

FOURTH QUARTER 2009 SUMMARY OF RESULTS

SALES AND TRAFFIC

Salon/spa owners reported a solid improvement in service sales in the fourth quarter, according to PBA's quarterly Salon/Spa Tracking Survey. Forty-eight percent of salon/spa owners reported an increase in same-store service sales between the fourth quarters of 2008 and 2009, while just 29 percent reported a sales decline. On average, salon/spa owners reported a 2.3 percent increase in service sales between the fourth quarters of 2008 and 2009.

On the retail side, 37 percent of salon/spa owners reported higher sales between the fourth quarters of 2008 and 2009, while 43 percent reported decline in retail sales. On average, salon/spa owners reported a 1.5 percent decline in retail sales in the fourth quarter.

After reporting a decline in customer traffic in the third quarter, salon/spa owners reported a net increase in customer traffic levels in the fourth quarter. Thirty-seven percent of salon/spa owners reported an increase in customer traffic between the fourth quarters of 2008 and 2009, while 32 percent reported a decline in customer traffic.

OUTLOOK

A strong majority of salon/spa owners are optimistic that their service and retail sales will improve in the months ahead. Seventy-two percent salon/spa owners said they expect to have higher service sales in six months (compared to the same period in the previous year), while just four percent expect to have lower sales. On the retail side, 65 percent of owners said they expect to have higher retail sales in six months, while seven percent expect sales to decline.

Salon/spa owners are also optimistic that economic conditions will improve in the months ahead. Sixty-nine percent of salon/spa owners said they expect economic conditions to improve in six months, while just five percent expect economic conditions to worsen in six months.

SALON/SPA OPENINGS

Fifteen 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 relatively stable in the fourth quarter, as equal proportions of salon/spa owners reported increases and decreases in both staffing levels and employee hours. Twenty-one percent of salon/spa owners said they added employees between the fourth quarters of 2008 and 2009, while 22 percent cut staffing levels. Meanwhile, 19 percent of salon/spa owners said they increased employee hours in the fourth quarter, while 19 percent cut 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 3 percent expect to reduce staffing levels in six months.

BACK BAR COSTS AND SERVICE PRICING

Thirty percent of salon/spa owners reported an increase in back bar costs between the fourth quarters of 2008 and 2009, while 17 percent reported lower costs. On average, salon/spa owners reported a 0.4 percent increase in back bar costs in the fourth quarter.

Fifteen percent of salon/spa owners said they increased service prices in the fourth quarter. Overall, 25 percent of salon/spa owners said their service prices rose between the fourth quarters of 2008 and 2009, while 6 percent said they cut prices. On average, salon/spa owners reported a 0.9 percent increase in service prices in the fourth quarter.

CAPITAL SPENDING

Twenty-nine percent of salon/spa owners said they made a capital expenditure for equipment, expansion or remodeling in the fourth quarter. Looking ahead, 56 percent of owners said they plan to make a capital expenditure for equipment, expansion or remodeling in the next six months.

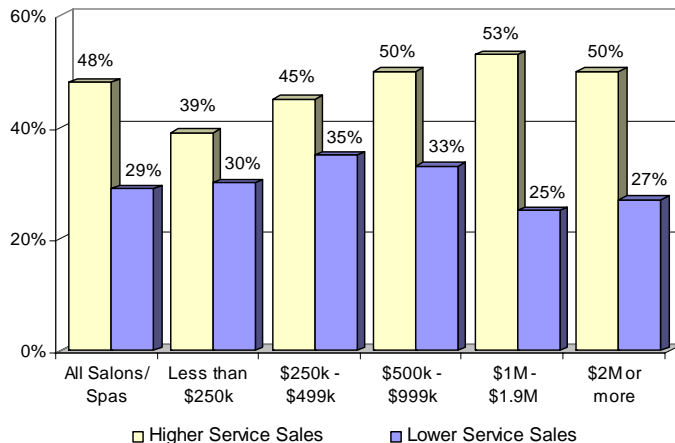
TOP CHALLENGES

Thirty-two percent of salon/spa owners said 'building-and-maintaining sales volume' is the top challenge facing their business, followed by 'recruiting-and-retaining employees' (23%) and 'the economy' (13%).

