

**FIRST QUARTER 2009
SUMMARY OF RESULTS**

SALES AND TRAFFIC

Salon and spa owners reported a decline in service sales in the first quarter of 2009, according to the Professional Beauty Association's quarterly Salon/Spa Industry Tracking Survey. Thirty-five percent of salon/spa owners reported an increase in service sales between the first quarters of 2008 and 2009, while 44 percent reported a sales decline. Twenty-one percent of owners said their service sales in the first quarter were about the same as they were in the first quarter of 2008. On average, salon/spa owners reported a 0.3 percent decline in service sales between the first quarters of 2008 and 2009.

On the retail side, salon/spa owners reported an even larger decline in the first quarter. Forty-nine percent of salon/spa owners reported a decline in retail sales between the first quarters of 2008 and 2009, nearly double the 26 percent who reported higher retail sales. On average, owners reported a 1.9 percent decline in retail sales in the first quarter.

Salon and spa owners reported a 0.3 percent decline in customer traffic in the first quarter, with 33 percent reporting higher traffic and 40 percent reporting lower traffic.

OUTLOOK

Salon and spa owners are generally optimistic about sales growth in the months ahead. Fifty-four percent of salon/spa owners expect their service sales in six months to be higher than they were during the same period in the previous year, while only 15 percent expect lower sales. On the retail side, 46 percent are expecting higher retail sales in six months, while 22 percent expect their retail sales to decline compared to the same period in the previous year.

Salon and spa owners are also optimistic that the economy will improve in the next six months. Sixty-two percent of salon/spa owners expect business conditions to improve in six months, while only 7 percent think conditions in six months will be worse than they are now.

SALON/SPA OPENINGS

Sixteen percent of salon/spa owners have plans to open at least one new establishment in the next six months.

EMPLOYEES AND HOURS

Although salon/spa owners reported relatively steady staffing levels in the first quarter, they reported a cutback in employee hours. Twenty-three percent of salon/spa owners added employees between the first quarters of 2008 and 2009, matching the proportion that cut positions. Meanwhile, 28 percent of salon/spa owners cut back on employee hours in the first quarter, while only 14 percent reported an increase in average employee hours.

Looking ahead, 49 percent of salon/spa owners expect to have higher staffing levels in six months (compared to the same period in the previous year), while only 8 percent expect to employ fewer individuals in six months.

BACK BAR COSTS AND SERVICE PRICING

Thirty-four percent of salon/spa owners reported an increase in back bar costs between the first quarters of 2008 and 2009, while 21 percent reported lower costs. On average, salon/spa owners reported a 0.5 percent increase in back bar costs in the first quarter.

Twenty-one percent of salon/spa owners said they increased service prices in the first quarter. Overall, 35 percent of salon/spa owners said their service prices rose between the first quarters of 2008 and 2009, while 7 percent reported a price decrease. On average, salon/spa owners reported a 2.0 percent increase in service prices in the first quarter.

CAPITAL SPENDING

Thirty-five percent of salon/spa owners said they made a capital expenditure for equipment, expansion or remodeling in the first quarter. Looking ahead, 41 percent of salon/spa owners said they plan to make a capital expenditure for equipment, expansion or remodeling in the next six months.

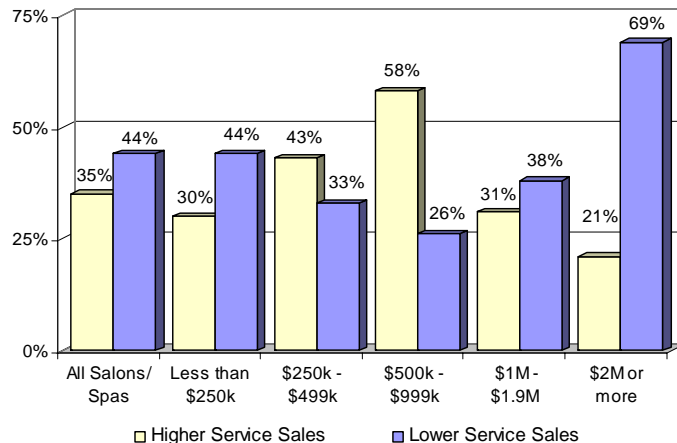
TOP CHALLENGES

Twenty-four percent of salon/spa owners said 'building-and-maintaining sales volume' is the number-one challenge facing their business, followed closely by 'the economy' (22%) and 'recruiting-and-retaining employees' (19%).

