



Incisive Business Solutions

## Market Development of Medical Spas: Opportunity

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Marketing Strategy. Financial Analysis. Creative Communications.

# Contents

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- 1. Medical Spas in 2004 vs. the Marketplace .....2
- 2. Why Medical Spas are growing in popularity .....5
- 3. The Medical Spa model that works .....8
- 4. The Wellness Revolution .....13
- 5. Medical Spa Best Practices .....15

Section 1

**Medical Spas in 2004  
vs. the Marketplace**

85-90% of demand for Medical Spa services is not being met, despite the growth rate of 147% in new Medical Spas opening in 2003.

Americans spent \$12 billion in 2003 on alternative and complementary care and \$70 billion on vitamins, minerals, and nutraceuticals.

*Source: International Medical Spa Association*

## Introduction

This market research White Paper on the Medical Spa industry (often referred to as medi spa) reviews the opportunities and offers practical information for business decision-makers.

Based on the latest thinking and most successful examples, we have developed this summary to serve as a collateral piece that outlines the Medical Spa and a plan of action that will make a forward-thinking doctor's vision a resounding success.

A first-rate Medical Spa will help patients achieve ultimate wellness by diagnosing and treating health concerns in a Day Spa environment drawing on a unique and appropriate mix of traditional western and complementary medicine and alternative therapies.

A great Medical Spa will offer the finest cosmetic and aesthetic day surgery and procedures within a Day Spa setting, making the experience one where the client feels pampered in an environment that is both physically inviting and emotionally supportive.

A great Medical Spa will focus on the patients' total wellness by analyzing and treating their health care and vitality concerns with a full range of complementary natural therapies. A Medical Spa will help patients take control of all aspects of their well being – body, mind, and soul and aesthetic care in one facility.

## **A great facility will be positioned as the preferred Medical Spa.**

HMOs frustrate consumers. They work on a disease model, not wellness. Traditional western medicine does not help patients enhance the relationship between body, mind and spirit. Our consumption of prescription drugs is fueled by a two billion dollar a year advertising budget.

Americans want to live longer – and better – naturally. Medical Spas are a part of the solution, not the problem.

- The average client spends \$720/visit to a Medical Spa vs. \$150 to a traditional Day Spa.
- It is less costly to have elective procedures performed in Medical Spas than in a doctor's office – or clinic.
- In 2001, Americans paid \$270 million for moisturizers and toners (not make up) and \$12 billion in health improving therapies, such as acupuncture and chiropractic services.
- 42% of the U.S. population used some kind of complimentary/alternative medical treatment (2003), and the number grows every year.

## **Medical Spas and cosmetic surgery laser procedures**

- One of the most successful Medical Spa business models includes partnering with a (part-time) surgeon.
- Plastic surgery patients keep coming to Medical Spas more frequently than they would to a specialist M.D., who might see the same patients every few years.  
*An aesthetician and a Medical Spa + Surgeon = Integrated Services — better patient outcome and overall care.*
- A specialist M.D. sees a typical patient once every few years.
- Not only do patients make more appointments with a Medical Spa that includes a surgeon, patient outcomes are better, too.
- Aestheticians and Medical Spa + surgeon = better patient outcome and care — integrated services.
- Currently there are 6,000 spas in the U.S. (2003), but only 400 are true Medical Spas (7%), up from 162 in 2002.

*(Source: International Medical Spa Association)*

- Medical Spas have grown 133% over the last five years. This is the highest growth rate of any spa type. Medical Spas work with higher margin procedures.  
*(Source: International Spa Association - ISA)*
- Only 85 – 90% of consumer demand for Medical Spas are being met *(Source: IMSA)*

**Dr. Greg Chernoff:** In just the female age group 22-34, there were 2 million users of laser hair removal from only 1,000 suppliers last year. Demand will exceed supply for the next 10+ years.

