

SECOND QUARTER 2009 SUMMARY OF RESULTS

SALES AND TRAFFIC

Salon/spa owners reported an improvement in service sales in the second quarter of 2009, according to PBA's quarterly Salon/Spa Tracking Survey. Thirty-nine percent of salon/spa owners reported an increase in 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 reported a service sales decline in the second quarter, down from 44 percent in the first quarter. On average, salon/spa owners reported a 0.5 percent increase in service sales between the second quarters of 2008 and 2009.

On the retail side, 33 percent of salon/spa owners reported higher 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 reported lower retail sales in the second quarter. On average, salon/spa owners reported a 1.7 percent decline in retail sales in the second quarter.

Salon/spa owners reported a solid improvement in customer traffic in the second quarter, with 38 percent reporting a traffic increase and 31 percent reporting a decline.

OUTLOOK

Salon and spa owners are increasingly optimistic about sales growth in the months ahead. Sixty 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, up from 54 percent who reported similarly last quarter. On the retail side, 51 percent are expecting higher retail sales in six months, while only 15 percent expect their retail sales to decline compared to the same period in the previous year.

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 think conditions in six months will be worse than they are now.

SALON/SPA OPENINGS

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

EMPLOYEES AND HOURS

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 added employees in the second quarter, while 23 percent said they reduced staffing levels. In contrast, 24 percent of salon/spa owners cut back on employee hours in the second quarter, while only 15 percent reported an increase in average employee hours.

Looking forward, 52 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 6 percent expect to reduce staffing levels in six months.

BACK BAR COSTS AND SERVICE PRICING

Twenty-seven percent of salon/spa owners reported an increase in back bar costs between the second quarters of 2008 and 2009, while 21 percent reported lower costs. On average, salon/spa owners reported a 1.2 percent increase in back bar costs in the second quarter.

Fifteen percent of salon/spa owners said they increased service prices in the second quarter. Overall, 25 percent of salon/spa owners said their service prices rose between the second quarters of 2008 and 2009, while 10 percent reported a price decrease. On average, salon/spa owners reported a 1.5 percent increase in service prices in the second quarter.

CAPITAL SPENDING

Thirty-four percent of salon/spa owners said they made a capital expenditure for equipment, expansion or remodeling in the second quarter. Looking ahead, 42 percent of owners said they plan to make a capital expenditure for equipment, expansion or remodeling in the next six months.

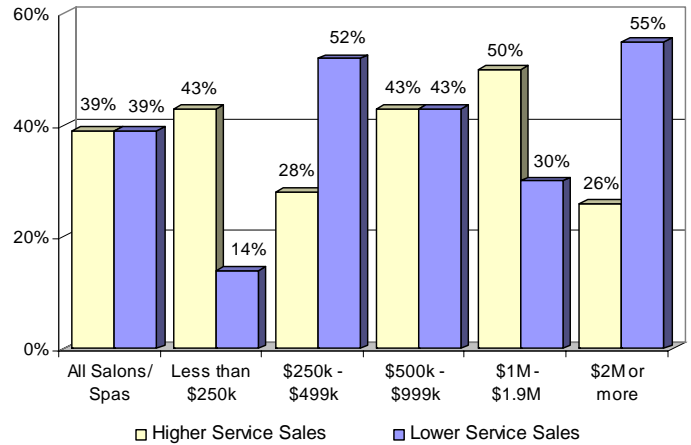
TOP CHALLENGES

Twenty-three percent of salon/spa owners said 'the economy' is the number-one challenge facing their business, followed closely by 'building-and-maintaining sales volume' (22%) and 'recruiting-and-retaining employees' (20%).

Salon and Spa Owners Reported Mixed Service Sales in the Second Quarter

- Service sales were a mixed bag in the second quarter of 2009, as 39 percent of salon/spa owners reported higher sales and 39 percent reported lower sales.
- Sales performances varied by the annual sales volume of the business in the second quarter, with the largest salons and spas reporting the softest sales results. Just 26 percent of salons/spas with sales of \$2 million or more reported higher service sales in the second quarter, while 55 percent registered a sales decline.
- In contrast, 50 percent of salon/spa owners in \$1 million - \$1.9 million sales category reported higher sales in the second quarter, while just 30 percent reported a decline.
- Salon/spa owners with annual sales of less than \$250,000 also reported higher sales in the 2nd quarter.