Salon and Spa Owners Reported Lower Service Sales in the First Quarter

- Service sales were slightly down in the first quarter of 2009, as 44 percent of salon/spa owners reported lower sales and 35 percent reported higher sales.
- Sales results differed based on the annual sales volume of the business, with salons/spas in the mid-range categories posting positive sales in the first quarter. Fifty-eight percent of salons/spas with annual sales of \$500,000 - \$999,999 reported higher sales in the first quarter, while only 26 percent reported a sales decline.
- Salon/spa owners in the \$250,000 - \$499,999 sales category also reported higher sales in the first quarter.
- In contrast, just 21 percent of salons/spas with sales of \$2 million or more reported higher sales in the first quarter, while 69 percent registered a sales decline.

Service Sales: 2009:Q1 vs. 2008:Q1
Tracking Survey Responses by Annual Sales Volume

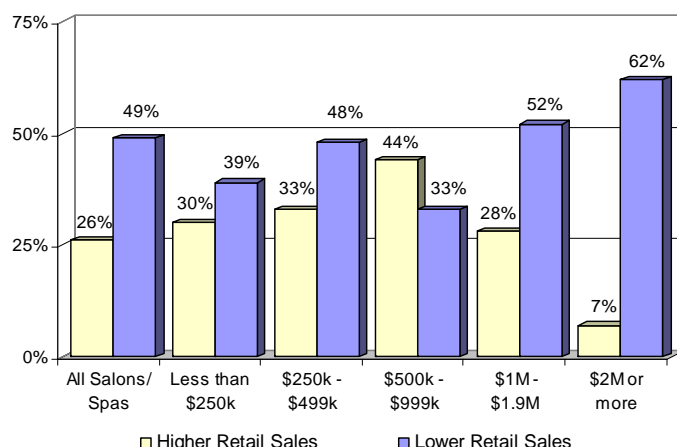


Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Salon and Spa Owners Reported a Decline in First Quarter Retail Sales

- Nearly half of salon/spa owners (49 percent) reported a decline in retail sales between the first quarters of 2008 and 2009, while 26 percent reported an increase in retail sales.
- Salon/spa owners in just one out of the five sales categories reported higher retail sales in the first quarter. Forty-four percent of salon/spa owners in the \$500,000 - \$999,999 category reported higher retail sales, while 33 percent reported lower retail sales in the first quarter.
- A majority of owners in the \$1 million - \$1.9 million sales category reported lower retail sales in the first quarter, while 28 percent reported more retail spending.
- In the \$2 million or higher sales category, 62 percent of salon/spa owners reported lower retail sales in the first quarter, while only 7 percent reported higher retail sales.

Retail Sales: 2009:Q1 vs. 2008:Q1
Tracking Survey Responses by Annual Sales Volume

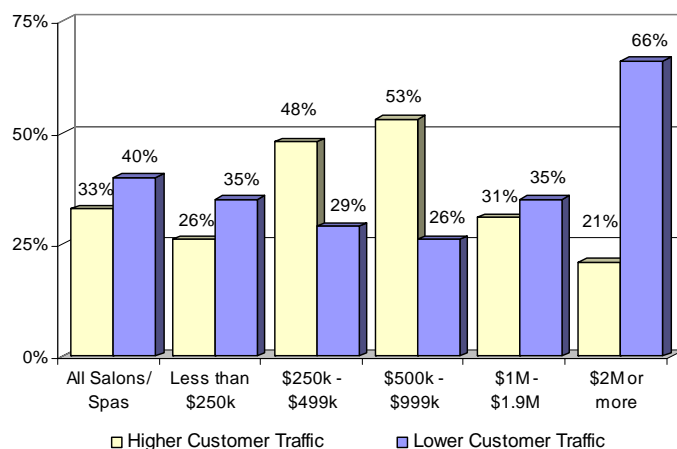


Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Customer Traffic Declined in Three of the Five Sales Categories in the First Quarter

- Salon and spa owners reported a modest decline in customer traffic between the first quarters of 2008 and 2009. Forty percent of salon/spa owners reported lower customer traffic levels, while 33 percent reported an increase in customer visits.
- As with service sales, salon/spa owners in two of the five size categories reported higher customer traffic in the first quarter. Forty-eight percent of salon/spa owners in the \$250,000 - \$499,999 sales category and 53 percent of salon/spa owners in the \$500,000 - \$999,999 sales category reported higher customer traffic levels in the first quarter.
- In contrast, roughly two-thirds of salon/spa owners in the \$2 million or higher sales category reported a decline in customer traffic in the first quarter.

