog pores; or moisturize, protect and preserve the skin. Skin-care treatments represent the second-largest segment of

# Products & Markets

## Products and Services continued

industry revenue, generating 17.1% of industry revenue in 2020. Chemical peels, aesthetician services, Botox fillers and injections, microdermabrasion and photo-facial pulsed light services are among the most popularly demand services in this segment. Aesthetician services include skin care and beauty treatments, such as facials, makeup applications and hair removal services.

### Salon services

Salon services are estimated to account for 10.4% of total industry revenue in 2020. This segment primarily consists of hair and nail treatments. Nail services include manicures and pedicures, while hair treatments may include haircuts, highlights and color treatments, conditioning treatments, curl styling and permanent hair straightening services. This segment as a share of revenue has remained predominantly steady during the period.

### Retail

Operators in the Health and Wellness Spas industry also sell health and wellness products to customers; these sales are estimated to make up 9.9% of industry revenue in 2020. Skin-care products comprise half of all retail sales, and industry spas also sell hair care products, cosmetics, nail care products and apparel.

### Other

Other services include medically supervised services, fitness services, food and beverage sales, health and wellness services and membership fees, among others. For medical spas, medically supervised services generate one-third of all revenue, but revenue from these services is negligible at other types of spas. In total, other services are expected to generate 8.1% of industry revenue.

## Demand Determinants

The Health and Wellness Spas industry largely provides discretionary services to consumers. As a result, demand is subject to fluctuations based on trends in disposable income, consumer confidence and the unemployment rate. However, fashion trends are another factor that influences industry demand.

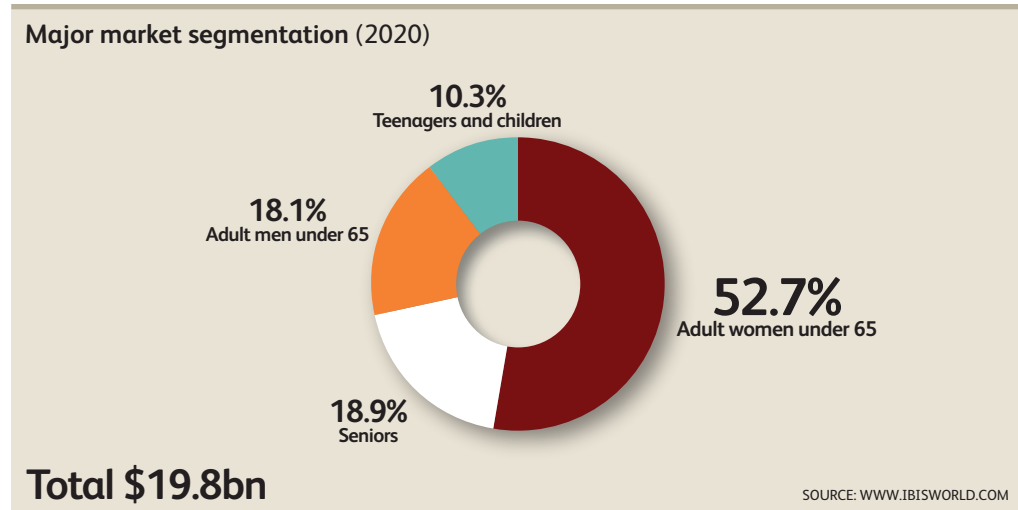
During the five-year period, improved economic conditions have fueled demand growth for industry services. The national unemployment rate has fallen, per capita disposable income has risen, and consumer confidence is high. As disposable income and consumer confidence have trended upward, consumers have been willing to spend more on discretionary products such as spa treatments and visits, supporting industry demand and revenue growth.

Fashion trends can also affect demand for spa services. For example, if nail extensions, bright colors or extravagant designs are in fashion, consumers may visit spas for nail treatments more often. At the same time, if natural short nails are very popular, consumers may reduce the amount of time and money spent at on nail care.

Another trend that has affected the industry is a growing trend among men frequenting day spas and using other industry salon services. Male customers are estimated to make up an estimated 18.1% of spa-goers. This trend has been partly aided by increased media exposure, including male-specific lifestyle magazines such as *GQ* and *Men's Health*. Moreover, day spas are expanding their array of services to specifically target the men's market, another factor that has generated growth.

# Products & Markets

## Major Markets



Unsurprisingly, the majority of spa-goers tend to be women under the age of 65. Furthermore, also unsurprisingly, spa-goers tend to be upper middle-class or wealthy. According to the Consumer Expenditures Survey by the Bureau of Labor Statistics (BLS), 55.8% of total revenue for spas is attributed to spending from consumers with incomes over \$100,000. Individuals with incomes between \$50,000 and \$99,000 are estimated to account for 29.3% of total revenue, while those that make below \$50,000 account for an estimated 14.9% of total revenue. Although brands such as Massage Envy Franchising LLC have been successful at marketing lower-cost massage services, the majority of spending on Health and Wellness Spas industry services still comes from those with significant disposable incomes.

### Adult women under 65

Adult women provide over half of industry revenue, estimated at 52.7%. Women make up a dominating 77.0% of spa clients, according to the International Spa Association. Due to the emphasis on female health and beauty in society, women have long dominated the clientele of health and wellness spas. However, the share of revenue generated by adult

women has declined over the past five years due to aggressive marketing to other demographics.