## Section 2

**If you build it, they will come . . .**

**Why Medical Spas are growing  
in popularity**

### **Already in the market...**

**Laser Spa** treatment plans at **Sona King of Prussia, Pa.** average \$1,050 per customer. At 2,000 patients per year, the total revenue would reach \$2,100,000 (national average). It is estimated that Sona MedSpa in King of Prussia will generate annual revenues exceeding \$3.5 million.

And this demand is not coming only from women. While men make up 40% of Sona's customers, they provide 53% of total revenue. Why? The typical hair removal treatments requested by men are often more costly because they involve larger body areas (the entire back, for example).

*(Source: Sona International)*

Medical Spas also are known for effective results in hair, skin and body care, as well as physiological relief from fatigue and stress, and a haven for deep rest

### **Where is the market headed?**

#### **Dr. Robert Keller** of **The Keller Skin & Body Institute**

in Pebble Beach, Calif. cites five factors driving Medical Spa growth:

- 1) Baby boomers are 51% of the U.S. population
- 2) Growing use of complementary medication
- 3) Growing use of nutraceuticals and supplements
- 4) FDA-approved laser and light-based procedures are at the heart of this growing industry, which has had FDA approved since 1995
- 5) Medical Exposure and Interest: i.e. best selling author

**Dr. Andrew Weil** (over 25 million books sold) as well as television, news, entertainment specials.

More than 12,000 Americans turn 50 everyday. This is projected to continue for the next 20 years. Further, the number of Americans over 55 will grow by 60% in 20 years, with buying power that will exceed \$2 trillion by 2007.

**Americans are in love with Medical Spa treatments and procedures:**

More than ever before, a mainstream trend has taken hold of the massive U.S. entertainment industry. Makeover-based reality television shows continue to draw large audiences.

- The Swan (FOX network) . . . . . 9.2 million viewers in 2003
- Extreme Makeover (ABC) . . . . . 8.2 million viewers
- Nip 'n Tuck (FX network). . . . . 1.8 million viewers
- I Want a Famous Face (MTV) . . . . . 1.3 million viewers
- Queer Eye for the Straight Guy (Bravo, NBC) . . . . . 5.7 million viewers

Other successful makeover-based reality TV programs include:

- Miami Slice
- A Makeover Story
- Extreme Makeover (2002)
- America’s Next Top Model (2003)

More than 30million Americans watched makeover TV shows in 2003

With the attention generated by these reality-based programs (and new makeover TV pilots planned for next season), more and better Medical Spa-type services will continue to be in demand.

Even PBS has seized upon the market popularity of makeovers. The non-commercial network sometimes features Dr. Perricone during fundraising “pledge” periods. PBS gets 10 million viewers when Perricone, the “wrinkle removing” Yale dermatologist, offers his high-end skin creams as donors premiums.

*(Sources: IMPA, WSJ, APSA, A.C. Neilson ratings)*

**Science-based skin care**

Dr. Perricone’s premium brand of wrinkle creams command the highest prices because consumers respond to his credible claim that real science is behind his products.

The unmistakable trend is for skin care that is technology driven:

- Sophistication of new products – with real science behind them
- Increasing body skin response via immune system (medical based know-how)
- Hydrotherapy treatments
- Natural botanical ingredients

## Section 3

# **The Medical Spa Model that Works — Treating with Care**

*(Source: Cosmetic Surgery Times)*

According to Cosmetic Surgery Times, these are the principal factors for a successful Medical Spa:

## Environment

- Medical trust, M.D., R.N., trained staff
- Vision, mission, service, positive outcomes, patient relationships
- Patient focused – not HMO or clinic (pampered patients, not assembly line)
- Results driven (high end products and services = results)
- Pampered = satisfied clients = need for referrals = new patients = repeat patients
- Model works best when created by a physician vs. traditional day spa that adds a part time M.D. practice
- Laser hair removal is growing dramatically vs. waxing, which is both costly and painful.

Every new patient's first purchase or visit is the start of a relationship that is both "high tech" and "high touch." A successful Medical Spa starts with high-grade products and services, and a commitment to stay high grade. Research validates this approach when it is implemented correctly.

