



Our Future

THERE'S ROOM TO GROW, BUT NOT WITHOUT YOU

By Joe Levy

In the late 1970s, bold entrepreneurs laid the foundation of North America's indoor tanning industry; they had virtually no idea what would become of their investment into what was, at the time, an unproven folly. They imported sunlamps from Europe, in many cases built their own tanning beds and booths, rented spaces and rolled the dice in hopes that the fad of indoor sun tanning would catch on like pet rocks.

Fast-forward about 33 years and pet rocks are a thing of the past, but tanning has survived far past its fad status. Indoor tanning has withstood ridicule, government regulation, the advent of Sun Scare marketing, four business recessions, stock market

crashes and just about every obstacle conceivable. Maybe that staying power is why the market's leaders are still bullish on the future of tanning.

Preliminary reports from Smart Tan's November convention and trade show in Downtown Nashville suggest that tanning retailers are once again investing in new equipment after a three-year lull in equipment sales – a solid initial sign of investment that is generally regarded as the leading edge of a growth phase in any market. So where is the market going? Who's growing and why?

Smart Tan polls and discussions with diverse tanning business leaders have fo-

cused on what the future of our industry looks like, and the answers seem to center around five common themes:

SYSTEMIZING SUCCESS

When talking about the future of the tanning market, 27-year tanning veteran Doug McNabb of Fabutan in Alberta encourages people to ask themselves, "Am I what the future holds?" Surprisingly, McNabb's answer is "no."

"Does anyone in this room know who the CEO of McDonald's is?" McNabb asks, pointing out that McDonald's has had several CEOs in the past few years without affecting retail operations in the eyes of millions of customers. That's because McDonald's success is predicated on its replicable systems and not on any one person in the organization.

McNabb once served as a partner in a secret-shopper company that inspected front-line retail operations for Burger King, McDonald's and Starbucks.



Doug McNabb, CEO of Fabutan says,
"The days of really, really dark are probably gone...replacing cosmetics with the color from a tanning bed is going to be cool forever."

"That allowed me to have intimate knowledge of these large brands that built their companies around operational procedures and how fanatical they were about how they delivered those experiences," he recalls. "If you want value to grow in your business it can't be dependent on you. To develop [value], the business has to be independent of you. If it's not, it's not worth anything because if you go away there's nothing there. So you have to build systems in your business that make it not dependent on you."

It's those systems that are allowing tanning's leaders to succeed today, putting them in position for growth.

Lisa Brooking, president of True Colors Tanning in Indiana, came from the corporate world in 2003 and grew from one location into nine in a matter of eight years. When she hit the three-store mark, she realized the business needed to change to create opportunity for future growth.

"Going from two stores to four stores, we said, 'Okay wait, we're no longer Lisa's Tanning Salon out here. We have to put some practices in place.' Then we opened three stores in one year and jumped up to nine stores, and it completely changed the infrastructure once again," says Brooking.

Brooking says she had to stop being "in the business" - having daily operational success rely on her being there to fix things and answer every question - and she had to start working "on the business" while systemizing those answers for her staff. Such procedures and systems need to dictate to the letter exactly how every customer is treated, not just back-end cleaning, opening and closing procedures.

Training, retraining and re-re-training are essential to improving per-person averages, and need to reinforce sales and service practices. These systems aren't just for those who are growing beyond one-and-two-store operations: Small independent models require procedures to ensure that the store isn't falling short of sales potential.

INDEPENDENTS HAVE A FUTURE

Through the tanning market's evolution (see sidebar story, "The Evolution of the Tanning Industry") mom-and-pop stores have dominated the landscape, with

The Evolution of the Tanning Industry

Indoor tanning is on the cusp of the fifth generation in its brief history - a generation set to shape the market's future more profoundly perhaps than any of its predecessors.

1st Generation: Entrepreneurs

From 1978-1985, North America didn't quite know what to make of indoor tanning. Trend-setting moguls and risk-takers jumped into the fad of tanning with true entrepreneurial spirit - no roadmap of where the tanning world could possibly go.

2nd Generation: A People Business

From 1986-1995, it became apparent indoor tanning was here to stay. The market was dominated with mom-and-pop "people" businesses with owners who enjoyed the market but weren't necessarily good business managers.

3rd Generation: Market Replacement

The introduction of high-end, high-priced skincare products spawned a top-line, sales-driven era in tanning from 1996-2005. Higher sales, coupled with wide margins, made success easy for those who could sell lotion. Managing that growth was another story.

4th Generation: Top and Bottom Line

When tanning's margin's tightened with market saturation and an economic slowdown, tanning success now required top- and bottom-line management. Bubbles burst for many of tanning's debt-laden, sales-driven companies. A new era of bottom-line companies began evolving from 2006 on through today.

5th Generation: What's Next?