### Adult men under 65

Males have become a target demographic for spas. According to the International Spa Association, 40.0% of spas are offering special packages to men in an effort to cater to an untapped market. Currently, men account for only 23.0% of spa clients. The incorporation of spas into fitness facilities has aided growth in this market over the past five years, and adult men are now estimated to account for 18.1% of industry revenue.

### Seniors

Senior citizens will generate 18.9% of industry revenue. Since growth in the number of senior citizens has outpaced population growth, this segment has expanded over the past five years. Senior citizens are a prime demographic for spas due to the high rate of health and medical issues in late age. Older consumers view spas as a way to mitigate and prevent health problems that would be expensive to treat at other healthcare institutions. The International Spa Association reports that 14.0% of spas offer special packages that cater specifically to seniors.

# Products & Markets

## Major Markets continued

### Teenagers and children

As a growing market, consumers aged under 18 years now comprise 10.3% of industry revenue. While this demographic typically lacks the disposable income necessary to

demand spa services, many spas offer special packages to teens (29.0% of spas), children (12.0% of spas) and families (15.0% of spas), according to the International Spa Association.

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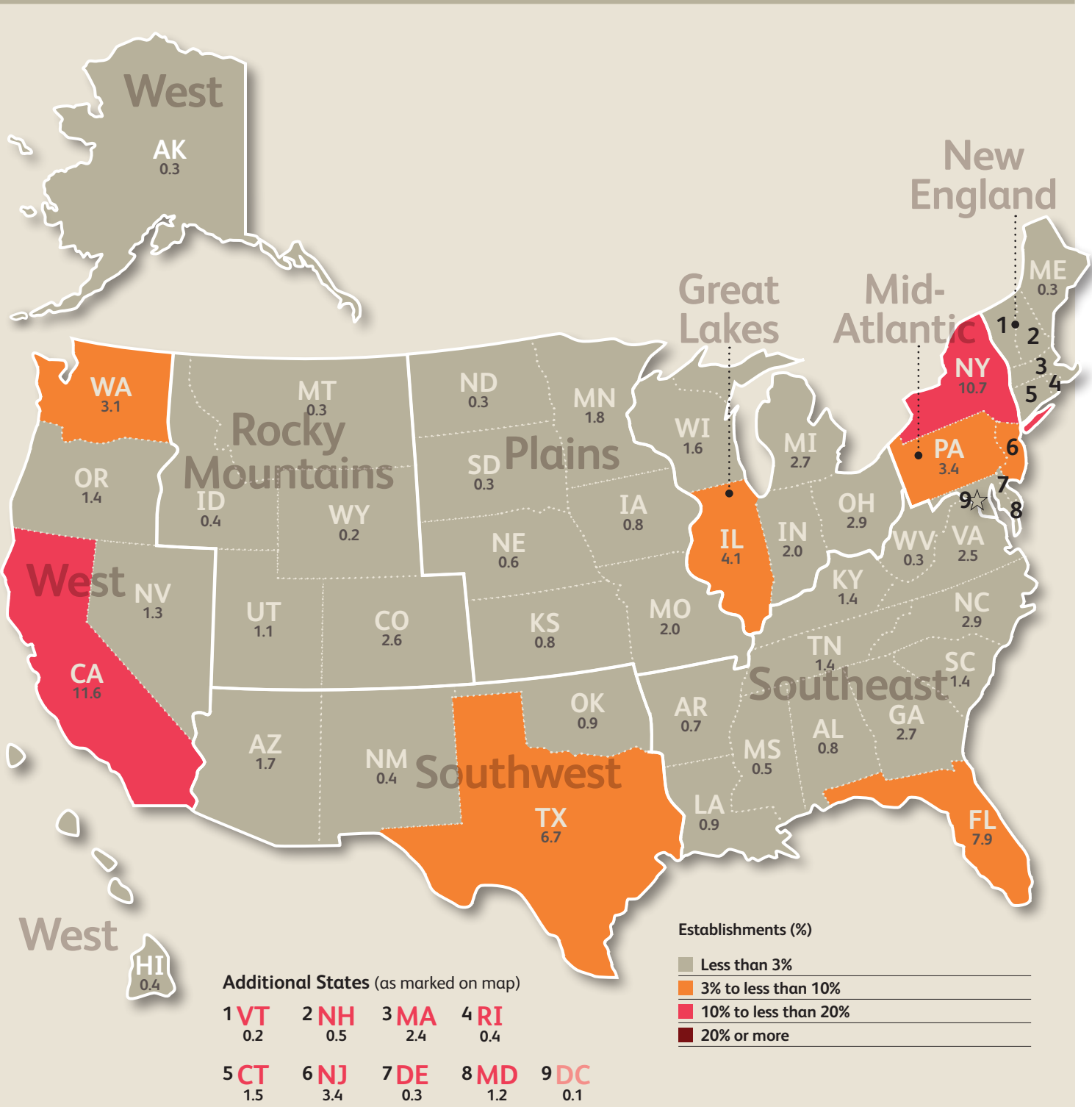
## International Trade

As a personal service industry, there is no international trade recorded within the Health and Wellness Spas industry.