The comprehensive Medical Spa will provide a thorough (3+ hours) spa-style intake process and skin therapy for new patients.

- Cleansing – low level AHA cleanser
- Complete skin body analysis
- Recommendation of a home and office care routine
- Application of chemical peel
- Application of skin neutralizer
- Treatment completion – 2% hydrocortisone cream

A great Medical Spa will maintain its competitive edge by routinely providing Post Care Instruction that helps patients to understand their body better.

- Daily cleansing / toning: what to use, where and why
- Application of 2% hydrocortisone to suppress pigmentation
- Apply retinal or AHA cream
- Daily application of Vitamin A and C cream
- Sunscreen use and application
- Lifestyle changes i.e.: eating, hydration

## **Fitness = Wellness. Experts Required**

A clear and successful example would be the Fitness Institute in Salt Lake City. The client's existing medical care is augmented by the Fitness Institute with regular fitness evaluations beyond the usual yearly medical exam. The Institute provides thorough, quality care, including analysis of all body systems, cancer screening, organ scan, other screenings, as well as blood, urine analysis, risk assessment for heart disease, diabetes, infection, and anemia. In addition, the client's blood is analyzed for vitamin/nutrient deficiencies needed for optimum health.

The Fitness Institute keeps competitors at bay by continually providing value. Tomorrow's successful Medical Spas may gain the necessary competitive advantage by offering some of the less well-known value added services that are a little out of the ordinary.

- Iontophoresis (galvanic)
- Lymphatic drainage
- Electric muscle stimulation
- Endermologie
- Antioxidant application combined with traditional anti-aging treatments

Because they have a clinical side, Medical Spas have the credibility needed to successfully offer wellness services alongside traditional diagnostic testing and treatments.

The largest segment of the spa market is moving to a more medical-clinical approach to spa services.

*(Source: International Medical Spa Association)*

## **Here's what people want**

Patients are seeking complementary modalities in addition to procedures (i.e.: skin), such as:

- 1) Biofeedback
  - 2) Yoga
  - 3) Meditation
  - 4) Chiropractic
- Medical Spas can successfully combine credibility and wellness alongside traditional diagnostic testing and treatments.

- Largest segment of spa market is moving to a more medical-clinical approach to spa services (Source: International Medical Spa Association - IMSA)
- Aestheticians offer anti-aging, nutritional advice, melanoma screening, skin care analysis (Requires aestheticians with 600 hours of advanced training)
- Physician partnering with aestheticians gives patients consistent care, better outcomes
- Medical Spa generates repeat visits, better outcomes, and greater revenues.
- Most successful U.S. Medical Spas combine aesthetic / spa therapies with sound program for prevention of illness – integrating aesthetic and spa.
- Aesthetician acts like nurse practitioner in traditional medicine – lower cost to patient, higher margin to owner / practitioners
- All research points to the value of a physician partnership – It's what consumers expect: cosmetic surgery, liposuction, skin procedures. Patients also want education for healthy life maintenance.
- Skin scope / ultra violet light reveal persons skin conditions, computer print out skin care.
- High margin treatments offset fixed HMO fees for MDs.

### **Medical Spas can help the Elderly and People with Disabilities**

- In the very near future, the elderly will become a significant market.
- New spa products can capture this market (higher disposable income patients)
- In 2010, 45,959,000 people will be 65+ in the U.S. (15% of the total population)

### **Ergonomically adjustable products now available for this population**

- Verona Royal Spring Chair
- Hydraulic massage chair by Golden Ratio Co.
- Handi-Robe by creative designs
- Body wrap by JMT Group
- Roll in whirlpool such as Arjo's Freedom Bath
- People with Disabilities are a major client of Medical Spa trade shows

### **Doctors believe aging is a treatable condition**

- Aging is treatable with anti-aging medication treatments and natural hormone treatments
- Natural synergy between aesthetic and medical fields
- Medical grade facials
- Mechanical massage treatments before and after liposuction
- Critical to success are medical professionals like RN, LPN, DDS, DMD, and MD.
- Holistic approach – available under one roof – one center