Service Sales: 2009:Q2 vs. 2008:Q2
Tracking Survey Responses by Annual Sales Volume

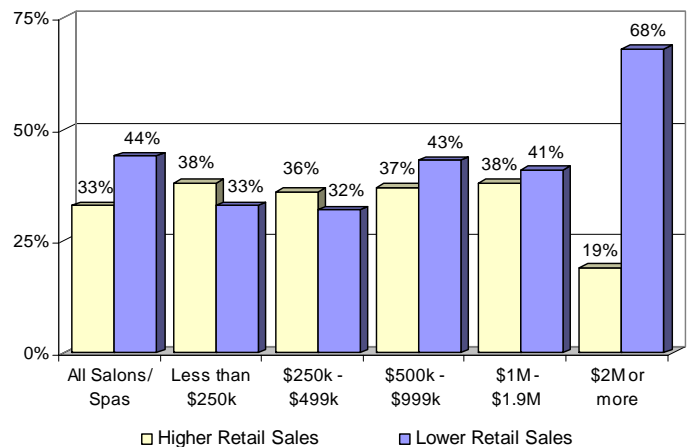


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

Retail Sales Improved in the Second Quarter but Still Remained Negative

- Although the retail sales picture improved somewhat in the second quarter, salon/spa owners continued to report lower retail sales volume, with 33 percent posting higher sales and 44 percent reporting lower retail sales.
- Salon/spa owners in the higher sales volume categories reported lower retail sales in the second quarter. In the \$2 million or higher sales category, only 19 percent of salon/spa owners reported higher retail sales in the second quarter, while 68 percent reported lower sales.
- Forty-one percent of owners in the \$1 million - \$1.9 million sales category reported lower retail sales in the second quarter, while 38 percent reported higher sales.
- Salon/spa owners with annual sales of less than \$500,000 reported a slight increase in retail sales in the second quarter.

Retail Sales: 2009:Q2 vs. 2008:Q2
Tracking Survey Responses by Annual Sales Volume

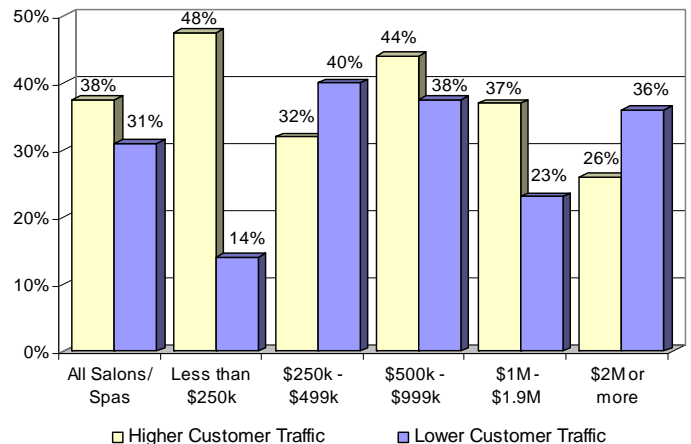


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

Customer Traffic Improved in the Second Quarter

- Salon/spa owners reported an 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 31 percent reported a traffic decline.
- As with service and retail sales, salon/spa owners in the highest sales category reported the softest customer traffic levels in the second quarter. Twenty-six percent of salon/spa owners in the \$2 million or higher sales category reported higher customer traffic levels in the second quarter, while 36 percent reported a traffic decline.
- In contrast, salon/spa owners with annual sales of less than \$250,000 reported a solid increase in customer traffic between the second quarters of 2008 and 2009.

Customer Traffic: 2009:Q2 vs. 2008:Q2
Tracking Survey Responses by Annual Sales Volume



Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

Salon/Spa Owners are More Optimistic about Service Sales Growth in Six Months

- Salon and spa owners are more optimistic about 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 expect their service sales volume to be lower in six months.
- Salon/spa owners with annual sales of \$250,000 - \$499,999 are the most optimistic about sales growth, with more than two-thirds expecting to have higher sales in six months.
- Among salon and spa owners with annual sales of \$2 million or more, 50 percent expect to have higher service sales in six months, while 17 percent expect their service sales to be lower in six months.