Salon/Spa Owners Reported Stronger Service Sales in the Fourth Quarter

- Forty-eight percent of salon/spa owners reported an increase in same-store service sales in the fourth quarter, up from 38 percent in the third quarter.
- Sales performances differed across sales categories in the fourth quarter. Fifty-three percent of salon/spa owners in \$1 million - \$1.9 million sales category reported higher sales in the fourth quarter, while just 25 percent reported a decline.
- Fifty percent of salon/spa owners in the \$500,000 - \$999,999 and \$2 million or more sales categories reported higher service sales in the fourth quarter.
- Thirty-nine percent of owners with annual sales of less than \$250,000 reported higher sales in the fourth quarter, while 30 percent reported a sales decline.

Service Sales: 2009:Q4 vs. 2008:Q4
Tracking Survey Responses by Annual Sales Volume

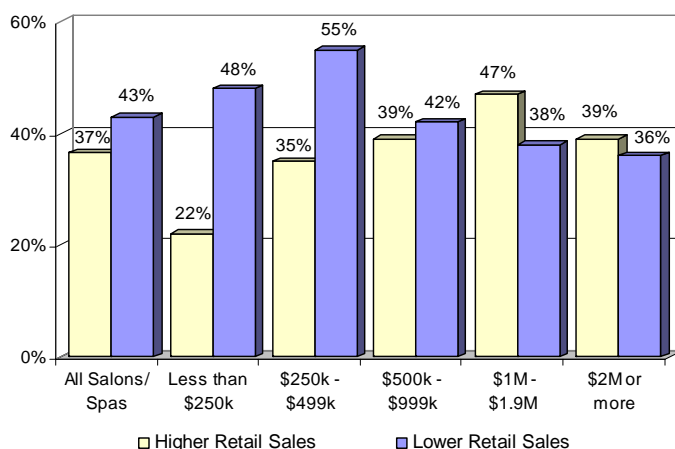


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

Salon/Spa Owners Reported Negative Retail Sales in the Fourth Quarter

- Although salon/spa owners reported stronger service sales in the fourth quarter, they reported net negative retail sales for the fourth consecutive quarter.
- Salon/spa owners in the lowest sales volume categories reported the softest retail sales in the fourth quarter. Twenty-two percent of salon/spa owners with sales of less than \$250,000 reported higher retail sales in the fourth quarter, while 48 percent reported lower sales.
- Thirty-five percent of salon/spa owners in the \$250,000 - \$499,999 sales category reported higher retail sales in the fourth quarter, while 55 percent reported lower retail sales.
- In contrast, 47 percent of owners in the \$1 million - \$1.9 million sales category reported higher retail sales in the fourth quarter, while 38 percent reported lower sales.

Retail Sales: 2009:Q4 vs. 2008:Q4
Tracking Survey Responses by Annual Sales Volume

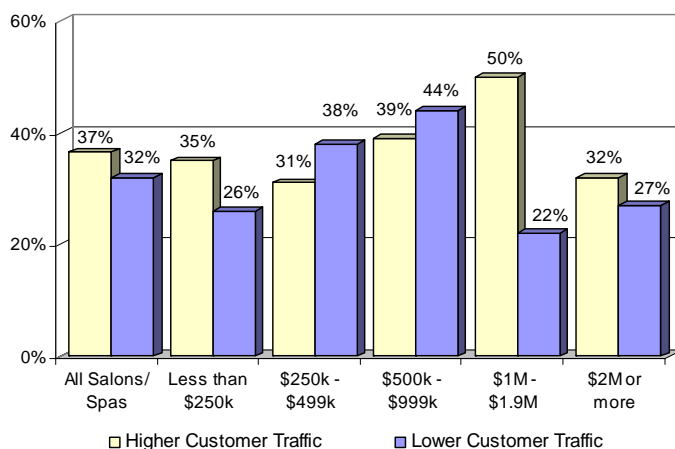


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

Customer Traffic Bounced Back and Turned Positive in the Fourth Quarter

- Salon/spa owners reported a net increase in customer traffic levels in the fourth quarter. Thirty-seven percent of salon/spa owners reported an increase in customer traffic between the fourth quarters of 2008 and 2009, while 32 percent reported a traffic decline.
- Salon/spa owners in the \$1 million - \$1.9 million sales category reported the strongest customer traffic results in the fourth quarter. Fifty percent of salon/spa owners in this sales category reported higher customer traffic levels in the fourth quarter, while 22 percent reported a traffic decline.
- In contrast, salon/spa owners in the \$250,000 - \$499,999 and \$500,000 - \$999,999 sales categories reported net declines in customer traffic between the fourth quarters of 2008 and 2009.