### **It's not just for women anymore**

- Men are 25% of Medical Spa procedures and growing (Source: IMSA)
- Chin augmentation procedures for men increased by 70% to 9,583 in 2003, up 600% from 2002. 60% of all chin augmentation procedures were performed on men in 2003.
- Number of cosmetic surgical procedures on males rose 14% in 2003 from 2002.
- the most popular cosmetic surgery for men in 2003:
  - 2) Nose reshaping, 129,774
  - 3) Eyelid, 46,308
  - 4) Liposuction, 32,092
  - 5) Hair Transplant 27,985
  - 6) Brest reduction 14,611
  - 7) Face lift 12,760
  - 8) Ear surgery 11,479
  - 9) Chin 9,583
  - 10) Dermabrasion 8,768
  - 11) Forehead lift 8,481

*(Source: Wall Street Journal, June 15, 2004 and American Society of Plastic Surgeons statistics)*

## Section 4

# **The Wellness Revolution**

*By Paul Zane Pilze, New York Times best-selling author and Wharton-trained Economist*

*(Source: Cosmetic Surgery Times)*

## The five characteristics of successful preventative health care industries are:

- Affordability
- Legs (commercial sustainability)
- Continual Consumption
- Universal Appeal
- Low Consumption Time

## Wellness Industry is \$200+ billion in U.S. It will be a \$1 trillion industry by 2010. With this in mind, we must address the following points.

- New/ Unknown: Human response is to reject, not embrace. A Medical Spa can overcome this with positive information.
- Overcoming human rejection of the new or untested. A Medical Spa is to be positioned as the expert.
- It is imperative to present positive, accurate information at the person-to-person level.
- Must have credibility and the positive impact of a successful ongoing public relations campaign
- Position the doctor as the expert, the source (a recognition that must be built over time).
- Recipients of health/wellness products and services are walking, talking billboards promoting your business and telling others.

## Vitamins, Supplements and their Safety

(Source: [www.consumerLab.com](http://www.consumerLab.com))

### Fact/Problem

- 50% of Americans take nutritional supplements
- \$70 billion a year industry.
  - 25-33% of dietary supplements (vitamins, minerals, herbals) sold in U.S. are **problematic** because products do not contain what the label says and some ingredients are dangerous.
  - 33% who try vitamins stop purchasing them because of no results

### Solution

A Medical Spa can diagnose and recommend specific supplements as well as how to take them safely. These products should be “pharma-grade” tested by ConsumerLab.com. (You can think of **ConsumerLab.com** as Consumer Reports for the Nutritional Supplement Industry.) A Medical Spa will always have the latest technology-based and tested products, so patients will buy with confidence.



Section 5

## **Medical Spas: the best practices**

### **ISPA notes**

- U.S. Medical Spas are combining the best of Western medicine: (non-ablative) lasers that rejuvenate – not invasive or wounding.
- Diagnostic procedures like bone density screening and ultra scans of organs

### **European Influence**

- Relaxation, tranquility, human touch

### **Successful Medical Spas Must Offer**

- Wellness-oriented treatments / how to get healthy – stay healthy
- Reality-based effectiveness of treatment and home care products, a regimen
- Anti-aging procedures, products for skin protection
- Client education
- Total holistic (mind, body, spirit) approach to patient wellness

## **Today's (and tomorrow's) consumers want**

- Results orientation
- Respect for their schedules
- Age prevention and protection
- Value and efficacy for their time and money
- Value and integrity from their Health Care Provider

## **Tomorrow's consumer will be**

- Well-educated
- Discerning
- Loyal to result-oriented professionals

## **Public Relations... or Advertising?**

MWS Partners does not foresee traditional mass-media advertising until a Medical Spa is operational.

"Today's Medical Spa is a unique opportunity and a strategic venture that offers education while, most importantly, remaining committed to the concerns of its clients" – *MWSPartners*

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