

Medical Spa Market: Regional Assessment of _____ County, Florida

A Custom Research Project For: _____

Submitted: February 2014

[NOTE: This is an excerpt of a 47-page report. Section titles and subtitles are included. Ellipses indicate missing sections.]

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Introduction

This “on-demand” report has been produced for a client company by combining published information with original material obtained and analyzed by Feed-back.com. A U.S. medical spa market report published in 2012 provides growth, size, and trend forecasts at the national level. Local assessments evaluate demographic, geographic, and regional perspectives. Findings describe the competitive environment in a specific metro market to help a prospective medical spa developer determine the chances of successfully opening a new facility. Market potential is derived from national market estimates, operational / structural components, and estimates at the national, regional, and metro levels.

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Executive Overview of Major Findings

Nature & Structure of The Medical Spa Market

As a niche segment of the health care market, medical spas offer non-invasive beauty treatment and more extensive cosmetic / surgical procedures in a relaxing non-clinical setting. According to Francis Acunzo of the consulting firm Acara Partners, the medical spa concept began in 1996. Acunzo was hired in 1998 by Dr. Bruce Katz to open the first medical spa (med spa) in Manhattan: Candela Laser Spas (New York NY). At that time, the term “med spa” was trademarked. By 1999, several hundred med spas were in operation. From 2001 through 2003, franchising added a new segment to the market after the owner of Mailboxes Etc. acquired Sona Medical Spas. Varying state regulations created barriers to implement a viable national franchising business model while deep discounts and high marketing costs were also unsustainable.

Chain and individual facilities drove growth, and the U.S. medical spa market generated more than \$2.0 billion annually by 2009. While most businesses were operated by doctors in the cosmetic / plastic surgery and dermatology fields, licensed health care professionals from other disciplines also entered the market. Cosmetologists, estheticians, and medical assistants typically worked under the scope of a board-certified medical director.

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The actual number of operational medical spas is unknown. Definitions and criteria are not standardized within the industry. Trade groups such as the International Spa Association offer historical estimates, which range from nearly 1,000 facilities in 2007 to approximately 1,800 in 2009 and between 2,500 and 2,800 in 2012.

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Successful operation of a medical spa is challenging. Opening a facility can cost \$1.0 million. Consumer demand is unpredictable, and equipment upgrading is expensive. Typically, the number of facilities increases less dramatically than annual revenue gains. Applying a conservative growth rate to the medical spa estimates above provides the following forecasts.

Table 1
U.S. Medical Spa Facilities, 2012 - 2016

Year	Units	Growth Rate
2012	2,100	--
2013	2,205	5.0%
2014	2,315	5.0%
2015	2,430	5.0%
2016	2,552	5.0%

Compound Annual Growth Rate, 2012 – 2016 = 5.0%

To put these figures into perspective, the International Spa Association estimated that 19,960 U.S. spas generated \$14.0 billion in 2012. However, this figure includes many day spas and hotel-based spas, which provide services such as manicures and pedicures, hair styling and massage – not medical procedures. According to cosmetic procedure data from the American Society for Aesthetic and Plastic Surgery (ASAPS), nonsurgical procedures generated an estimated \$4.2 billion in 2012. Females accounted for 90.4% of the 7.6 million nonsurgical procedures performed.

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Consumer Demand – The Top Med Spa Procedures

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According to the **American Society for Aesthetic Plastic Surgery** (ASAPS; April 4, 2011): “Americans spent nearly \$10 billion on cosmetic procedures in 2011; of that, approximately 63% was on surgical procedures, 17% was on injectables, 16% was on skin rejuvenation, and 4% was on other treatment options.”

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Market Issues

As noted previously, regulations vary from one state to another. Standards are not implemented nationally. So, new laws proposed in Pennsylvania and Texas may disallow aestheticians from operating laser equipment while practitioners in other states can do so.

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Market Growth

Despite the barriers, demand for aesthetic procedures continues to grow. Medical spas generated average annual revenues of \$924,000 per facility in 2012.

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Aging of the U.S. Population

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Safe and Effective Treatments

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Broadening Customer Base

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A Technology-Driven Market

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Med Spa Operating Ratios...

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ISPA Survey Data

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Key Ratios – Medical Spas: 2009

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Medical Spas, Type of Services Provided

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Proprietary Medical Spa Survey (2012) [Selected Data]

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Procedure to Product Mix

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Client Characteristics (Gender, age, repeat percentage).

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Approximate Average Annual Revenues (Three Years)

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Sample Income & Expense Statement for a Standalone Medical Spa

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Med Spas Franchising – A History of Failures

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Market Size & Growth

The major growth period for the U.S. medical spa market was from 2007 through 2009 with estimated annual revenues exceeding \$2.0 billion.

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Laser Technology & Equipment Manufacturers

The medical spa market is technology-driven market. Laser and other equipment manufacturers invest heavily in research and development to improve aesthetic results, recovery times, etc. Competition is fierce, and equipment prices range from \$40,00 to \$150,000.