Customer Traffic: 2009:Q1 vs. 2008:Q1
Tracking Survey Responses by Annual Sales Volume



Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Majority of Salon/Spa Owners Expect to Have Higher Service Sales in Six Months

- Salon and spa owners are generally optimistic about service sales growth in the months ahead. Fifty-four percent of salon/spa owners expect to have higher service sales in six months compared to the same period in the previous year, while only 15 percent expect lower service sales in six months.
- Salon/spa owners in the lower sales categories are the most optimistic about sales growth, with a solid majority of owners with annual sales of less than \$1 million expecting higher sales in six months.
- Salon and spa owners with annual sales of \$2 million or more are less optimistic about sales growth. Twenty-eight percent of salon/spa owners in this category expect higher sales in six months, while the same proportion expect their service sales to be lower in six months.

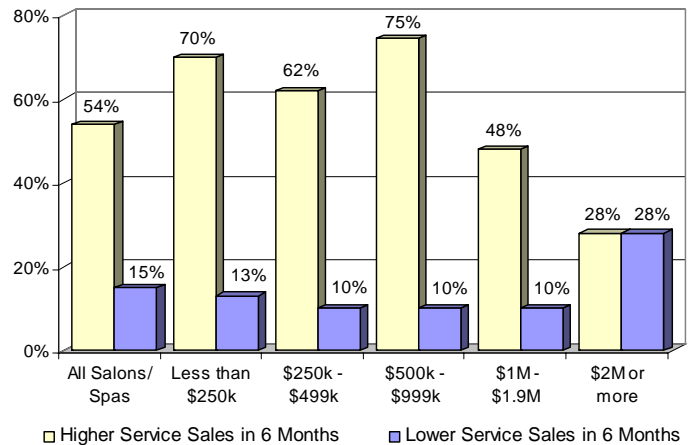
Salon/Spa Owners are Relatively Optimistic about Retail Sales Growth

- Salon and spa owners are also relatively optimistic about retail sales growth, though somewhat less so than they are about service sales. Forty-six percent of salon and spa owners expect to have higher retail sales in six months (compared to the same period in the previous year), while 22 percent expect lower retail sales.
- A majority of salon/spa owners with annual sales of less than \$1 million expect their retail sales to be higher in six months, while 46 percent of salon/spa owners in the \$1 million - \$1.9 million sales category responded similarly.
- In contrast, just 21 percent of salon/spa owners in the \$2 million or higher sales category expect to have higher retail sales, while 28 percent of owners in this category expect to have lower retail sales in six months.

Salon/Spa Owners Are Optimistic about the Economy in the Months Ahead

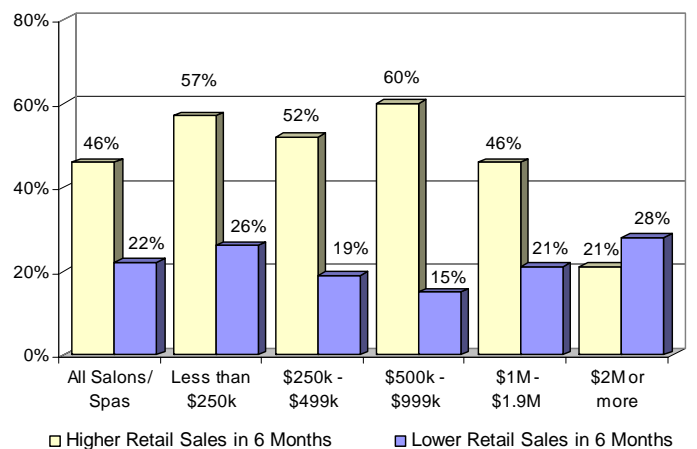
- Salon and spa owners are decidedly optimistic that the economy will improve in the months ahead. Sixty-two percent of salon/spa owners expect business conditions to improve in six months, while only 7 percent said they expect conditions will worsen.
- Salon and spa owners in the \$500,000 - \$999,999 sales category are the most optimistic about the economy, with 81 percent saying business conditions will improve in six months.
- Salon and spa owners in the \$2 million or more sales category are cautiously optimistic about the economy, with 48 percent expecting better conditions and 17 percent expecting business conditions in six months to be worse than they are now.

Service Sales Expectations in 6 Months vs. Prev. Year Tracking Survey Responses by Annual Sales Volume



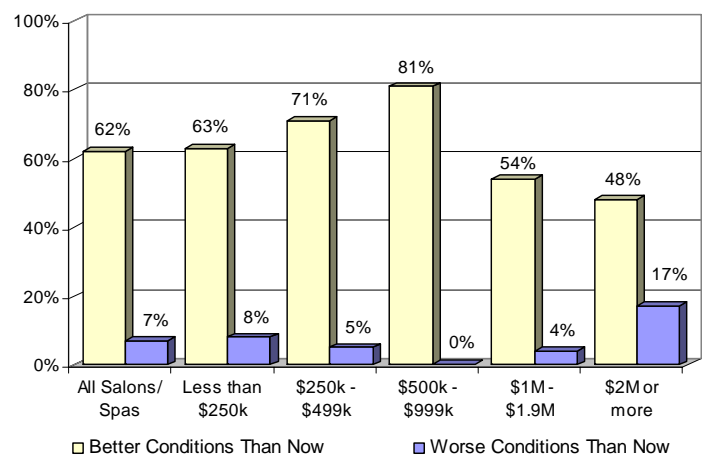
Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Retail Sales Expectations in 6 Months vs. Prev. Year Tracking Survey Responses by Annual Sales Volume



Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Outlook for General Business Conditions in 6 Months Tracking Survey Responses by Annual Sales Volume

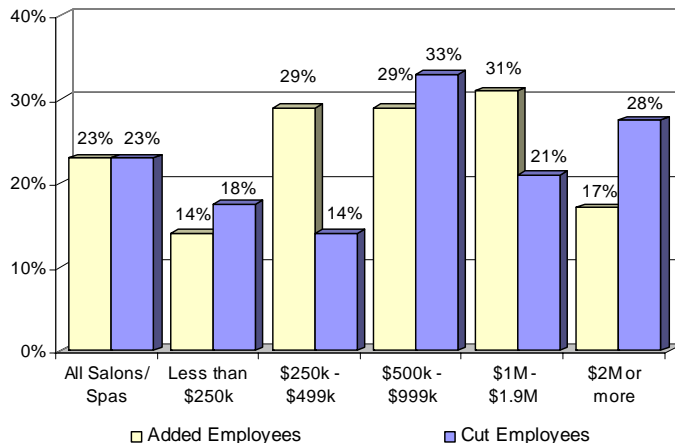


Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Staffing Levels at Salons and Spas Held Relatively Steady in the First Quarter

- Salon and spa owners reported relatively steady staffing levels between the first quarters of 2008 and 2009. Twenty-three percent of salon/spa owners said they added employees in the first quarter, while the same proportion said they cut staffing levels. Fifty-four percent of salon/spa owners said their staffing levels were unchanged.
- Within the five sales categories, staffing trends were mixed in the first quarter. Salon/spa owners in the \$250,000 - \$499,999 category and the \$1 million - \$1.9 million category reported a net increase in staffing levels between the first quarters of 2008 and 2009.
- In the \$2 million or higher sales category, 17 percent of salon/spa owners added employees in the first quarter, while 28 percent reported a staffing decline.

Number of Employees: 2009:Q1 vs. 2008:Q1
Tracking Survey Responses by Annual Sales Volume

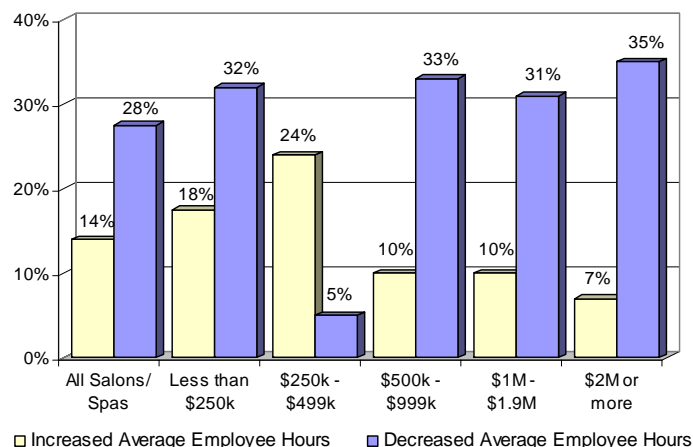


Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Salon/Spa Owners Reported a Decline in Employee Hours in the First Quarter

- Although staffing levels held relatively steady in the first quarter, salon and spa owners reported a reduction in average employee hours. Twenty-eight percent of salon/spa owners said they decreased average employee hours between the first quarters of 2008 and 2009, while only 14 percent reported an increase in employee hours.
- Salon/spa owners in four out of the five sales categories reported a net reduction in average employee hours in the first quarter. In the \$2 million or higher sales category, 35 percent of salon/spa owners reduced average employee hours, while only 7 percent reported an increase in their employees' average workweek.
- Twenty-four percent of salon/spa owners in the \$250,000 - \$499,999 sales category increased employee hours, while 5 percent reduced employee hours.