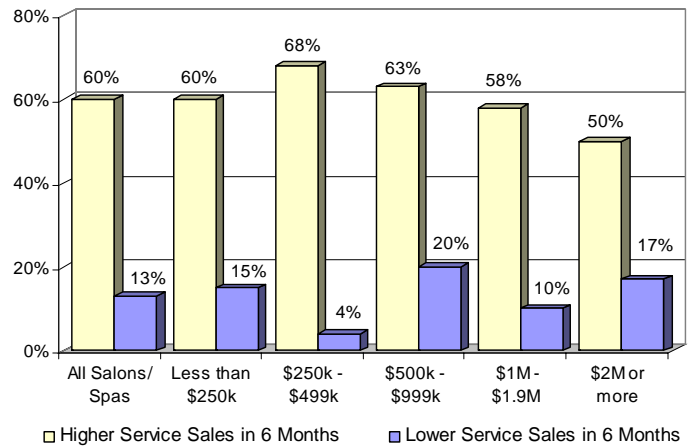
Majority of Salon/Spa Owners Expect to have Higher Retail Sales in Six Months

- 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.
- Salon/spa owners in the lower annual sales categories are the most optimistic about retail sales growth. More than six out of ten owners with annual sales of less than \$500,000 expect their retail sales to be higher in six months.
- In contrast, a lower 42 percent of salon/spa owners in the \$2 million or higher sales category expect to have higher retail sales, while 26 percent of owners in this category expect to have lower retail sales in six months.

Salon/Spa Owners Expect the Economy to Improve in the Months Ahead

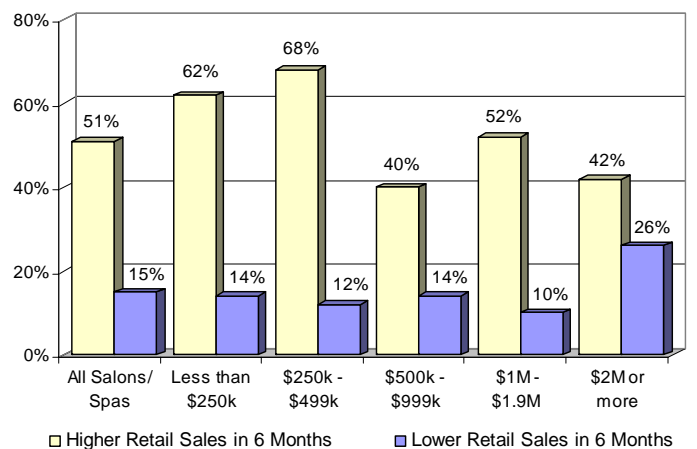
- A solid majority of salon and spa owners expect the economy to improve in the months ahead. Sixty-three percent of salon/spa owners expect business conditions to improve in six months, while only 6 percent said they expect conditions will be worse than they are now. This sentiment was relatively unchanged from first quarter levels.
- Salon and spa owners in the \$500,000 - \$999,999 sales category are the most optimistic about the economy, with 71 percent saying business conditions will improve in six months.
- Nearly two-thirds of salon and spa owners in the \$2 million or more sales category expect economic conditions to improve in the next six months.

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



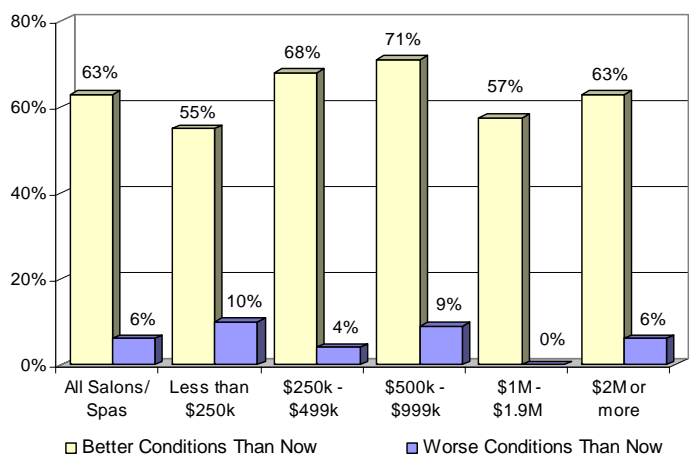
Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

