

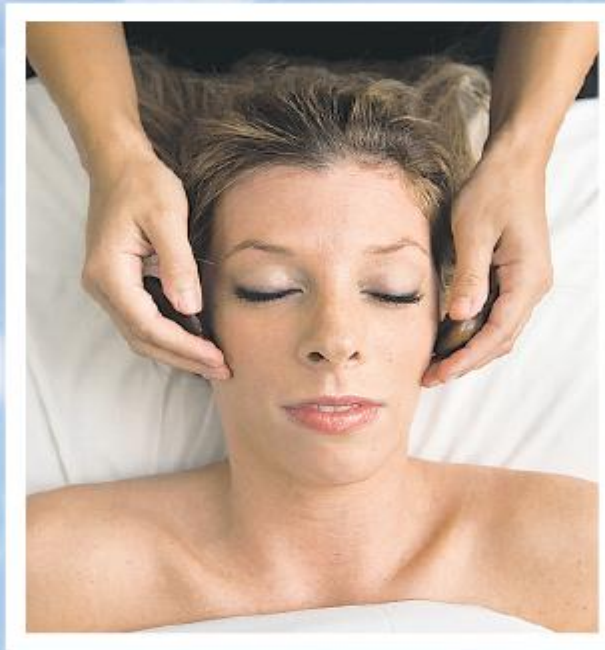
BUSINESS SUNDAY

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THE ARIZONA REPUBLIC

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SECTION D



TOM TINGLE/THE ARIZONA REPUBLIC

INEXPENSIVE RELAXATION

A spa treatment always helps, especially if it comes at a relatively inexpensive price. This simple idea has grown to become one of the most competitive franchising trends of the decade.

By Max Jarman
THE ARIZONA REPUBLIC

Fifty minutes with a skilled massage therapist can vanquish aches and pains, nullify stress, boost overall health and generally put you in a much better frame of mind.

Deliver the experience in a pleasant, convenient location for a reasonable price and you have the recipe for one of the hottest franchise concepts of the decade.

Since Scottsdale-based Massage Envy pioneered the massage-club concept in 2002, a

Above: Natalie Tuchscherer, 28, of Phoenix, receives a cold-stone facial from massage therapist Sarah Martin at Hand & Stone Massage and Facial Spa in Scottsdale.

growing number of spa franchises have sprouted up in strip malls and neighborhood shopping centers throughout the country.

Chains such as Massage Envy, Hand & Stone Massage and Facial Spa and Elements Therapeutic Massage offer spa treatments

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National spa franchises with stores in the Valley

Massage Envy

Headquarters: Scottsdale.
Founded: 2002.
Services: Massages, facials.
Locations: 626 in 42 states.
Arizona locations: 27.
Monthly membership fee: \$49.
Specials: \$39 introductory massage.

Hand & Stone Massage and Facial Spa

Headquarters: Hamilton, N.J.
Founded: 2005.
Services: Massages, facials.
Locations: 32 in eight states.
Arizona locations: Five.
Monthly membership fee: \$50.
Specials: \$40 introductory massage.

Elements Therapeutic Massage

Headquarters: Highlands Ranch, Colo.
Founded: 2007.
Services: Massages.
Locations: 73 in 23 states.
Arizona locations: Five.
Membership fee: \$59.
Specials: \$10 off therapeutic massage.

Massage Heights

Headquarters: San Antonio.
Founded: 2004.
Services: Massages.
Locations: 63 in 15 states.
Arizona locations: Two.
Membership fee: \$50.
Specials: \$40 introductory massage.

Franchises grow, offer low-cost services

SPA CLUBS

Continued from D1

that can cost up to \$200 in a resort hotel for \$59 and less.

The chains have found a growing following among tenured spa enthusiasts looking to save money in a bad economy and stressed-out consumers in need of some TLC.

Since its inception in 2002, Scottsdale-based Massage Envy has garnered 900,000 members who receive more than 1 million massages a year at its 626 U.S. locations.

New Jersey-based Hand & Stone, which has five Phoenix-area locations, reported sales at



MARK HENLE/THE ARIZONA REPUBLIC

Jennifer Webber is the general manager of the Tempe Marketplace location of Massage Envy, a Scottsdale-based chain that pioneered the massage-club concept in 2002 and offers treatments at affordable prices.

comparable locations open more than 12 months grew 30 percent in the past year.