Customer Traffic: 2009:Q4 vs. 2008:Q4
Tracking Survey Responses by Annual Sales Volume



Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

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

- Salon and spa owners are solidly optimistic about sales growth in the months ahead. Seventy-two 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 70 percent who reported similarly last quarter. Only 4 percent expect their service sales volume to be lower in six months.
- Salon/spa owners in the \$250,000 - \$499,999 sales category are the most optimistic about sales growth, with 83 percent expecting to have higher sales in six months and three percent expecting lower sales.
- Among salon and spa owners with annual sales of \$2 million or more, 77 percent expect to have higher service sales in six months, while none expect their service sales to be lower in six months.

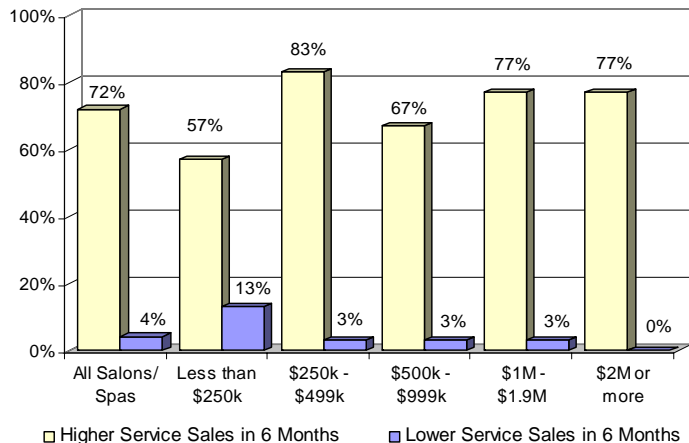
Salon/Spa Owners Expect Retail Sales to Improve in the Coming Months

- Although they reported net declines in retail sales during each of the four quarters of 2009, salon/spa owners expect to have stronger retail sales in the months ahead. Sixty-five 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), while just seven percent expect sales to decline.
- Salon/spa owners in the \$250,000 - \$499,999 sales category are the most optimistic about retail sales growth, with 76 percent expecting to have higher sales and three percent expecting lower sales in six months.
- Seventy-two percent of salon/spa owners in the \$1 million - \$1.9 million sales category and 69 percent of salon/spa owners in the \$500,000 - \$999,999 sales category expect to have higher retail sales in six months.

Salon/Spa Owners are Optimistic about the Direction of the Economy

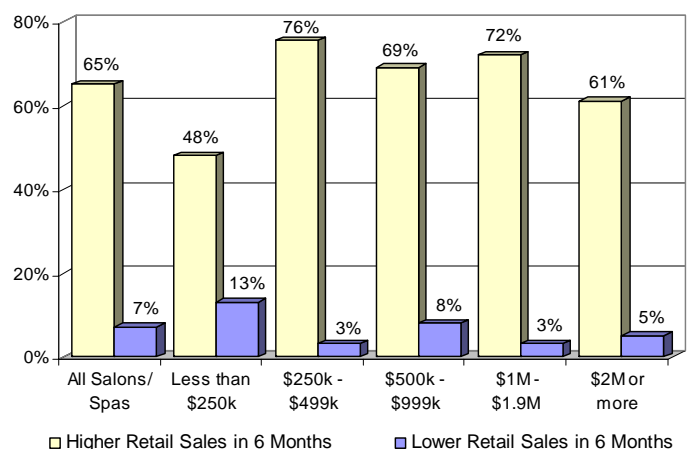
- Salon/spa owners are optimistic that economic conditions will improve in the months ahead. Sixty-nine percent of salon/spa owners said they expect economic conditions to improve in six months, while only five percent expect economic conditions to worsen in six months. This was similar to the sentiment reported in the previous three quarters.
- Salon/spa owners in the \$500,000 - \$999,999 and \$2 million or more sales categories are the most optimistic about the economy, with 75 percent expecting that economic conditions will improve in six months.
- Sixty-eight percent of salon and spa owners in the \$250,000 - \$499,999 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