Average Employee Hours: 2009:Q1 vs. 2008:Q1
Tracking Survey Responses by Annual Sales Volume

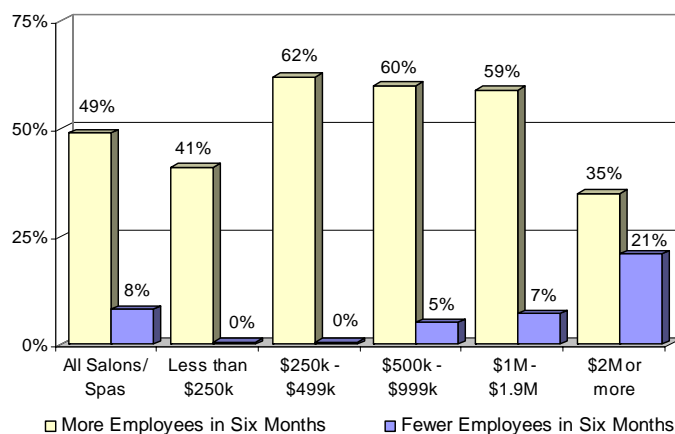


Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Salon/Spa Owners Expect to Add Employees in the Next Six Months

- Salon/spa owners are optimistic about staffing growth in the months ahead. Forty-nine percent of salon/spa owners expect to have higher staffing levels in six months (compared to the same period in the previous year), while only 8 percent expect to employ fewer workers in six months. Forty-three percent of salon/spa owners expect staffing levels to remain unchanged.
- Salon/spa owners in each of the five sales categories expect to increase staffing levels in the coming months.
- In the \$2 million or higher sales category, 35 percent of salon/spa owners expect to add employees in the next six months, while 21 percent expect to employ fewer individuals.

Staffing Expectations in 6 Months vs. Previous Year
Tracking Survey Responses by Annual Sales Volume

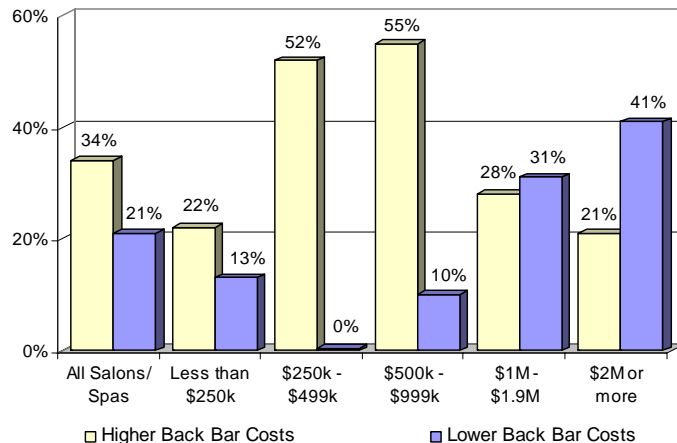


Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Salon/Spa Owners Reported an Increase in Back Bar Costs in the First Quarter

- Overall, salon and spa owners reported an increase in back bar costs between the first quarters of 2008 and 2009. Thirty-four percent of salon/spa owners said their back bar costs increased, while 21 percent reported a decline in back bar costs.
- Trends in back bar costs varied across the five sales categories in the first quarter. In the \$250,000 - \$499,999 sales category and \$500,000 - \$999,999 sales category, a majority of salon/spa owners reported an increase in back bar costs in the first quarter.
- In contrast, 41 percent of salon/spa owners in the \$2 million or higher sales category reported a decline in back bar costs, while only 21 percent reported an increase in back bar costs.

Average Back Bar Costs: 2009:Q1 vs. 2008:Q1
Tracking Survey Responses by Annual Sales Volume

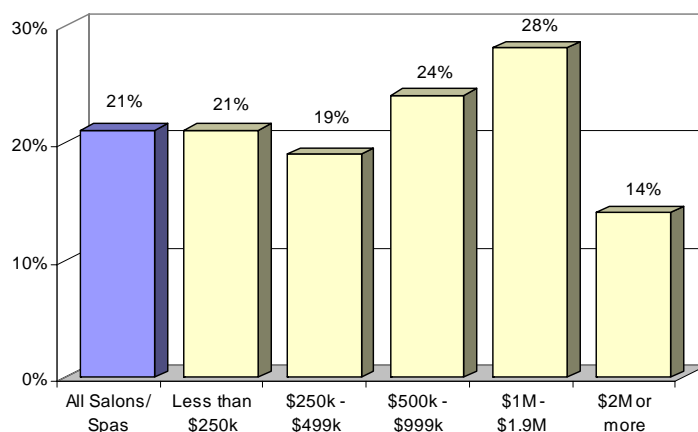


Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

One Out of Five Salons/Spas Increased Service Prices in the First Quarter

- Twenty-one percent of salon and spa owners said they increased service prices in the first quarter.
- Pricing trends differed across the five sales categories in the first quarter. On the high end, 28 percent of salon and spa owners in the \$1 million - \$1.9 million sales category increased service prices in the first quarter.
- Twenty-four percent of salon and spa owners in the \$500,000 - \$999,999 sales category said they increased service prices in the first quarter, while roughly one out of five owners with annual sales below \$500,000 said they increased service prices in the first quarter.
- In the \$2 million or higher sales category, 14 percent of salon and spa owners said they increased service prices in the first quarter – the lowest proportion out of the five sales categories.