# Products & Markets

## Business Locations 2020



# Products & Markets

## Business Locations

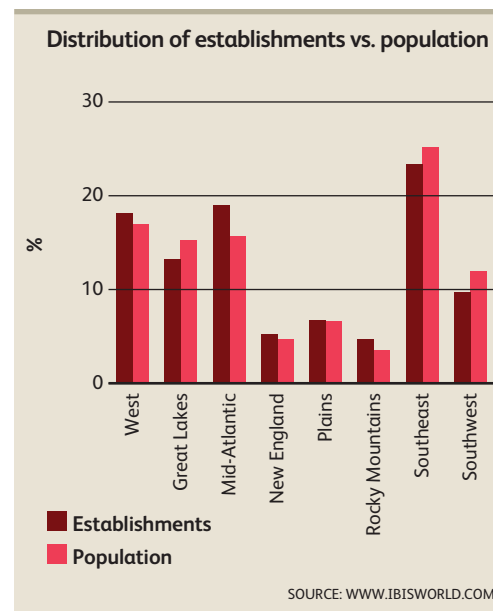
Establishments for the Health and Wellness Spas industry are distributed throughout the nation. However, the majority of industry operators are concentrated in the Southeast, Mid-Atlantic, West and Great Lakes regions. Health and wellness spa operators generally set up business near population centers (such as cities or large suburban areas) to have access to a steady stream of clientele.

### Southeast

The Southeast has the greatest share of personal care service operators in the country, with an estimated share of 23.4% of establishments. The region is home to 25.7% of the US population, and the distribution of spas closely mirrors this concentration. Florida alone is home to an estimated 7.9% of industry establishments, making it the third-most popular state in the country for health and wellness spas. Population density in the Southeast has been growing over the past decade, and greater migration toward the Southeast region makes it an attractive destination for industry operators.

### Mid-Atlantic

The Mid-Atlantic also holds 19.0% of industry establishments. This share is significantly higher than the region's respective share of the population, which is 15.2%, according to the latest information from the US Census Bureau. The states with the highest concentration of establishments are New York (10.6%) and New Jersey (3.4%). Franchisees locate salons and day spas near major metropolitan centers because of the large consumer markets in the area. Companies typically choose to locate in high-traffic locations to enhance the level of walk-ins. Furthermore, the Mid-Atlantic region has a slightly higher-than-average per capita income level, making it more attractive to operators.



### West

The West accounts an estimated 18.1% of industry establishments. Establishment density in the West is dominated by California, which has the highest percentage of spas in the entire country, estimated at 11.6% of the total. California is an attractive destination due to its large consumer markets in Los Angeles, San Francisco and San Diego. Furthermore, the West has higher per capita income compared with the rest of the nation, meaning consumers have greater income to spend on discretionary services such as nail care and specialty spa services. This region's share of establishments has remained relatively constant over the past five years.

### Great Lakes

The Great Lakes is estimated to hold 13.2% of industry day spas and nail salons. The major states within the Great Lakes region are Illinois (4.1%) and Ohio (2.9%). The Great Lakes region, with its large urban centers such as Chicago, holds 14.5% of the nation's population. Over the past five years, this region has experienced lower

# Products & Markets

## **Business Locations continued**

population growth, making the Great Lakes a less popular destination for industry spas.

# Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks  
Basis of Competition | Barriers to Entry | Industry Globalization

## Market Share Concentration

Level  
Concentration in this industry is **Low**

Market share concentration within the Health and Wellness Spas industry is low. Massage Envy Franchising LLC, a notable industry franchise, has over 1,000 locations throughout the country. However, the company does not hold a market share within the industry since industry-relevant revenue is attributed to each independent franchise owner and the company does not operate any company-owned establishments. This is

illustrative of the industry's high level of fragmentation. Operators are spread across many locations to be close to key consumer markets in high-traffic locations. This trend makes it difficult for one company to serve a large portion of the entire market. Other large companies are typically high-end resorts such as Canyon Ranch, which generates high revenue per establishment but only operates a few locations.

## Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

### Having a loyal customer base

A satisfied client base will encourage repeat customers, which will help minimize revenue fluctuations.

### Business expertise of operators

It is critical to have experience and skills in managing and operating all aspects of a small business to achieve financial success.

### Ability to provide a range of services for different customer markets

Operators that develop a range of basic and specialty services and expertise reduce the effects of local price-based competition.

### Proximity to key markets

It is important for industry establishments to be conveniently located near key customer markets.

## Cost Structure Benchmarks

### Wages

Labor is the largest expense for industry operators. In 2020, labor expenses are expected to account for 51.3% of revenue for the average industry operator. Labor expenses include wages and benefits, such as health insurance, workers' compensation and unemployment insurance. Labor expenses are high in the Health and Wellness Spas industry due to the labor-intensive nature of most spa offerings. Moreover, employees are needed for administrative and supervisory roles. Salary and wage payments made to contractors are also included in this cost segment. This segment has grown as a share of industry revenue, up from 50.2% in 2015, due to growth in the average wage and the number of industry employees.

### Purchases

Purchases are the second-largest expense for industry franchisees and generally

account for 11.5% of revenue. Typically, spas purchase linens, lotions, oils and other skin-care treatments, cosmetics, nail polishes, acrylics, nail polish removers, waxes, applicators and gels. Industry operators purchase from professional beauty product distributors, and this cost has remained steady during the five-year period.

### Profit

Profit, measured by earnings before interest and taxes, is estimated to represent 11.2% of total revenue for the Health and Wellness Spas industry. This level of profit is similar to the average operator in other personal service industries. However, profit varies among players, depending on the size of the spa operation, with larger operators benefiting from economies of scale. Profit has risen marginally during the five-year period, up from 9.3% in 2015. Increased per capita disposable income, falling unemployment and improved

# Competitive Landscape

## Cost Structure Benchmarks continued

consumer sentiment have fueled growing demand for industry services. Consequently, industry operators have been able to generate higher returns for their services.