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



Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

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

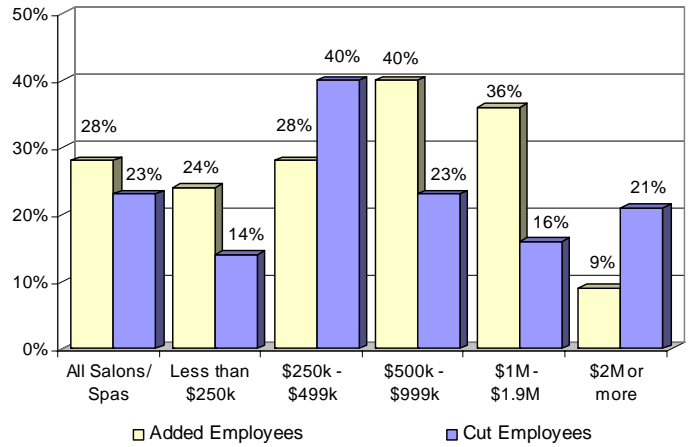


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

Salon/Spa Owners Reported Higher Staffing Levels in the Second Quarter

- Salon/spa owners reported slightly higher staffing levels in the second quarter. 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. Forty-nine percent of salon/spa owners said their staffing levels were unchanged.
- Within the five sales categories, salon/spa owners in the \$500,000 - \$999,999 category and the \$1 million - \$1.9 million category reported the strongest net increase in staffing levels in the second quarter.
- In the \$2 million or higher sales category, only 9 percent of salon/spa owners added employees in the second quarter, while 21 percent reported a staffing decline.

Number of Employees: 2009:Q2 vs. 2008:Q2
Tracking Survey Responses by Annual Sales Volume

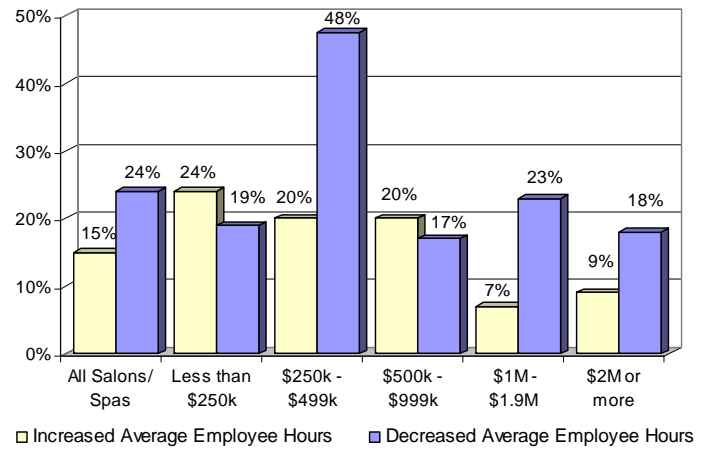


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

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

- In contrast to the increase in staffing levels in the second quarter, salon and spa owners reported a reduction in average employee hours. Twenty-four 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.
- Salon/spa owners in three out of the five sales categories reported a net reduction in average employee hours in the second quarter. In the \$2 million or higher sales category, 18 percent of salon/spa owners reduced average employee hours, while only 9 percent reported an increase in their employees' average workweek.
- Twenty percent of salon/spa owners in the \$250,000 - \$499,999 sales category increased employee hours, while 48 percent reduced employee hours.

Average Employee Hours: 2009:Q2 vs. 2008:Q2
Tracking Survey Responses by Annual Sales Volume