% of Salons/Spas that Increased Service Prices in Q1
Tracking Survey Responses by Annual Sales Volume

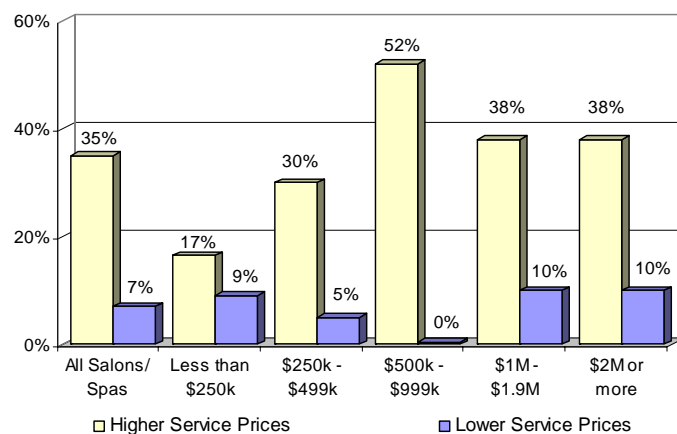


Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

One-Third of Salon/Spa Owners Said Their Service Prices Rose Between the First Quarters of 2008 and 2009

- Although just one out of five salon/spa owners said they increased service prices in the first quarter, 35 percent said their service prices were higher in the first quarter than they were in the first quarter of 2008. Seven percent of salon/spa owners said their average service prices declined over this four-quarter period.
- Fifty-two percent of salon/spa owners in the \$500,000 - \$999,999 sales category said their average service prices rose between the first quarters of 2008 and 2009 – tops among the five sales categories.
- Thirty-eight percent of salon/spa owners with sales of \$1 million or higher said their average service prices in the first quarter were higher than they were in the first quarter of 2008.

Average Service Prices: 2009:Q1 vs. 2008:Q1
Tracking Survey Responses by Annual Sales Volume

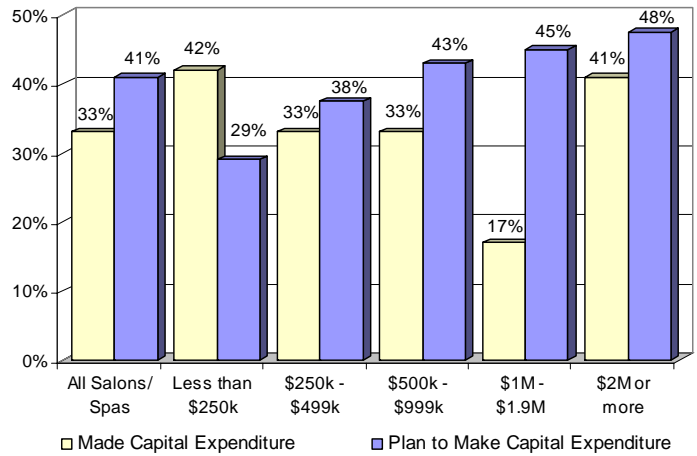


Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

One-Third of Salon/Spa Owners Made a Capital Expenditure in the First Quarter

- Thirty-three percent of salon/spa owners said they made a capital expenditure for equipment, expansion or remodeling during the first quarter of 2009.
- Forty-two percent of salon/spa owners with sales of less than \$250,000 and 41 percent of salon/spa owners with sales of \$2 million or higher made a capital expenditure in the first quarter.
- Looking forward, 41 percent of salon/spa owners plan to make a capital expenditure for equipment, expansion or remodeling during the next six months.
- Salon/spa owners in the higher sales categories are the most likely to have capital spending plans for the months ahead, including 48 percent of salon/spa owners with sales of \$2 million or higher and 45 percent of owners in the \$1 million - \$1.9 million sales category.