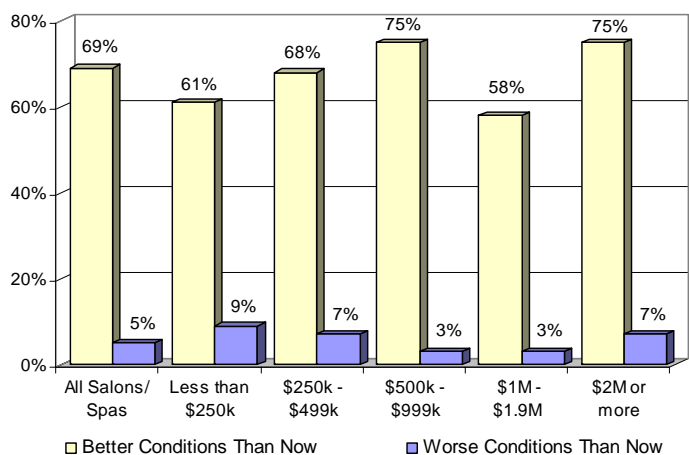
Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

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



Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

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

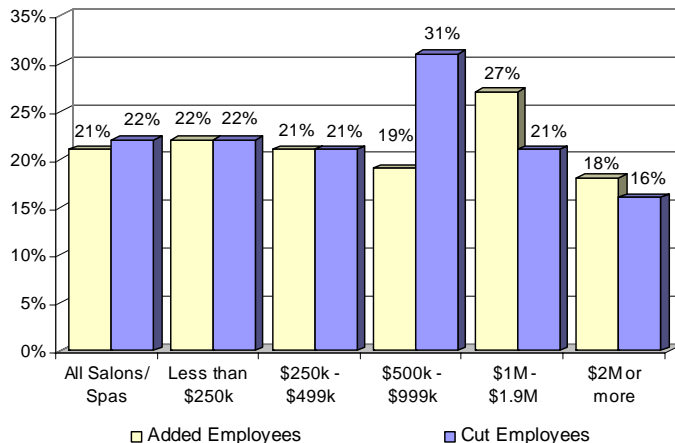


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

Salon/Spa Owners Reported Relatively Steady Staffing Levels in the 4th Quarter

- Salon/spa owners reported relatively steady staffing levels in the fourth quarter. Twenty-one percent of salon/spa owners said they added employees between the fourth quarters of 2008 and 2009, while 22 percent said they cut staffing levels. In the second and third quarters, owners reported slightly higher staffing levels.
- Within the five sales categories, salon/spa owners in the \$1 million - \$1.9 million category reported the strongest net increase in staffing levels in the fourth quarter, with 27 percent adding employees and 21 percent cutting staffing levels.
- In the \$500,000 - \$999,999 sales category, only 19 percent of salon/spa owners added employees in the fourth quarter, while 31 percent reported a decline in staffing levels.

Number of Employees: 2009:Q4 vs. 2008:Q4
Tracking Survey Responses by Annual Sales Volume

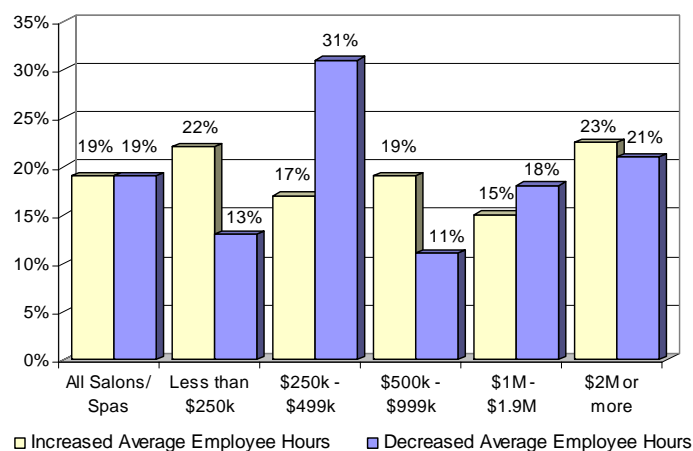


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

Trends in Average Employee Hours Were Mixed in the Fourth Quarter

- Similar to staffing trends, salon/spa owners overall reported relatively stable average hours for their employees. Nineteen percent of salon/spa owners said they increased employee hours between the fourth quarters of 2008 and 2009, while 19 percent said they cut employee hours.
- Salon/spa owners in three out of the five sales categories reported a net increase in average employee hours in the fourth quarter. In the \$500,000 - \$999,999 sales category, 19 percent of salon/spa owners increased average employee hours, while only 11 percent reduced their employees' average workweek.
- In contrast, 31 percent of salon/spa owners in the \$250,000 - \$499,999 sales category reduced employee hours, while 17 percent increased employee hours.