Market Structure & Operating Ratios

Despite conducting many surveys, inconsistent data and small sample sizes limit access to good information about medical spa operating ratios...

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ISPA - Overall Spa Industry Indicators:

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Total Spa Visits in the U.S. – 2009

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Average Visits Per Establishment: 2009

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Key Ratios – Medical Spas: 2009

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The Medical Spa Market In _____ (County), Florida

Counties such as _____ often encompass the namesake city and surrounding metropolitan areas. Wikipedia's reference material provides a range of population estimates for the area, based on demographic or geographic considerations:¹

"...nineteen cities, six towns, and nine villages..."

- A "municipality" table based on the 2010 census shows 34 incorporated communities with populations ranging from under 100 to more than 400,000.
- There are 37 "census-designated places..."

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The Competitive Landscape

Two online spa directories provided information about 34 medical spas located in the target county. Eliminating locations outside of _____ County reduced the total to 29 facilities.

A quick online review was conducted to focus on facilities that were self-identified as medical spas and/or provided the environs and services typically associated with medical spas. Two additional facilities were identified from peripheral research (i.e., not from online spa directories),

¹ [http://en.wikipedia.org/wiki/List_of_communities_in_____County, Florida](http://en.wikipedia.org/wiki/List_of_communities_in_____County,Florida).

while many others were found to be centers, clinics, institutes, etc. that focused on non-medical services. The resulting total was 14 for the entire county. [Facility contact information is provided at the end of this report.]

Extrapolated _____ County Medical Spa Market (2012)

Applying the average annual revenues figure from page 3 (\$924,000) to the “found” number of county-located medical spas (14) results in total estimated revenues of \$12.9 million for 2012. National medical spa market data can be used to forecast future revenues and medical spa facility growth. For example, applying the flat 5.0% annual increase from Table 1 suggests total U.S. facilities may have reached 2,200 in 2013. If 2013 medical spa market revenues reached the projected volume of \$2.2 billion, the average annual revenue per facility increased to \$1,000,000. Applying that figure results in a 2013 _____ County medical spa market of \$14.0 million.

The “found” number of County medical spas can be tested for “credibility” against another figure by extrapolating numbers from ASAPS plastic surgery survey findings and U.S. Census Bureau estimates. According to ASAPS 2012 figures, there were an estimated 25,750 active board-certified dermatology, otolaryngology, and plastic surgery physicians in the United States at the time. While the number of facilities is not reported, the 2012 analysis identified regions with the greatest numbers of plastic surgery practices were:

- Mid Atlantic (18.2%): DC, MD, NJ, & PA
- Pacific (17.5%): AK, CA, HI, OR, & WA
- South Atlantic (15.7%): DE, FL, GA, NC, SC, VA, & WV

Applying the 2012 “South Atlantic region” plastic surgery location figure to Marketdata’s national medical spa facility total suggests there may have been 330 medical spas in Delaware, Florida, Georgia, North Carolina, South Carolina, Virginia, and West Virginia.

According to 2012 data from InfoPlease.com, estimated state populations were:

Delaware	917,092
Florida	19,317,568
Georgia	9,919,945
North Carolina	9,752,073
South Carolina	4,723,723
Virginia	8,185,867
West Virginia	<u>1,855,413</u>
	54,671,681

Using these totals, Florida represented 35.3% of the combined South Atlantic population. Additional extrapolation of the Florida figure suggests that the state medical spa facility total might be 116. U.S. Census Bureau population data for 2012 can be applied to estimate the size of _____ County (13.4% of Florida’s total population. Applying that percentage to the 116 cosmetic / dermatology / plastic / otolaryngology practices estimated to operate in Florida, _____ County could have accounted for 15.6 such facilities, many of which could be have included adjunct or standalone medical spas. (Note: Not all practices operate medical spas.)

Combining the extrapolated figure with Marketdata's 2012 average annual revenues per facility figure of \$924,000 results in a _____ County medical spa market revenue estimate of \$14.4 million (2012). Applying the higher annual revenue estimate of \$1.0 million per facility increases the 2013 _____ County medical spa market revenue estimate to \$15.6 million for 2013.

Medical Spa Search Results – List of Competitors

The following medical spas were identified using the SpaFinder Directory, Yelp, and an occasional third-party resource.

XXXXXXXXXXXX
XXXXXXXXXXXX
XXXXXX XX XXXXX
(XXX) XXX-XXXX

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Industry Reference Directory

Societies & Trade Associations (With Brief Descriptions)

American Society for Aesthetic Plastic Surgery

11262 Monarch St.
Garden Grove, CA 92841
Phone: 562-799-2356 Fax: 562-799-1098
e-mail: media@surgery.org
President: Dr. Leo McCafferty

ASAPS was founded in 1967 and is now the leading professional organization of plastic surgeons certified by the American Board of Plastic Surgery who specialize in cosmetic plastic surgery. With more than 2,600 members in the U.S., Canada, and many other countries, ASAPS is at the forefront of global innovation in aesthetic plastic surgery.