### Depreciation

Depreciation accounts for an estimated 2.8% of industry revenue in 2020. This expense has increased slightly over the past five years. Industry operators must invest in computer systems and spa equipment. This may include manicure tables, pedicure spa chairs, salon tables, massage tables, UV lights, electric files, sterilization equipment, fans, towels and airbrush equipment.

### Marketing

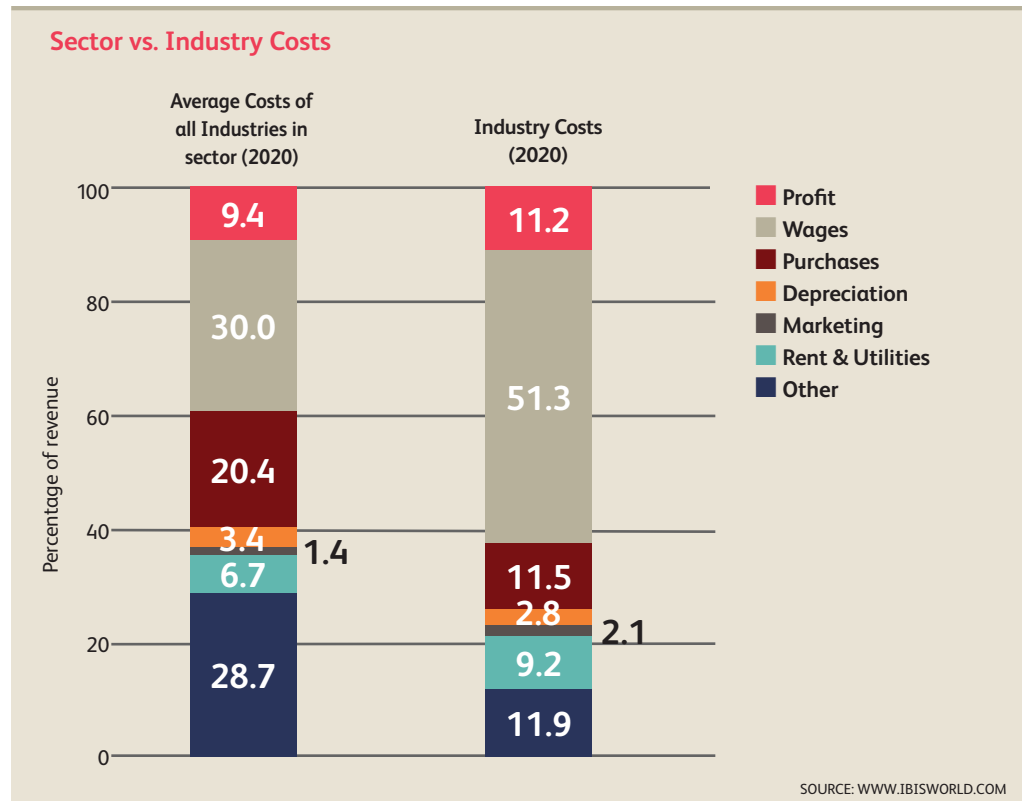
Marketing and promotional expenditures are estimated to represent an additional 2.1% of industry revenue.

### Rent

Operators in the Health and wellness spas industry spend an additional 7.5% of their annual revenue on rent. Industry facilities must have enough space to hold a variety of rooms and stations offering the industry's diverse services. According to the International Spa Association (ISPA), the vast majority of spas in the United States have dedicated treatment rooms and retail facilities, both of which take up a considerable amount of floor space. Utilities include water, electricity, heating and communications such as telephone and internet.

### Utilities

Utilities account for an estimated 1.7% of total revenue. This expense is not a relatively significant one for industry operators.



# Competitive Landscape

## Cost Structure Benchmarks continued

### Other

All other expenses are estimated to account for 11.9% of total industry

revenue. This includes miscellaneous administrative expenses, insurance and taxes, among other costs.

## Basis of Competition

### Level & Trend

Competition in this industry is **High** and the trend is **Steady**

Competition among Health and Wellness Spas industry operators is based on price, service quality, location, customer loyalty and brand-name recognition. During the recession, value-oriented spas that offered discounted pricing to consumers performed well, as consumers who in the past frequented luxury destination spas began going to these more inexpensive day spas. Decreased disposable income during the recession and slow recovery prompted a greater focus on price-based competition within the industry, with more operators offering special discounts and promotions to customers to sell their higher-valued services.

Quality of service is an extremely important component of competition in the industry. Generating repeat clients and favorable feedback through word-of-mouth recommendations and online reviews is key to developing a steady revenue base. Spas provide high-quality service by offering a variety of treatments and products that clients can choose from and being up-to-date on current beauty trends.

Clients develop strong loyalties; therefore, aggressive marketing by

operators is also key to generating sales. Typically, the average spa spends 2.1% of its revenue on marketing and advertising. Furthermore, spas that offer a wide range of services, such as massages, bodywork, manicures, pedicures, facials, waxing, body wraps and other relaxation services, will develop a competitive edge because customers are more likely to purchase a wider variety of services if they are offered in the same location. In addition, a greater share of spas salons is increasingly targeting the male market. Adult men are estimated to make up 18.1% of total industry revenue. Moreover, an estimated 40.0% of spas are expected to offer services geared toward men in next few years, according to data from the International Spa Association (ISPA).