Average Employee Hours: 2009:Q4 vs. 2008:Q4
Tracking Survey Responses by Annual Sales Volume

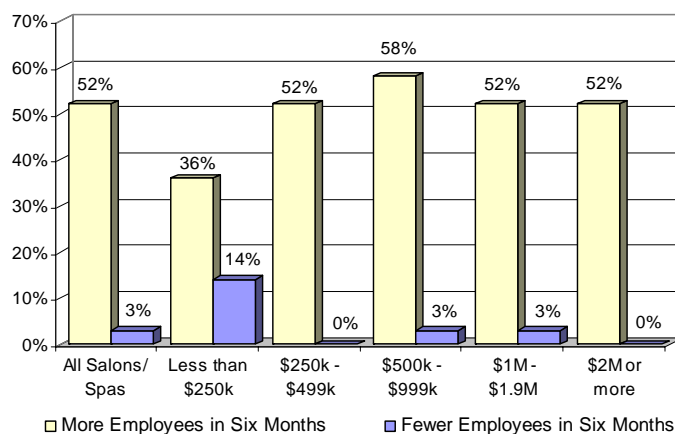


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

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

- For the fourth consecutive quarter, roughly half of salon/spa owners reported that they are planning to expand staffing levels in the coming months. 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 just 3 percent expect to employ fewer individuals in six months. Forty-five 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, 52 percent of salon/spa owners expect to add employees in the next six months, while none plan to cut staffing levels.

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

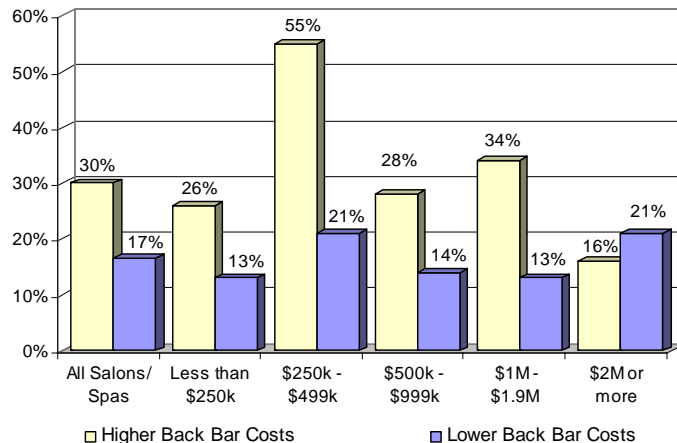


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

Salon/Spa Owners Reported Higher Back Bar Costs in the Fourth Quarter

- Salon and spa owners reported a net increase in average back bar costs between the fourth quarters of 2008 and 2009. Thirty percent of salon/spa owners said their back bar costs increased, while 17 percent reported a decline in back bar costs.
- Salon/spa owners with annual sales of less than \$2 million reported higher back bar costs in the fourth quarter. In the \$250,000 - \$499,999 sales category, 55 percent of salon/spa owners reported higher back bar costs, while 21 percent reported a decline.
- In contrast, 21 percent of salon/spa owners in the \$2 million or higher sales category reported a decline in back bar costs, while 16 percent reported an increase in back bar costs in the fourth quarter.

Average Back Bar Costs: 2009:Q4 vs. 2008:Q4
Tracking Survey Responses by Annual Sales Volume

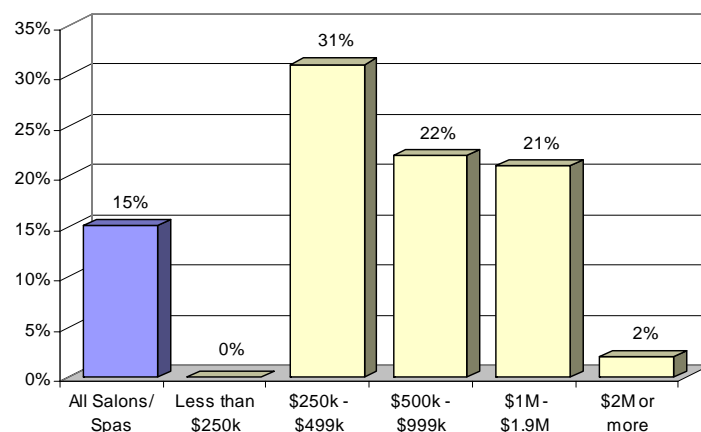


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

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

- Fifteen percent of salon and spa owners said they increased service prices in the fourth quarter, roughly on par with proportion of owners who increased service prices in the second and third quarters.
- Pricing trends varied significantly across the five sales categories in the fourth quarter. In the \$250,000 - \$499,999 sales category, 31 percent of salon/spa owners increased service prices in the fourth quarter, tops among the five sales categories.
- On the low end, none of the salon/spa owners in the less than \$250,000 sales category said they increased service prices in the fourth quarter.
- Similarly, just two percent of salon/spa owners in the \$2 million or higher sales category said they increased service prices in the fourth quarter.