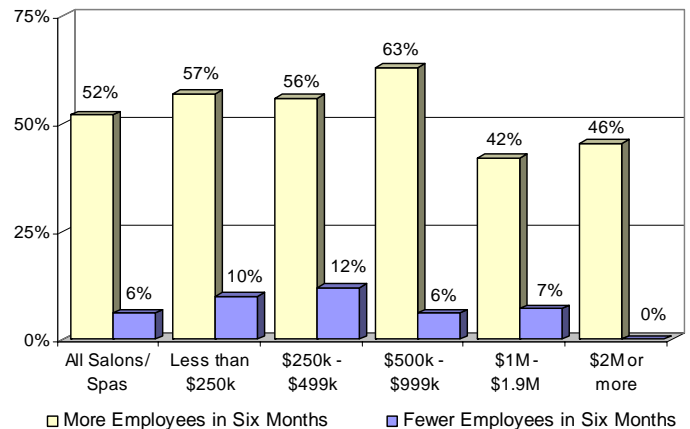


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

Salon/Spa Owners are Planning to Expand Staffing Levels in the Next Six Months

- Looking ahead, salon/spa owners are planning staffing growth in the months ahead. Fifty-two 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 6 percent expect to employ fewer individuals in six months. Forty-two percent of salon/spa owners expect staffing levels to remain unchanged.
- Salon/spa owners in each of the five sales categories expect to add employees in the next six months.
- In the \$2 million or higher sales category, 46 percent of salon/spa owners expect to add employees in the next six months, while 54 percent expect to keep staffing levels unchanged.

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

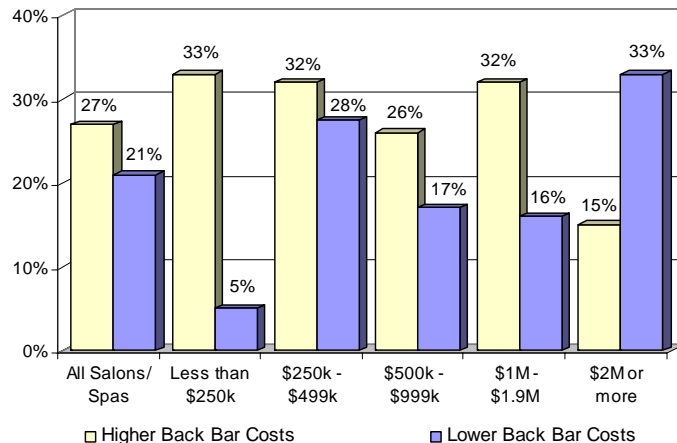


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

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

- In the aggregate, salon and spa owners reported a net increase in back bar costs between the second quarters of 2008 and 2009. Twenty-seven percent of salon/spa owners said their back bar costs increased, while 21 percent reported a decline in back bar costs.
- Salon/spa owners in four out of the five sales categories reported higher back bar costs in the second quarter. In the less than \$250,000 sales category, 33 percent of salon/spa owners reported higher back bar costs, while only 5 percent reported a decline.
- In contrast, 33 percent of salon/spa owners in the \$2 million or higher sales category reported a decline in back bar costs, while only 15 percent reported an increase in back bar costs in the second quarter.

Average Back Bar Costs: 2009:Q2 vs. 2008:Q2
Tracking Survey Responses by Annual Sales Volume

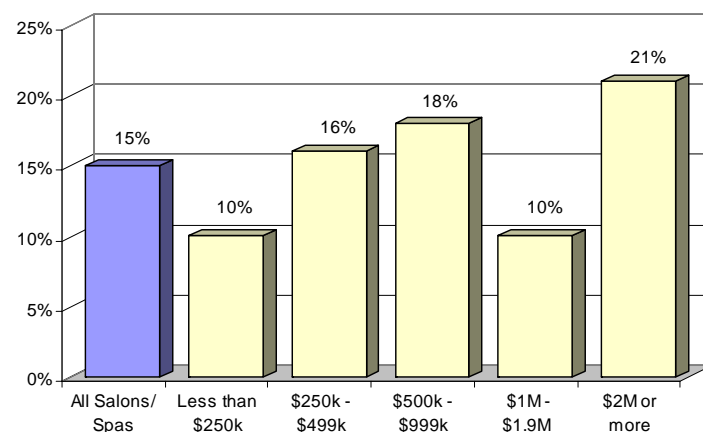


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

Fifteen Percent of Salons/Spas Increased Service Prices in the Second Quarter

- Fifteen percent of salon and spa owners said they increased service prices in the second quarter, down from 21 percent who responded similarly in the first quarter.
- Pricing trends differed across the five sales categories in the second quarter. In the \$2 million or higher sales category, 21 percent of salon/spa owners increased service prices in the second quarter.
- Eighteen percent of salon/spa owners in the \$500,000 - \$999,999 sales category increased service prices in the second quarter.
- On the low end, 10 percent of salon and spa owners in the less than \$250,000 and \$1 million - \$1.9 million sales categories said they increased service prices in the second quarter.