Capital Expenditures: In 1st Quarter & Next 6 Months Tracking Survey Responses by Annual Sales Volume

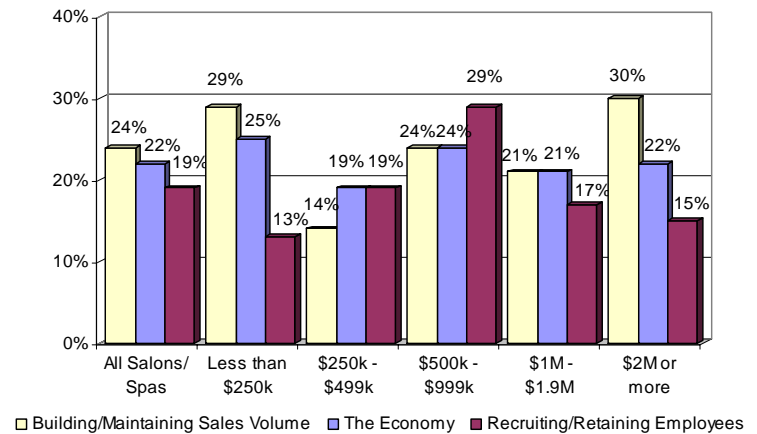


Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Sales Volume and the Economy are the Top Challenges for Salon/Spa Owners

- Twenty-four percent of salon/spa owners said building-and-maintaining sales volume is the number-one challenge facing their business, followed closely by the economy (22%) and recruiting-and-retaining employees (19%).
- Thirty percent of salon/spa owners in the \$2 million or higher sales category said building-and-maintaining sales volume is the top challenge facing their business, while 22 percent identified the economy.
- Twenty-nine percent of salon/spa owners in the \$500,000 - \$999,999 sales category said recruiting-and-retaining employees is the number-one challenge facing their business – tops among the five sales volume categories.

Top Challenges Facing Respondents' Businesses Tracking Survey Responses by Annual Sales Volume

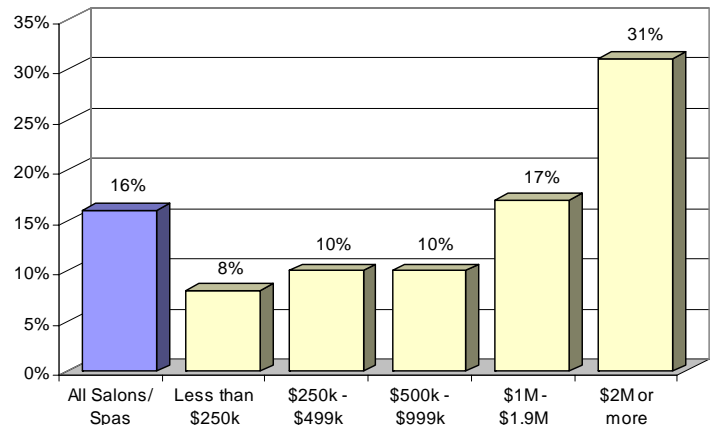


Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Sixteen Percent of Salon/Spa Owners Plan to Open New Establishment in Six Months

- Overall, 16 percent of salon and spa owners said they plan to open a new establishment in the next six months. Not surprisingly, expansion plans varied significantly across the five sales volume categories.
- Thirty-one percent of salon/spa owners in the \$2 million or higher sales category plan to open a new establishment in the next six months – tops among the five sales volume categories.
- Ten percent of salon/spa owners with annual sales between \$250,000 and \$999,999 said they plan to open a new establishment in the next six months.
- Among salon/spa owners with annual sales of less than \$250,000, 8 percent plan to open a new establishment in the next six months.

Salons/Spas That Plan to Open New Location in 6 Mo. Tracking Survey Responses by Annual Sales Volume



Source: Professional Beauty Association, Salon/Spa Tracking Survey – First Quarter 2009