A spa's location is another basis of competition. Spas that are located near shopping malls, department stores and downtown locations have a competitive advantage over remote locations. These high-traffic areas will likely generate a higher number of walk-in clients.

## Barriers to Entry

### Level & Trend

Barriers to Entry in this industry are **Low** and **Steady**

The Health and Wellness Spas industry has low barriers to entry. The industry is in the mature stage of its industry life cycle, and more companies are entering the industry to satisfy rising demand for industry services. Competition within the industry is high and increasing; however, which does present a barrier to success for new entrants. Start-up costs are low, as new entrants need only rent a space and purchase relatively low-cost equipment. However, a company's success relies upon the skill of its employees, so a new entrant would need to find and hire talented and

### Barriers to Entry checklist

Competition	High
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Low
Regulation and Policy	Medium
Industry Assistance	None

SOURCE: WWW.IBISWORLD.COM

appropriately licensed masseurs, skin-care specialists, hair and nail stylists and other

# Competitive Landscape

## Barriers to Entry continued

skilled workers. In addition, new businesses must take advantage of location benefits to be successful; operators will want to locate spas near high-traffic areas to maximize the number of walk-in clients. Destination spas will usually locate in either an

acclaimed resort or specifically away from high-traffic areas to promote relaxation. To overcome the lack of walk-in clients, these spas must invest more heavily in marketing and advertising to draw clients to their facilities.

## Industry Globalization

Level & Trend  
Globalization in  
this industry is  
**Low** and the trend  
is **Increasing**

The Health and Wellness Spas industry has a low level of globalization. Due to the service-based nature of operations, there is no international trade recorded within the industry. However, spas are expected to increasingly expand their international presence over the next five

years due to strong growth potential abroad, particularly in emerging markets. The Woodhouse Spas Corporation plans to add 100 international locations during the next decade, with a focus on expansion into Canada and Mexico.



# Major Companies

There are no Major Players in this industry | Other Companies

## Other Companies

The majority of operators in the Health and Wellness Spas industry are single-location businesses. These

spas typically serve a small geographic area or specialize in one type of spa service.

## Other Company Performance

Canyon Ranch  
Market Share: 0.1 %

Canyon Ranch was founded in 1979 with the opening of its first destination resort in Tucson, AZ. Now the company operates additional locations in Lenox, MA; Woodside, CA; and in Las Vegas, NV. The company also operates spas aboard 22 luxury cruise ships in partnership with Celebrity Cruises and Cunard. Spas operated by Canyon Ranch aim to provide integrated

wellness experiences that target both mental and physical wellness. Canyon Ranch spas and wellness programs provide traditional spa treatments, in addition to personal training and fitness classes and speaker events centered on mental health. In 2020, IBISWorld estimates Canyon Ranch will generate \$22.4 million in industry-relevant revenue.

## Other Company Performance

The Woodhouse Spas Corporation  
Market Share: 0.0 %

The Woodhouse Spas Corporation (Woodhouse) opened its first Woodhouse Day Spa location in Victoria, TX, in 2001. Two years later, the company began franchising and currently operates 64 locations. Of these locations, 60 are franchises and four are company-owned establishments. Woodhouse offers consumers high-end spa services ranging from massages, facials, microdermabrasion, waxing and body

wraps. Woodhouse also offers a range of services tailored for men, including deep-tissue massages, men's manicures and facials. In 2020, IBISWorld expects Woodhouse to generate \$7.9 million in industry-relevant revenue from its company-owned establishments. Revenue generated through franchise locations is attributed to each independent owner, and not the Woodhouse brand.

## Other Company Performance

Montage Hotels & Resorts  
Market Share: 0.0 %

Montage Hotels & Resorts (Montage Hotels) is a luxury hotel and resort management company that was founded in 2002. The company currently operates seven destination resorts, with an eighth resort expected to be completed in 2021. Destination resorts are located in Beverly Hills, Deer Valley, Healdsburg, Kapalua

Bay, Laguna Beach, Los Cabos and Palmetto Bluff. All resorts have a Montage spa that incorporates elements of the surrounding area into its service portfolio and décor. Through its US resort spas, Montage Hotels is estimated to generate \$5.2 million in industry-relevant revenue in 2020.

## Other Company Performance

Massage Envy Franchising LLC  
Market Share: N/A

Massage Envy Franchising LLC (Massage Envy) is the largest massage therapy franchise in the United States. Massage Envy first opened its doors in 2002 and offers an array of spa services to its visitors, ranging from massages to personalized facials.

In 2012, Roark Capital Group acquired the company. Massage Envy is headquartered in Scottsdale, AZ, and has a network comprising 1,181 franchised locations.

The company aims to provide affordable treatments; massages start at

# Major Companies

## Other Company Performance continued

\$49.00 per hour, while facials start at \$59.00 per hour. It also offers a membership program, which costs customers \$59.00 per month and includes a loyalty program through which members can earn free massages or purchase additional services at a discount. Although the majority of the company's locations are in metropolitan areas, it has increasingly expanded to

smaller, more suburban locations over the five years to 2020. Since the company does not operate any company-owned locations, any industry-relevant revenue generated under the Massage Envy brand is attributed to the independent franchise owner. Nonetheless, the company is included here due to its strong brand recognition that each franchise owner benefits from.