% of Salons/Spas that Increased Service Prices in Q2
Tracking Survey Responses by Annual Sales Volume

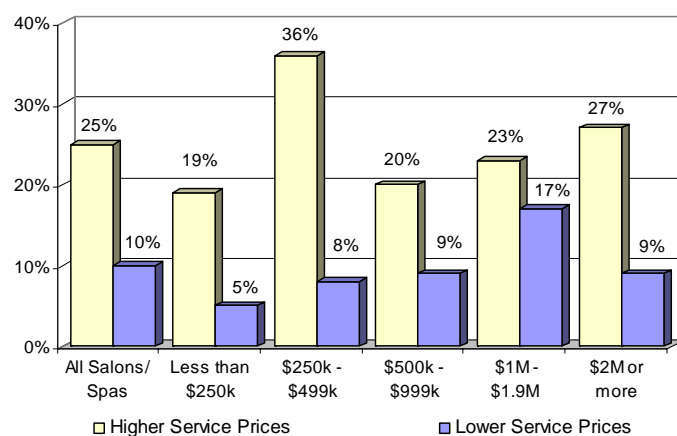


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

One out of Four Salon/Spa Owners Reported Higher Service Prices over the Last Four Quarters

- Twenty-five percent of salon/spa owners said their service prices were higher in the second quarter than they were in the second quarter of 2008, while 10 percent reported lower service prices. Sixty-five percent of salon/spa owners said their average service prices were unchanged over the four-quarter period.
- Thirty-six percent of salon/spa owners in the \$250,000 - \$499,999 sales category said their average service prices rose between the second quarters of 2008 and 2009 – tops among the five sales categories.
- Twenty-seven percent of salon/spa owners with sales of \$2 million or higher said their average service prices were higher in the second quarter, while 9 percent said they cut prices.

Average Service Prices: 2009:Q2 vs. 2008:Q2
Tracking Survey Responses by Annual Sales Volume

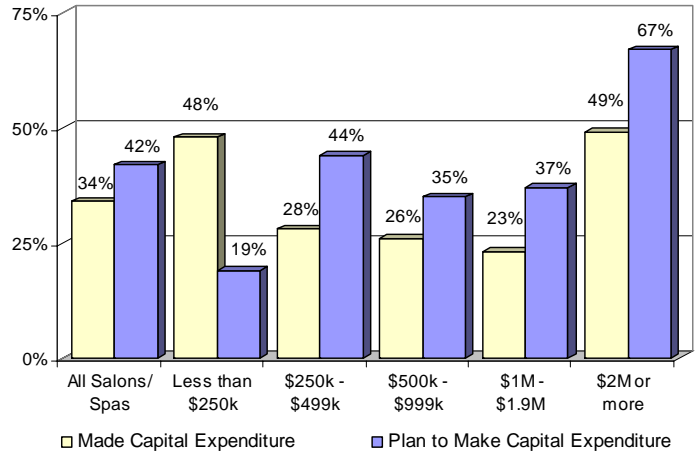


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

Capital Spending Levels Remained Relatively Steady in the Second Quarter

- Thirty-four percent of salon/spa owners said they made a capital expenditure for equipment, expansion or remodeling in the second quarter, compared to 33 percent who reported spending in the first quarter.
- Forty-nine percent of salon/spa owners with sales of \$2 million or higher and 48 percent of salon/spa owners with sales of less than \$250,000 made a capital expenditure in the second quarter.
- Forty-two percent of salon/spa owners plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, roughly on par with 41 percent who reported similarly last quarter.
- Sixty-seven percent of salon/spa owners with sales of \$2 million or higher said they plan to make a capital expenditure in the next six months.