Salon/Spa Tracking Survey Results – First Quarter 2009

	----- Annual Sales Volume -----					
	All Salons & Spas	Less than \$250,000	\$250,000 to \$499,999	\$500,000 to \$999,999	\$1 million to \$1,999,999	\$2 million or Higher
Service Sales: 2009:Q1 vs. 2008:Q1						
Higher Sales	35%	30%	43%	58%	31%	21%
Lower Sales	44	44	33	26	38	69
About the Same	21	26	24	16	31	10
Median Sales Increase	12%	20%	15%	15%	6%	7%
Median Sales Decrease	-10	-12	-10	-15	-6	-10
Overall Average Percent Change	-0.3%	-0.5%	0.8%	8.2%	-1.9%	-4.2%
Retail Sales: 2009:Q1 vs. 2008:Q1						
Higher Sales	26%	30%	33%	44%	28%	7%
Lower Sales	49	39	48	33	52	62
About the Same	25	30	19	22	21	31
Median Sales Increase	15%	23%	10%	15%	23%	5%
Median Sales Decrease	-10	-20	-9	-10	-8	-10
Overall Average Percent Change	-1.9%	-0.1%	-1.6%	0.6%	-0.1%	-6.4%
Customer Traffic: 2009:Q1 vs. 2008:Q1						
Higher Traffic	33%	26%	48%	53%	31%	21%
Lower Traffic	40	35	29	26	35	66
About the Same	27	39	24	21	35	14
Median Sales Increase	10%	22%	10%	18%	7%	5%
Median Sales Decrease	-10	-20	-8	-10	-9	-10
Overall Average Percent Change	-0.3%	-0.3%	1.5%	6.0%	-0.8%	-4.4%
Service Sales: Expectations in 6 Months vs. Same Period in Previous Year						
Higher Sales	54%	70%	62%	75%	48%	28%
Lower Sales	15	13	10	10	10	28
About the Same	32	17	29	15	41	45
Retail Sales: Expectations in 6 Months vs. Same Period in Previous Year						
Higher Sales	46%	57%	52%	60%	46%	21%
Lower Sales	22	26	19	15	21	28
About the Same	33	17	29	25	32	52
Expectations for General Business Conditions in 6 Months						
Better Conditions	62%	63%	71%	81%	54%	48%
Worse Conditions	7	8	5	0	4	17
About the Same	31	29	24	19	43	35
Number of Employees: 2009:Q1 vs. 2008:Q1						
Added Employees	23%	14%	29%	29%	31%	17%
Cut Employees	23	18	14	33	21	28
About the Same	54	68	57	38	48	55
Average Employee Hours: 2009:Q1 vs. 2008:Q1						
More Hours	14%	18%	24%	10%	10%	7%
Fewer Hours	28	32	5	33	31	35
About the Same	58	50	71	57	59	59
Number of Employees: Expectations in 6 Months vs. Same Period in Previous Year						
More Employees	49%	41%	62%	60%	59%	35%
Fewer Employees	8	0	0	5	7	21
About the Same	43	59	38	35	35	45

Notes: Figures may not add to 100% due to rounding; Figures are based on 129 survey responses.

Salon/Spa Tracking Survey Results – First Quarter 2009 (cont.)

	----- Annual Sales Volume -----					
	All Salons & Spas	Less than \$250,000	\$250,000 to \$499,999	\$500,000 to \$999,999	\$1 million to \$1,999,999	\$2 million or Higher
Back Bar Costs: 2009:Q1 vs. 2008:Q1						
Higher Costs	34%	22%	52%	55%	28%	21%
Lower Costs	21	13	0	10	31	41
About the Same	45	65	48	35	41	38
Median Cost Increase	6%	5%	6%	10%	4%	3%
Median Cost Decrease	-8	-25	-	-15	-5	-7
Overall Average Percent Change	0.5%	-0.9%	4.1%	3.2%	0.1%	-2.5%
Increased Service Prices in First Quarter	21%	21%	19%	24%	28%	14%
Average Service Prices: 2009:Q1 vs. 2008:Q1						
Higher Prices	35%	17%	30%	52%	38%	38%
Lower Prices	7	9	5	0	10	10
About the Same	57	74	65	48	52	52
Median Price Increase	5%	10%	5%	8%	5%	4%
Median Price Decrease	-5	-13	-	-	-4	-5
Overall Average Percent Change	2.0%	1.1%	1.6%	5.8%	1.2%	1.0%
Made Capital Expenditure in First Quarter	33%	42%	33%	33%	17%	41%
Plan to Make Capital Expenditure in Next 6 Months	41%	29%	38%	43%	45%	48%
Openings and Closings of Salon/Spa Establishments						
Opened Establishment in First Quarter	8%	17%	0%	5%	7%	10%
Closed Establishment in First Quarter	3	4	5	0	0	7
Plan to Open Establishment(s) in 6 Months	16	8	10	10	17	-
Rented Chairs or Space in Last 12 Months	7%	21%	14%	5%	0%	0%
Top Challenge Facing Respondent's Business						
Building & Maintaining Sales Volume	24%	29%	14%	24%	21%	30%
The Economy	22	25	19	24	21	22
Recruiting & Retaining Employees	19	13	19	29	17	15
Operating Costs	8	4	14	0	17	4
Building Retail Sales	6	4	10	10	7	4
Providing Quality Service & Value	6	4	5	0	10	11
Booth Rental Competition	4	4	14	5	0	0
Access to Capital	3	0	0	0	3	11

Notes: Figures may not add to 100% due to rounding; Figures are based on 129 survey responses.

PBA Symposium

Consumer Culture | July 18-21, 2009 | Las Vegas

The new PBA Symposium is the educational and networking event of the year for the professional beauty industry. Designed expressly for salon/spa owners/managers and distributors and manufacturers and based on PBA's year-long, landmark study, *Business of Beauty: Maximize Your Profitability*, PBA Symposium events will allow attendees to capitalize on decades of expertise in strategic retail branding and marketing and the collective knowledge of top-line beauty professionals from all sectors of our industry. Gain the insight and inspiration to break through barriers and excel in today's competitive, retail-driven world. Learn more at: probeauty.org/symposium