CEO Todd Leff partially attributed the growth to cash-strapped customers “stepping down” from higher-priced spas to cut back.

“People are buying a spa membership for \$50 per month instead of taking a \$6,000 vacation,” he said.

While they have taken business away from pricier establishments in some cases, they also can be credited with exposing thousands of new people to massage and other spa treatments.

Geffrey von Gerlach, an acupuncturist and massage therapist with a private practice in Phoenix, said the franchises have made more people aware of the health benefits of a regular massage.

Massage Envy model

Almost all of the spa franchises have patterned their businesses after Massage Envy’s membership format.

Generally, members pay a monthly fee that entitles them to one 50-minute massage or facial

and discounts on additional treatments during the month.

The membership format provides a predictable cash flow, plus allows the stores to plan for a set level of business — something unheard of previously.

“The business was totally fragmented with most massages being delivered in people’s homes,” said Massage Envy’s Chief Operating Officer David Crisalli. “We brought some order to the business with established locations, set hours of operation and professional therapists.”

Massage Envy opened 80 new locations in 2009 and expects to open about 50 in 2010. The company has long-range plans for about 1,200 spas.

The spa franchises have created a steady demand for trained massage therapists and, lately, aestheticians to perform facials, and because they are one of the only retail businesses now expanding, they are being aggressively courted by shopping-center owners and leasing agents.

New competitors

Massage Envy’s success has spawned a number of competitors, who also have aggressive expansion plans.

Relatively low startup costs (\$150,000 to \$300,000) make spa franchises appealing to downsized workers seeking a new career and to retirees looking for extra income.

Barry Siegel lost his job at a Chicago diamond brokerage and bought a Massage Heights franchise in Gilbert.

“This is going to be my retire-

ment,” he said.

Maggie Brown, a former IBM Corp. executive, bought Arizona franchise rights for Hand & Stone after she learned the Massage Envy franchises for metro Phoenix were all taken.

“They got me hooked on massage and the whole concept,” Brown said of Massage Envy, where she was once a member.

Brown has opened five locations in Arizona and plans for 20 more.

Elements and Massage Heights also have targeted metro Phoenix for expansion.

Lots of deals

The new franchises have made the Phoenix area one of the most competitive spa markets in the country, and operators have been scrambling to add new services and cut prices to set themselves apart.

Hand & Stone broke new ground last year when it added facials to a previously massage-only format. That sent competitors, including Massage Envy, scrambling to add skin treatments.

Massage Envy formed a partnership late last year with skin-care-products maker Murad Corp. to add skin-care treatments to its locations and now has converted about 135 of its sites into Massage Envy Spas.

Elements Therapeutic Massage doesn’t plan to offer skin care; its focus is on the physical-therapy aspects of massage.

“Our focus is making people feel better,” said Bob Haimes, the company’s chief growth officer.

Upstart Massage Envy now \$600 mil business

By Max Jarman
THE ARIZONA REPUBLIC

Scottsdale businessman John Leonesio founded Massage Envy with proceeds from the sale of his string of Q The Sports Club fitness centers to 24 Hour Fitness in 1999.

The upscale Q health clubs had offered massage services to members with sore muscles, and

Leonesio observed that the therapy rooms were almost always booked.

When he sold the clubs and was looking at another business venture, he hit on the idea of offering inexpensive massage services in an upscale setting on a membership basis, similar to a health club.

Leonesio set up his first location near Shea Boulevard and



**John
Leonesio**

Loop 101 in Scottsdale, where he hoped to do about 400 massages per month.

The location signed up 1,400 members its first month, and Leonesio realized he had a hit.

He spent a year developing

his business model into a franchise format, and in 2003 started selling Massage Envy franchises.

The Scottsdale-based company now has 624 locations open in 42 states that generate about \$600 million in annual revenue and employ about 20,000 people.

Leonesio sold Massage Envy in 2008 for an undisclosed sum

to Veria, a Texas-based, health-focused multimedia company that is a unit of Indian conglomerate The Essel Group.

Earlier this year, Veria sold Massage Envy to Sentinel Capital Partners, a New York-based private-equity firm that owns Taco Bell, Pizza Hut, Church's Chicken and other franchises in a number of states. Terms of that sale also were not disclosed.