Capital Expenditures: In 2nd Quarter & Next 6 Months Tracking Survey Responses by Annual Sales Volume

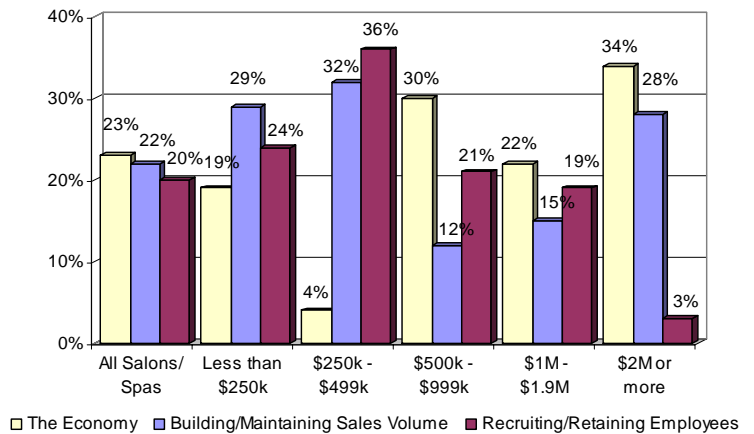


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

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

- Twenty-three percent of salon/spa owners said the economy is the number-one challenge currently facing their business, followed closely by building-and-maintaining sales volume (22%) and recruiting-and-retaining employees (20%).
- Thirty-four percent of salon/spa owners in the \$2 million or higher sales category said the economy is the top challenge facing their business, while 28 percent said building-and-maintaining sales volume.
- Thirty-six percent of salon/spa owners in the \$250,000 - \$499,999 sales category said recruiting-and-retaining employees is the number-one challenge currently facing their business – tops among the five sales volume categories.

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

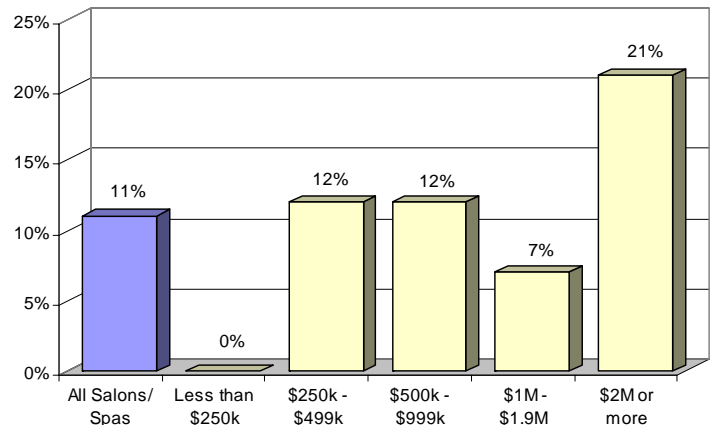


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 2nd Quarter 2009

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

- Eleven percent of salon and spa owners said they plan to open a new establishment in the next six months, down slightly from 16 percent who responded similarly last quarter.
- Twenty-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.
- Twelve 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, none indicated that they 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 – 2nd Quarter 2009

Salon/Spa Tracking Survey Results – Second 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:Q2 vs. 2008:Q2						
Higher Sales	39%	43%	28%	43%	50%	26%
Lower Sales	39	14	52	43	30	55
About the Same	22	43	20	14	20	19
Median Sales Increase	10%	17%	16%	14%	10%	6%
Median Sales Decrease	-10	-15	-10	-10	-9	-9
Overall Average Percent Change	0.5%	3.4%	-0.5%	0.6%	1.3%	-2.7%
Retail Sales: 2009:Q2 vs. 2008:Q2						
Higher Sales	33%	38%	36%	37%	38%	19%
Lower Sales	44	33	32	43	41	68
About the Same	23	29	32	20	21	13
Median Sales Increase	10%	10%	5%	15%	6%	5%
Median Sales Decrease	-11	-11	-7	-17	-10	-10
Overall Average Percent Change	-1.7%	0.1%	1.0%	-1.8%	-2.6%	-5.2%
Customer Traffic: 2009:Q2 vs. 2008:Q2						
Higher Traffic	38%	48%	32%	44%	37%	26%
Lower Traffic	31	14	40	38	23	36
About the Same	31	38	28	18	40	39
Median Sales Increase	8%	15%	10%	9%	7%	5%
Median Sales Decrease	-10	-20	-13	-10	-9	-9
Overall Average Percent Change	-0.3%	1.0%	-1.3%	-0.2%	0.5%	-1.9%
Service Sales: Expectations in 6 Months vs. Same Period in Previous Year						
Higher Sales	60%	60%	68%	63%	58%	50%
Lower Sales	13	15	4	20	10	17
About the Same	27	25	28	17	32	33
Retail Sales: Expectations in 6 Months vs. Same Period in Previous Year						
Higher Sales	51%	62%	68%	40%	52%	42%
Lower Sales	15	14	12	14	10	26
About the Same	34	24	20	46	39	32
Expectations for General Business Conditions in 6 Months						
Better Conditions	63%	55%	68%	71%	57%	63%
Worse Conditions	6	10	4	9	0	6
About the Same	31	35	28	20	43	31
Number of Employees: 2009:Q2 vs. 2008:Q2						
Added Employees	28%	24%	28%	40%	36%	9%
Cut Employees	23	14	40	23	16	21
About the Same	49	62	32	37	48	70
Average Employee Hours: 2009:Q2 vs. 2008:Q2						
More Hours	15%	24%	20%	20%	7%	9%
Fewer Hours	24	19	48	17	23	18
About the Same	61	57	32	63	71	73
Number of Employees: Expectations in 6 Months vs. Same Period in Previous Year						
More Employees	52%	57%	56%	63%	42%	46%
Fewer Employees	6	10	12	6	7	0
About the Same	42	33	32	31	52	54