American Society for Laser Medicine and Surgery

2100 Stewart Avenue, Suite 240
Wausau, WI 54401
Phone: 715-845-9283
Executive Director - Dianne Dalsky Email: Dianne@aslms.org

ASLMS is an educational organization whose membership includes doctors, nurses, and other medical personnel. Manufacturers are not represented.

Day Spa Association, International Medical Spa Association

2863 Hedberg Drive
Minnetonka, MN 55305
Phone: 877-851-8998
www.dayspaassociation.com
President: Allan Share
Email: allan@dayspaassociation.com

With 28,000 members, the Day Spa Association began approximately 15 years ago. The International Medical Spa Association began ten years ago and has compiled a database with 68,000 names, 4,500 of which represent medical spas.

The International Aesthetic and Laser Association (IALA)

4830 West Kennedy Blvd., Suite 440
Tampa, FL 33609
Phone: 813-286-8100
President: Nicole Strohman

Formed in 2008, IALA is the largest nonprofit professional association of its kind today. Members deliver more than two million laser hair removal procedures annually. Membership includes medical providers, business owners, and operators of more than 500 aesthetic / laser centers in 42 states. The IALA published *2012 ISPA U.S. Spa Industry Study* that can be purchased for \$800.00 by non-members. Contents summarize data for all types of spas: Number of locations, average spent per client, revenues by type, staffing levels, profitability, etc.

The Medical Spa Society

500 E. Main Street, Suite 216
Branford, CT 06405
Phone: 203-488-0028
www.medicalspasociety.org
Director: Francis Acunzo

The Medical Spa Society is a not-for-profit organization dedicated to raising and upholding the level of professionalism practiced throughout the medical spa industry through consumer and provider education. The Society's mission is to promote education, communication, and standards of excellence for the medical spa profession.

As CEO of various spa, health and wellness companies, Mr. Acunzo and his team executed 24 acquisitions of approximately 60 spa and club locations, completed more than 100 feasibility studies, and managed a West Coast chain of 37 medical spas.

Other Industry Agencies, Organizations, Etc.

**American Association of Cosmetology Schools
Cosmetology Educators of America**

9927 E. Bell Rd. Suite 110
Scottsdale, AZ 85260
Phone: 480-281-0431
Executive Director: Jim Cox

Food and Drug Administration, Center for Food Safety and Applied Nutrition

10903 New Hampshire Ave.
Silver Spring, MD 20993
Phone: 888-463-6332

National Accrediting Commission of Cosmetology Arts and Sciences

4401 Ford Ave. Suite 1300
Alexandria, VA 22302
Phone: 703-600-7600
Executive Director - Tony Mirando

Salon Association

15825 North 71st St. Suite 100
Scottsdale, AZ 85254
855-472-5667

The International Spa Association (ISPA)

2365 Harrodsburg Road, Suite A325
Lexington, KY 40504
Phone: 859-226-4326
Email: ispa@ispastaff.com
www.experienceispa.com
Chairman: Ella Stimpson [Note: Members are mostly 5-star spas.]

Salon, Spa, and Other Magazines

American Salon Magazine

757 Third Ave. 5th Floor
New York, NY 10017
Editor-in-Chief: Kelley Donahue (email: kdonahue@questex.com)
212-895-8200

Modern Salon/Salon Today Magazine

Vance Publishing
400 Knightsbridge Pkwy.
Lincolnshire, IL 60069
847-634-2600
Editor-in-Chief: Stacey Soble

Spa Management Journal

P.O. Box 2699
Champlain, NY 12919
450-833-2400
Email: info@spamanagement.com

Reference Materials

American Spa Magazine

www.spatrade.com

Performs an annual survey of all spa operations, results last published in Aug. 2012 issue and available online.

Medical Spa MD Physician Report: September 2011 - Issue 1

Medicalspamd.com (blog)

The Medspa MD Physician Report researches and tracks all aspects of what works in cosmetic medicine (and what does not). The publishing organization is not agency, consultancy or other vendor seeking business opportunities. All research is published to benefit the entire Medical Spa MD community. The goal is to give clinicians and physicians the information, inspiration, and statistics to improve their business and medical results.

Each month, a new report contains answers about what laser centers, medical spas, and skin clinics are doing to manage their businesses, save money, and increase profitability. Topics cover a range of operational factors, from IPLs and software to marketing, staff compensation, and specific treatment modalities.

Published Market Studies

“2012 ISPA U.S. Spa Industry Study” performed by: PricewaterhouseCoopers

International Spa Association (see above)

“Medical Spa Market Review”, 144 pp. Published by: Feed-back.com (June 2011)

Industry Conferences

The International Congress of Esthetics and Spa is co-sponsored by *Les Nouvelles Esthétiques & Spa* and *Dermascope* magazines. Since 1985, the event has been held four times a year in Dallas, Long Beach, Miami Beach, and Philadelphia.