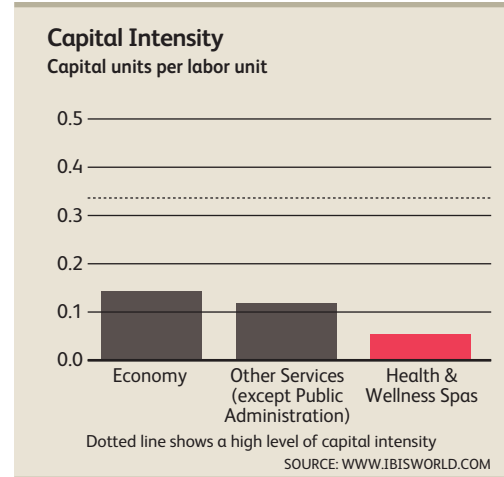
# Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility  
 Regulation & Policy | Industry Assistance

## Capital Intensity

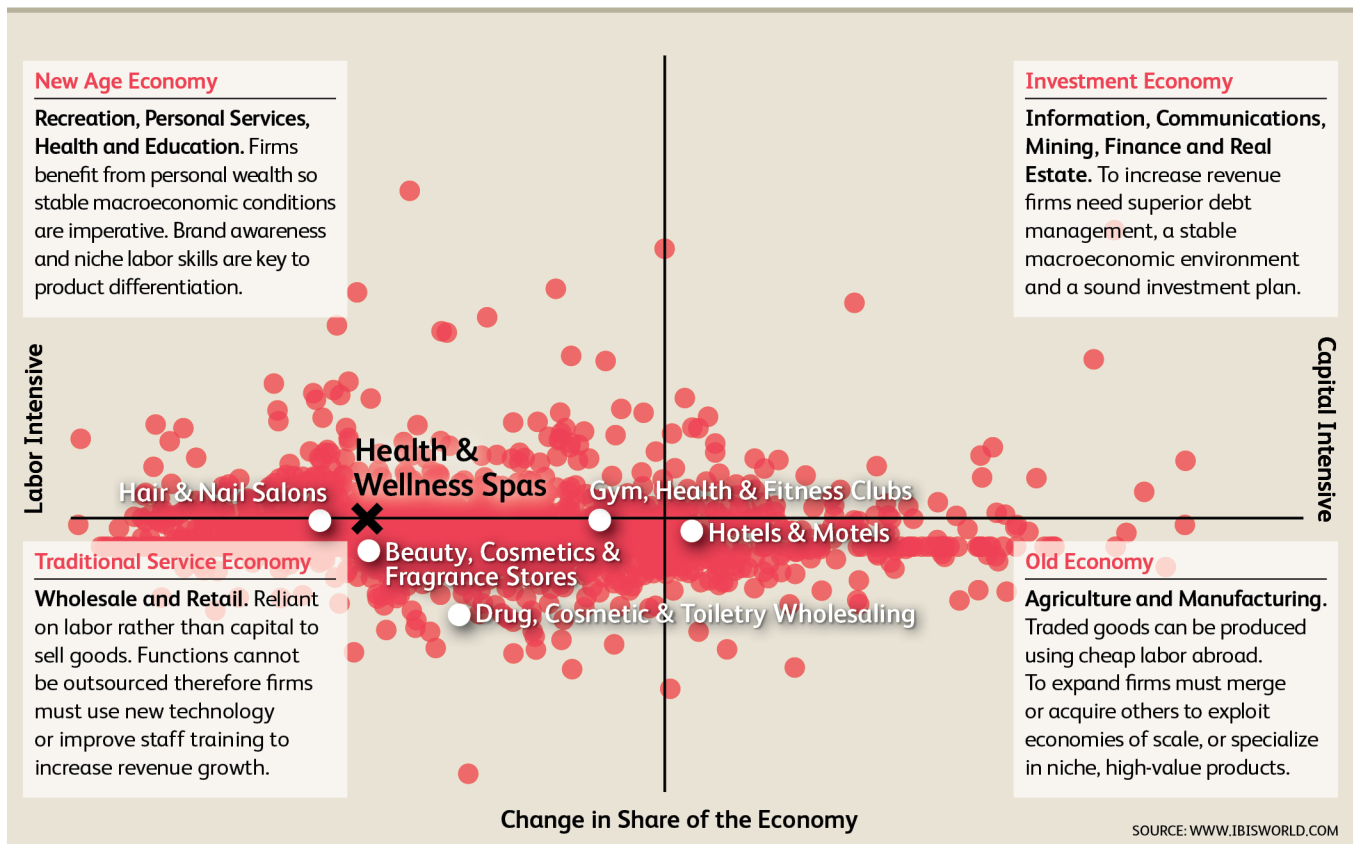
**Level**  
 The level of capital intensity is **Low**

The Health and Wellness Spas industry has a low level of capital intensity. For every \$1.00 spent on wages, the average industry operator devotes an estimated \$0.06 to capital expenditures. The industry's capital intensity has remained relatively steady over the past five years and is similar to other personal service industries, which are characterized by their labor-intensive nature. Spas rely heavily on employees to perform massages, waxing, facials, manicures, pedicures and other spa treatments. Moreover, industry operators must also hire employees for administrative roles. However, some day spas, such as Planet Beach Contempo Spa, offer automated day spa services. Its salons have massage beds, guided meditations and skin-care



treatments. Many of these services are provided on an automated basis, which limits the company's labor expenses and

## Tools of the Trade: Growth Strategies for Success



# Operating Conditions

## Capital Intensity continued

increases their dependence on capital. Capital investment for franchise day spas and nail salons is mainly in massage tables, facial steamers and ultrasonic

equipment. Moreover, franchises invest in manicure tables and chairs, in addition to hand dryers and computer systems.