% of Salons/Spas that Increased Service Prices in Q4
Tracking Survey Responses by Annual Sales Volume

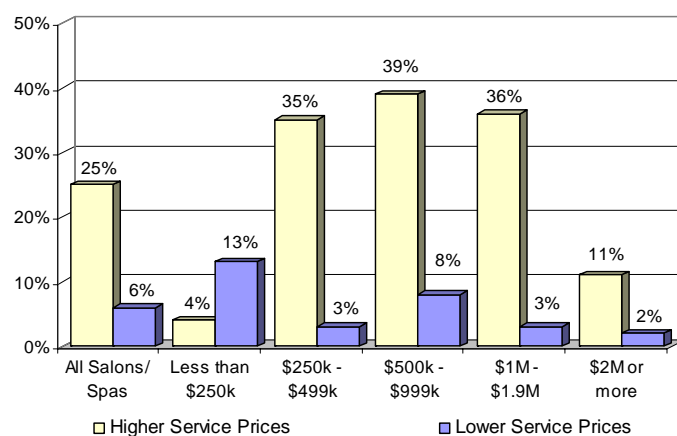


Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

Salon/Spa Owners Reported a Net Increase in Service Prices over the Last Four Quarters

- Twenty-five percent of salon/spa owners said their service prices were higher in the fourth quarter than they were in the fourth quarter of 2008, while six percent reported lower service prices. Sixty-nine percent of salon/spa owners said their average service prices were unchanged over the four-quarter period.
- Thirty-nine percent of salon/spa owners in the \$500,000 - \$999,999 sales category said their average service prices rose between the fourth quarters of 2008 and 2009, tops among the five sales categories.
- Eleven percent of salon/spa owners with sales of \$2 million or higher said their average service prices increased between the fourth quarters of 2008 and 2009, while two percent said they cut prices.

Average Service Prices: 2009:Q4 vs. 2008:Q4
Tracking Survey Responses by Annual Sales Volume



Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

Capital Spending Levels Held Relatively Steady in the Fourth Quarter

- Twenty-nine percent of salon/spa owners said they made a capital expenditure for equipment, expansion or remodeling in the fourth quarter, roughly on par with 28 percent of salon/spa owners who reported making capital expenditures in the third quarter.
- Thirty-nine percent of salon/spa owners in the \$250,000 - \$499,999 sales category made a capital expenditure in the fourth quarter, the highest spending activity among the five demographic categories.
- Fifty-six percent of salon/spa owners plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 46 percent who reported similarly last quarter.
- Sixty-four percent of salon/spa owners with sales of \$1 million - \$1.9 million said they plan to make a capital expenditure in the next six months.

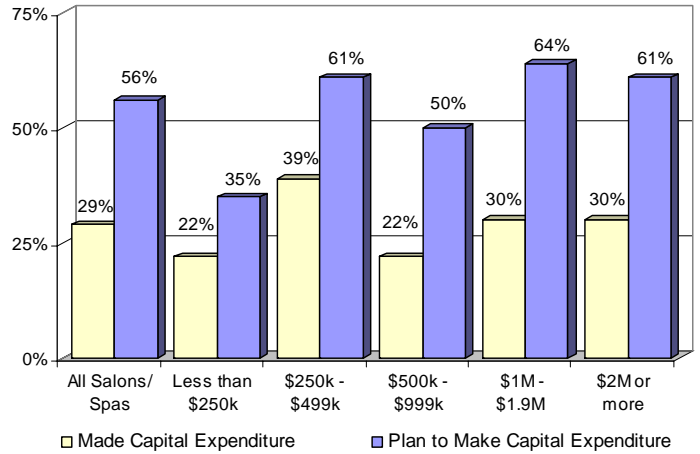
Sales and Recruiting Employees are the Top Challenges for Salon/Spa Owners

- Thirty-two percent of salon/spa owners said building-and-maintaining sales volume is the number-one challenge currently facing their business, followed by recruiting-and-retaining employees (23%) and the economy (13%).
- Forty-one percent of salon/spa owners in the \$500,000 - \$999,999 sales category said building-and-maintaining sales volume is the top challenge facing their business, while 12 percent identified the economy.
- Thirty-one percent of salon/spa owners in the \$1 million - \$1.9 million sales category said recruiting-and-retaining employees is the number-one challenge currently facing their business.