Notes: Figures may not add to 100% due to rounding; Figures are based on 149 survey responses.

Salon/Spa Tracking Survey Results – Second 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:Q2 vs. 2008:Q2						
Higher Costs	27%	33%	32%	26%	32%	15%
Lower Costs	21	5	28	17	16	33
About the Same	52	62	40	57	52	52
Median Cost Increase	7%	10%	5%	5%	8%	9%
Median Cost Decrease	-5	-	-5	-10	-7	-4
Overall Average Percent Change	1.2%	1.8%	0.4%	2.1%	2.2%	-0.5%
Increased Service Prices in Second Quarter	15%	10%	16%	18%	10%	21%
Average Service Prices: 2009:Q2 vs. 2008:Q2						
Higher Prices	25%	19%	36%	20%	23%	27%
Lower Prices	10	5	8	9	17	9
About the Same	65	76	56	71	60	64
Median Price Increase	8%	10%	9%	8%	10%	3%
Median Price Decrease	-5	-	5	-7	-5	-5
Overall Average Percent Change	1.5%	2.0%	2.4%	1.2%	1.8%	0.7%
Made Capital Expenditure in Second Quarter	34%	48%	28%	26%	23%	49%
Plan to Make Capital Expenditure in Next 6 Months	42%	19%	44%	35%	37%	67%
Openings and Closings of Salon/Spa Establishments						
Opened Establishment in Second Quarter	7%	14%	4%	3%	0%	15%
Closed Establishment in Second Quarter	4	10	4	6	0	0
Plan to Open Establishment(s) in 6 Months	11	0	12	12	7	21
Rented Chairs or Space in Last 12 Months	8%	10%	16%	9%	7%	0%
Top Challenge Facing Respondent's Business						
The Economy	23%	19%	4%	30%	22%	34%
Building & Maintaining Sales Volume	22	29	32	12	15	28
Recruiting & Retaining Employees	20	24	36	21	19	3
Providing Quality Service & Value	13	14	12	9	15	17
Building Retail Sales	4	0	0	9	4	3
Operating Costs	3	0	0	6	0	7
Marketing	3	14	0	0	4	0
Booth Rental Competition	3	0	8	0	4	3
Access to Capital	3	0	4	3	4	3

Notes: Figures may not add to 100% due to rounding; Figures are based on 149 survey responses.



NEW! Business of Beauty: Maximize Your Profitability-Defining the Future of Beauty Retailing

PBA and the PBA Foundation partnered with renowned research firm McMillan Doolittle to complete this year-long study focusing on the core of what drives retail sales in our industry; competition among outlets, the role of the stylist in selling, where consumers are shopping, what they're buying and why. The findings in this report help to define the future of the salon retail environment and key strategies and priorities to drive sales and profits. Available at the PBA Bookstore at probeauty.org/bookstore or call 800.468.2274

Regular Price: **\$595** | Special PBA Member Price: **\$195 (offer valid until Sept. 4th)**



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