## Technology and Systems

Level  
The level of technology change is **Low**

The Health and Wellness Spas industry has experienced a low level of technological change over the past decade. For the most part, technological changes have largely focused on website development, including greater use of online mediums for scheduling appointments. According to the International Spa

Association (ISPA), the vast majority of spas have their own websites, and slightly more than half permit clients to book appointments online. Moreover, marketing and advertising have shifted over the past decade to include a wider array of social media and other online marketing platforms.

## Revenue Volatility

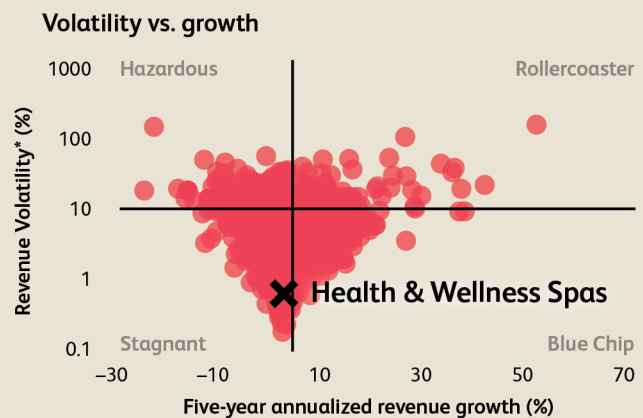
Level  
The level of volatility is **Low**

The Health and Wellness Spas industry has exhibited a low level of revenue volatility over the five years to 2020. Industry revenue can drop sharply when falling incomes cause consumers to cut back on discretionary expenses, such as spa trips or particularly expensive value-added treatments. Per capita disposable income has grown during the five-year period, leading to increased

demand for spas. IBISWorld expects health and wellness spas to continue to experience low volatility in coming years. The industry is expected to remain vulnerable to fluctuations in disposable income, but the wide variety of services that operators offer (including both high-end luxury and more affordable services) will likely continue to buffer revenue from significant fluctuations.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.



\* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM

# Operating Conditions

## Regulation and Policy

Level & Trend  
The level of Regulation is **Medium** and the trend is **Steady**

The Health and Wellness Spas industry is subject to a moderate degree of regulation at the state and federal level due to licensing requirements and consumer protection laws.

### Federal regulations

Spas are subject to advertising and consumer protection laws. Under federal and state law, ads that mislead or deceive consumers are unlawful. The Federal Trade Commission (FTC) can take legal action if a spa's ads are misleading. Typical zoning and real estate land use restrictions also apply to spas. Landlords must obtain all necessary zoning approvals and permits for the site to be used as a retail establishment.

Industry operators must also comply with the Health and Safety in Employment Act of 1992. Operators must identify workplace hazards, such as exposure to chemicals, and they must take all practical steps to prevent harm from occurring to stylists and clients. Industry operators must also check premises for compliance with the public health legislation and associated codes and guidelines regarding cleanliness, construction, sterilization and equipment use and personal hygiene.

While the industry does not manufacture products, the cosmetic products it sells are subject to regulation by the Food and Drug Administration

(FDA), the FTC and the state attorney general. These regulations principally relate to the safety of ingredients used, proper labeling, advertising, packaging and marketing.

### State regulations

Most states have licensing requirements for nail technicians, skin-care technicians and massage therapists. Employees must complete a program in an accredited state-licensed cosmetology or esthetics (skin care) school. License qualifications vary by state, but a person must generally have a high school diploma or GED, be at least 16 years old and have graduated from a state-licensed esthetics or cosmetology school. Education requirements vary widely by state. For example, Colorado requires only 20 practice hours for a nail technician's license, while Alabama requires 750 hours. Waxing is covered under a cosmetology or esthetics license in most states. Currently, New York and Virginia are the only states with specialized waxing licenses. States also usually require a fee to be licensed, and periodic license renewals may be necessary. Massage therapy licensing requirements vary from state to state and typically include courses in CPR, graduation from a massage therapy course, educational requirements and a minimum number of practice hours.

## Industry Assistance

Level & Trend  
The level of Industry Assistance is **None** and the trend is **Steady**

The Health and Wellness Spas industry does not receive any industry-specific government assistance in the form of subsidies or otherwise. A variety of industry associations exist, including the Spa Association, the Day Spa Association and the International Spa Association, all of which support industry operators by gathering and publishing industry-

relevant research, and providing opportunities such as conferences wherein industry participants may network and share best practices. These associations also represent industry interests to both national and international institutions such as governments and consumer advocacy groups.