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

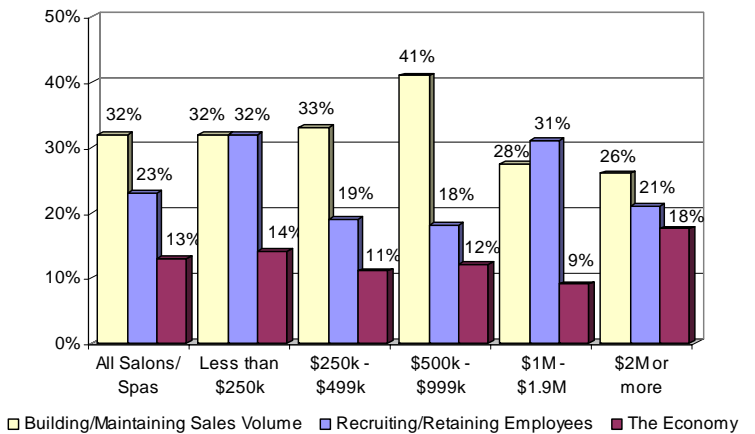
- Fifteen percent of salon and spa owners said they plan to open a new establishment in the next six months, matching the proportion who responded similarly last quarter.
- Thirty percent of salon/spa owners in the \$2 million or higher sales category plan to open a new establishment in the next six months – tops among the five sales volume categories.
- Fourteen percent of salon/spa owners with annual sales between \$250,000 and \$499,999 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, just 4 percent reported that they plan to open a new establishment in the next six months.

Capital Expenditures: In 4th Quarter & Next 6 Months Tracking Survey Responses by Annual Sales Volume



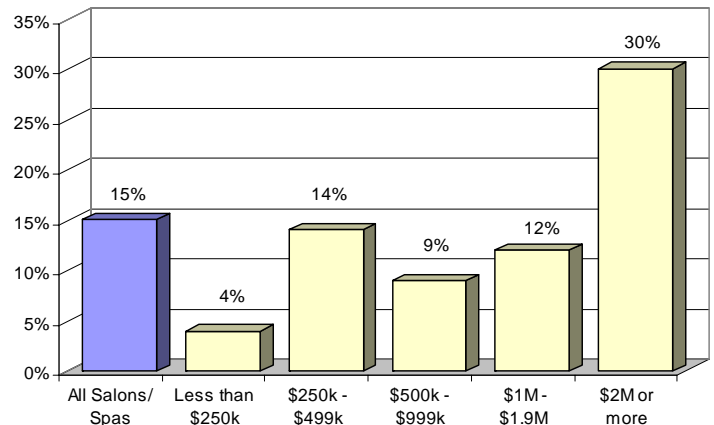
Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

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



Source: Professional Beauty Association, Salon/Spa Tracking Survey – 4th Quarter 2009

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 – 4th Quarter 2009

Salon/Spa Tracking Survey Results – Fourth 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:Q4 vs. 2008:Q4						
Higher Sales	48%	39%	45%	50%	53%	50%
Lower Sales	29	30	35	33	25	27
About the Same	23	30	21	17	22	23
Median Sales Increase	10%	10%	10%	10%	8%	6%
Median Sales Decrease	-10	-10	-11	-10	-5	-7
Overall Average Percent Change	2.3%	-1.5%	2.0%	3.4%	3.6%	2.4%
Retail Sales: 2009:Q4 vs. 2008:Q4						
Higher Sales	37%	22%	35%	39%	47%	39%
Lower Sales	43	48	55	42	38	36
About the Same	20	30	10	19	16	25
Median Sales Increase	10%	12%	12%	10%	5%	7%
Median Sales Decrease	-10	-15	-10	-10	-6	-9
Overall Average Percent Change	-1.5%	-4.9%	-2.4%	-1.4%	-0.2%	-0.2%
Customer Traffic: 2009:Q4 vs. 2008:Q4						
Higher Traffic	37%	35%	31%	39%	50%	32%
Lower Traffic	32	26	38	44	22	27
About the Same	31	39	31	17	28	41
Median Traffic Increase	9%	15%	10%	8%	9%	5%
Median Traffic Decrease	-8	-13	-12	-7	-10	-5
Overall Average Percent Change	0.3%	0.5%	-1.6%	-0.4%	3.4%	0.7%
Service Sales: Expectations in 6 Months vs. Same Period in Previous Year						
Higher Sales	72%	57%	83%	67%	77%	77%
Lower Sales	4	13	3	3	3	0
About the Same	24	30	14	31	19	23
Retail Sales: Expectations in 6 Months vs. Same Period in Previous Year						
Higher Sales	65%	48%	76%	69%	72%	61%
Lower Sales	7	13	3	8	3	5
About the Same	28	39	21	22	25	34
Expectations for General Business Conditions in 6 Months						
Better Conditions	69%	61%	68%	75%	58%	75%
Worse Conditions	5	9	7	3	3	7
About the Same	26	30	25	22	39	18
Number of Employees: 2009:Q4 vs. 2008:Q4						
Added Employees	21%	22%	21%	19%	27%	18%
Cut Employees	22	22	21	31	21	16
About the Same	57	57	59	50	52	66
Average Employee Hours: 2009:Q4 vs. 2008:Q4						
More Hours	19%	22%	17%	19%	15%	23%
Fewer Hours	19	13	31	11	18	21
About the Same	62	65	52	69	67	56
Number of Employees: Expectations in 6 Months vs. Same Period in Previous Year						
More Employees	52%	36%	52%	58%	52%	52%
Fewer Employees	3	14	0	3	3	0
About the Same	45	50	48	39	46	48

