

Professional Beauty Association Launches New Salon/Spa Performance Index

Industry Outlook Improved as the Salon/Spa Performance Index Rose in the Second Quarter

Phoenix, AZ (August 3, 2009) – The outlook for the salon/spa industry improved in the second quarter, as the Professional Beauty Association’s (PBA) comprehensive index of salon/spa activity registered a solid gain. The Association’s *Salon/Spa Performance Index (SSPI)* – a new quarterly composite index that tracks the health of and outlook for the U.S. salon/spa industry – stood at 101.8 in the second quarter, up 0.7 percent from its first quarter level.

“The SSPI rose in the second quarter, and stood above 100, which is a positive sign for the overall health of our industry,” said Steve Sleeper, executive director of PBA. “Salon/spa owners reported a positive six-month economic outlook for both sales and the overall economy, while capital spending plans held relatively steady.”

The *Salon/Spa Performance Index* is based on the responses to PBA’s Salon/Spa Industry Tracking Survey, which is fielded quarterly among salon/spa owners nationwide on a variety of indicators including service and retail sales, customer traffic, employee/hours and capital expenditures. The Index consists of two components – the Current Situation Index and the Expectations Index.

The *Salon/Spa Performance Index* is constructed so that the health of the salon/spa industry is measured in relation to a steady-state level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.

The Current Situation Index, which measures current trends in five industry indicators (service sales, retail sales, customer traffic, employees/hours and capital expenditures), stood at 99.7 in the second quarter – up 0.9 percent from its first quarter level of 98.8. However, the Current Situation Index remained below 100 in the second quarter, which signifies contraction in the current situation indicators.

Salon/spa owners reported an improvement in service sales in the second quarter. Thirty-nine percent of salon/spa owners reported an increase in same-store service sales between the second quarters of 2008 and 2009, up from 35 percent who reported a sales gain in the first quarter. Thirty-nine percent of salon/spa owners reported a same-store service sales decline in the second quarter, down from 44 who reported lower sales in the first quarter.

Although the overall retail sales picture improved somewhat in the second quarter, salon/spa owners continued to report lower retail sales volume. Thirty-three percent of salon/spa owners reported higher retail sales between the second quarters of 2008 and 2009, up from 26 percent who reported a retail sales gain in the first quarter. Forty-four percent of salon/spa owners reported lower retail sales in the second quarter, down from 49 percent who reported similarly in the first quarter.

Salon/spa owners reported a solid improvement in customer traffic levels in the second quarter. Thirty-eight percent of salon/spa owners reported an increase in customer traffic between the second quarters of 2008 and 2009, while only 31 percent said their customer traffic levels declined. In the first quarter, 33 percent of salon/spa owners reported an increase in customer traffic, while 40 percent reported traffic declines.

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Labor indicators were a mixed bag in the second quarter, with salon/spa owners reporting slightly higher staffing levels but a decline in employee hours. Twenty-eight percent of salon/spa owners said they added employees between the second quarters of 2008 and 2009, while 23 percent said they reduced staffing levels.

In contrast, 24 percent of salon/spa owners said they cut employee hours between the second quarters of 2008 and 2009, while only 15 percent increased employee hours.

The Expectations Index, which measures salon/spa owners' six-month outlook for five industry indicators (service sales, retail sales, employees/hours, capital expenditures and business conditions), stood at 103.9 in the second quarter – up 0.6 percent from its first quarter level. In addition, the Expectations Index stood well above 100, which indicates a solid level of optimism among salon/spa owners for industry growth in the months ahead.

Growth in the Expectations Index was driven by an increasingly optimistic outlook for sales growth in the months ahead. Sixty percent of salon/spa owners said they expect to have higher service sales in six months (compared to the same period in the previous year), up from 54 percent who reported similarly last quarter. Only 13 percent of salon/spa owners expect their service sales volume in six months to be lower than it was during the same period in the previous year, down slightly from 15 percent who reported similarly last quarter.

A majority of salon/spa owners also expect to see retail sales growth in the months ahead. Fifty-one percent of salon/spa owners said they expect to have higher retail sales in six months (compared to the same period in the previous year), up from 46 percent who reported similarly last quarter. In comparison, 15 percent expect their retail sales to decline in six months (compared to the same period in the previous year), down from 22 percent who reported similarly last quarter.

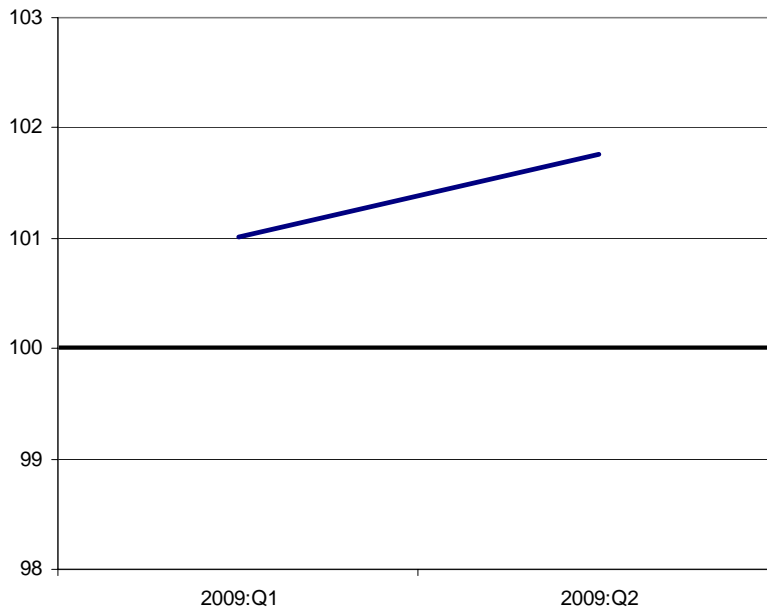
Salon/spa owners are also decidedly upbeat about the direction of the overall economy. Sixty-three percent of salon/spa owners said they expect economic conditions to improve in six months, while only six percent expect to see worse economic conditions in six months. This sentiment was relatively unchanged from first quarter levels.

“The Professional Beauty Association continues to supply the beauty industry with timely and relevant economic data to help our members and the industry at large make successful and strategic business decisions” said Steve Sleeper “doing so is a core mission of the PBA.”

The full SSPI and second quarter Salon/Spa Tracking Survey Report can be found at www.probeauty.org.

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Professional Beauty Association Salon/Spa Performance Index
Values Greater than 100 = Expansion; Values Less than 100 = Contraction



Source: Professional Beauty Association



The Professional Beauty Association is made up of salons and spas, distributors and manufacturers dedicated to improving their individual businesses and the industry as a whole. Led by industry volunteers, the association offers: business tools • education • government advocacy • networking • and more. Visit www.probeauty.org or call 800.468.2274 to learn more.