# Key Statistics

## Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand	Per capita disposable income (\$)
2011	15,639.2	9,289.7	19,850	18,056	338,600	--	--	7,819.6	N/A	38,777.6
2012	16,032.0	10,105.4	19,960	17,829	339,400	--	--	8,213.6	N/A	39,778.6
2013	16,543.2	10,465.2	20,180	18,055	343,600	--	--	8,231.9	N/A	38,995.4
2014	17,126.6	10,963.0	20,660	18,284	349,900	--	--	8,548.2	N/A	40,298.7
2015	17,825.0	10,995.2	21,020	18,837	359,300	--	--	8,945.3	N/A	41,656.0
2016	18,183.5	11,192.4	21,260	19,151	365,200	--	--	9,283.1	N/A	42,090.8
2017	18,591.0	11,795.5	21,770	19,571	372,100	--	--	9,508.8	N/A	43,030.9
2018	18,978.5	12,286.5	22,160	19,909	377,900	--	--	9,762.3	N/A	44,454.5
2019	19,428.3	12,709.5	22,581	20,278	385,906	--	--	9,974.0	N/A	45,404.3
2020	19,825.3	12,958.0	23,007	20,659	393,523	--	--	10,172.3	N/A	46,278.0
2021	20,250.5	13,200.4	23,465	21,070	401,695	--	--	10,384.9	N/A	47,056.9
2022	20,703.0	13,461.7	23,933	21,492	410,285	--	--	10,609.0	N/A	47,933.4
2023	21,156.5	13,760.5	24,412	21,919	418,889	--	--	10,833.4	N/A	48,846.3
2024	21,619.4	14,056.7	24,918	22,371	427,782	--	--	11,064.8	N/A	49,830.6
2025	22,096.9	14,364.9	25,429	22,827	436,929	--	--	11,303.0	N/A	50,816.4

## Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Per capita disposable income (%)
2012	2.5	8.8	0.6	-1.3	0.2	N/A	N/A	5.0	N/A	2.6
2013	3.2	3.6	1.1	1.3	1.2	N/A	N/A	0.2	N/A	-2.0
2014	3.5	4.8	2.4	1.3	1.8	N/A	N/A	3.8	N/A	3.3
2015	4.1	0.3	1.7	3.0	2.7	N/A	N/A	4.6	N/A	3.4
2016	2.0	1.8	1.1	1.7	1.6	N/A	N/A	3.8	N/A	1.0
2017	2.2	5.4	2.4	2.2	1.9	N/A	N/A	2.4	N/A	2.2
2018	2.1	4.2	1.8	1.7	1.6	N/A	N/A	2.7	N/A	3.3
2019	2.4	3.4	1.9	1.9	2.1	N/A	N/A	2.2	N/A	2.1
2020	2.0	2.0	1.9	1.9	2.0	N/A	N/A	2.0	N/A	1.9
2021	2.1	1.9	2.0	2.0	2.1	N/A	N/A	2.1	N/A	1.7
2022	2.2	2.0	2.0	2.0	2.1	N/A	N/A	2.2	N/A	1.9
2023	2.2	2.2	2.0	2.0	2.1	N/A	N/A	2.1	N/A	1.9
2024	2.2	2.2	2.1	2.1	2.1	N/A	N/A	2.1	N/A	2.0
2025	2.2	2.2	2.1	2.0	2.1	N/A	N/A	2.2	N/A	2.0

## Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2011	59.40	N/A	N/A	46.19	50.00	17.06	23,093.92	0.06
2012	63.03	N/A	N/A	47.24	51.23	17.00	24,200.35	0.06
2013	63.26	N/A	N/A	48.15	49.76	17.03	23,957.80	0.06
2014	64.01	N/A	N/A	48.95	49.91	16.94	24,430.41	0.06
2015	61.68	N/A	N/A	49.61	50.18	17.09	24,896.47	0.06
2016	61.55	N/A	N/A	49.79	51.05	17.18	25,419.22	0.06
2017	63.45	N/A	N/A	49.96	51.15	17.09	25,554.42	0.07
2018	64.74	N/A	N/A	50.22	51.44	17.05	25,833.02	0.07
2019	65.42	N/A	N/A	50.34	51.34	17.09	25,845.67	0.07
2020	65.36	N/A	N/A	50.38	51.31	17.10	25,849.32	0.07
2021	65.19	N/A	N/A	50.41	51.28	17.12	25,852.70	0.07
2022	65.02	N/A	N/A	50.46	51.24	17.14	25,857.64	0.07
2023	65.04	N/A	N/A	50.51	51.21	17.16	25,862.22	0.07
2024	65.02	N/A	N/A	50.54	51.18	17.17	25,865.51	0.07
2025	65.01	N/A	N/A	50.57	51.15	17.18	25,869.19	0.07



# Jargon & Glossary

## Industry Jargon

**BODYWORK** Any therapeutic, healing or personal development technique that involves touching, energy medicine or physical manipulation.

**EXFOLIATION** A cosmetic technique aimed at removing dead skin cells from the face and body.

**FACIAL MASK** A cosmetic product applied to the face for a set time, used for different purposes, including deep cleansing, healing acne scars or hyper-pigmentation and skin brightening.

## IBISWorld Glossary

**BARRIERS TO ENTRY** High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

**CAPITAL INTENSITY** Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

**CONSTANT PRICES** The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

**DOMESTIC DEMAND** Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

**EMPLOYMENT** The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

**ENTERPRISE** A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

**ESTABLISHMENT** The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

**EXPORTS** Total value of industry goods and services sold by US companies to customers abroad.

**IMPORTS** Total value of industry goods and services brought in from foreign countries to be sold in the United States.

**INDUSTRY CONCENTRATION** An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

**INDUSTRY REVENUE** The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**INDUSTRY VALUE ADDED (IVA)** The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

**INTERNATIONAL TRADE** The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

**LIFE CYCLE** All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

**NONEMPLOYING ESTABLISHMENT** Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

**PROFIT** IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

**VOLATILITY** The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than  $\pm 20\%$ ; high volatility is  $\pm 10\%$  to  $\pm 20\%$ ; moderate volatility is  $\pm 3\%$  to  $\pm 10\%$ ; and low volatility is less than  $\pm 3\%$ .

**WAGES** The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.



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Make speedy market-ready, profit-maximizing decisions

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