Notes: Figures may not add to 100% due to rounding; Figures are based on 169 survey responses.

Salon/Spa Tracking Survey Results – Fourth 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:Q4 vs. 2008:Q4						
Higher Costs	30%	26%	55%	28%	34%	16%
Lower Costs	17	13	21	14	13	21
About the Same	53	61	24	58	53	64
Median Cost Increase	5%	10%	5%	5%	4%	4%
Median Cost Decrease	-5	-10	-5	-8	-8	-2
Overall Average Percent Change	0.4%	0.8%	2.7%	0.7%	0.3%	-1.4%
Increased Service Prices in Fourth Quarter	15%	0%	31%	22%	21%	2%
Average Service Prices: 2009:Q4 vs. 2008:Q4						
Higher Prices	25%	4%	35%	39%	36%	11%
Lower Prices	6	13	3	8	3	2
About the Same	69	83	62	53	61	86
Median Price Increase	5%	-	5%	8%	5%	5%
Median Price Decrease	-14	-	-	-14	-	-
Overall Average Percent Change	0.9%	-2.2%	1.5%	2.0%	1.7%	0.7%
Made Capital Expenditure in Fourth Quarter	29%	22%	39%	22%	30%	30%
Plan to Make Capital Expenditure in Next 6 Months	56%	35%	61%	50%	64%	61%
Openings and Closings of Salon/Spa Establishments						
Opened Establishment in Fourth Quarter	5%	4%	0%	6%	0%	9%
Closed Establishment in Fourth Quarter	4	0	3	6	3	5
Plan to Open Establishment(s) in 6 Months	15	4	14	9	12	30
Rented Out Chairs or Space in Last 12 Months	6%	14%	19%	6%	0%	0%
Top Challenge Facing Respondent's Business						
Building & Maintaining Sales Volume	32%	32%	33%	41%	28%	26%
Recruiting & Retaining Employees	23	32	19	18	31	21
The Economy	13	14	11	12	9	18
Providing Quality Service & Value	11	9	19	9	9	10
Building Retail Sales	5	0	7	3	3	8
Operating Costs	4	5	4	6	3	3
Access to Capital	3	5	0	0	3	8
Marketing	3	5	0	3	0	5
Taxes	3	0	4	6	0	3
Salon Competition	1	0	0	3	3	0

Notes: Figures may not add to 100% due to rounding;



March is Dining for Change Month!

Dining for Change is a fun, easy way to bring fellow professionals together in small groups across the country - to network, share, enjoy one another's company - and raise a money for a good cause.

Make a difference by supporting Salons Against Domestic Abuse/CUT IT OUT, Look Good...Feel Better, and the NCA Disaster Relief Fund.

Learn more by calling 800.468.2274 or rachel@probeauty.org.



The Professional Beauty Association's (PBA) purpose is to advance the professional beauty industry by providing its members with business tools, government advocacy, education, networking, events and more to ensure business and career success with integrity. PBA is the largest organization of salon professionals with members representing salons and spas, distributors, manufacturers and beginning in 2010, licensed professionals with the addition of the National Cosmetology Association (NCA). Visit probeauty.org or call 800.468.2274 (480.281.0424) to learn more.

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