Built on solid business foundations, successful tanning retail business models for salon chains, franchises and independent operations are now in position to move forward and re-define the footprint of the market for generations to come. It's already happening.

chains and franchises grabbing a growing presence in many markets in recent years. Many have compared that growth to the evolution of the video-rental market, with big box stores taking over until the advent of mail and online rentals.

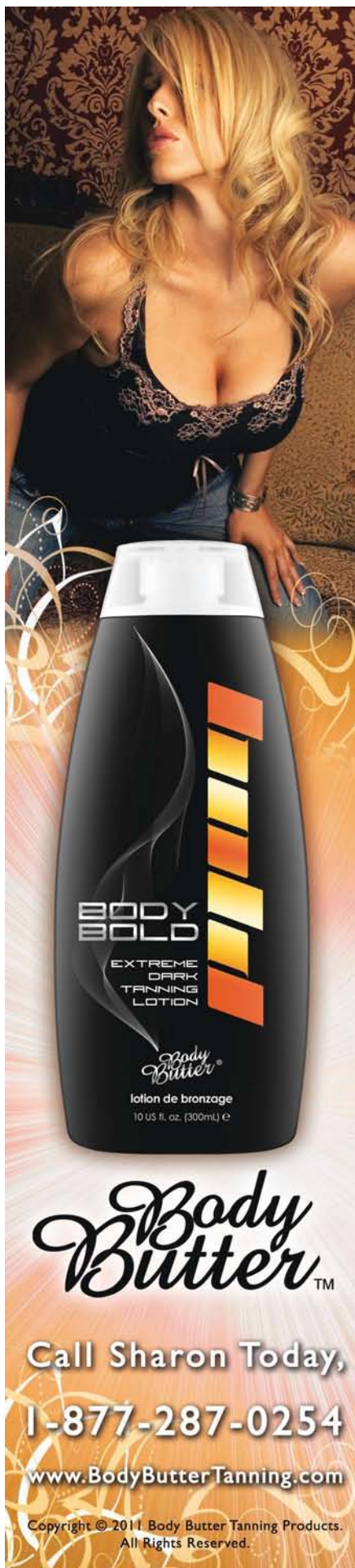
"I don't think that's a good analogy at all," says Smart Tan CEO Matt Russell. "I think the best analogy for our market is restaurants." His point: Local one-store restaurants often dominate a market when they provide excellent service, and so can tanning businesses.

"As a small business, you have the opportunity to succeed whether you have a big chain or not. You have to be good, and you have to build the infrastructure of your business and put the systems in place to succeed," says Brooking, who believes that many independents waste time worrying about what big-box competitors are doing.

"I have a big chain in my market, but I think we do a pretty good job. I cannot run his business, I have to manage True Colors. So I don't fret all day about what the big guy is doing. I fret about how I'm going to do it better today."

Lisa Brooking, president of True Colors Tanning says,
"I don't fret all day about what the big guy is doing. I fret about how I'm going to do it better."





Matt Russell, CEO of Smart Tan, points out that everyone should be bringing vitamin D material to his/her doctors.

“You are their customer. They are there to listen to you.”



Club Sun’s Julie George, who grew from a single location in the 1990s to more than 20 stores, agrees: “Anybody with just one salon, with the right customer service and teamwork, can stay the right size and grow.”

McNabb, whose Fabutan franchise has over 100 locations, agrees that the independent salon has a key place in the future of a healthy tanning market. “There’s room for all three categories in the market if the salons choose to be professional,” he says. “If they’re not committed to the industry and the business and the training principles that are required, if they don’t get involved in both legislative and media opportunities, then they are going to fall by the wayside. And I think that’s how business should be. If you want to be lazy and hope everyone else does it for you then you end up ultimately on a downward curve. I don’t think it matters if you’re one, five or 100 units.”

A common cause of the downfall of small independent businesses is when ownership loses passion for the job. We’ve seen that over and over in the last generation – there were a lot of independent store owners who got to 10 years and just got tired of it. And that’s true in any small business.

McNabb agrees: “They ultimately end up saying things like, ‘I just don’t have time.’ The reason they don’t have time is because they don’t build those systems that will allow them to get out into their community and grow their market in their respective area.”

Becoming a part of the community is an important business-building principle upon which a successful independent should

maintain an advantage.

“We have a much more educated industry today,” says George. “There are so many more professionals getting into it. You’ve got CEOs and CPAs coming from other industries that see this as a wonderful business opportunity to make money. We’re just not little tanning salon operators anymore. The competition has gotten more fierce and we’ve had to buckle down and pay attention.”

SUN SCARE CAN BE OVERCOME

The evolving public health message “Get some sun in moderation” is scientifically valid, as opposed to thinking “any sun is dangerous.” But it costs the cosmetic and dermatology industries more revenue every year than the indoor tanning market will ever make.

Smart Tan polls suggest the public is starting to figure that out and that may be why dermatology’s lobbying groups are doubling down on their message, making ridiculous statements in public like, “Tanning is an inefficient source of vitamin D,” while oversimplifying and misleading the public about UV’s complex relationship with melanoma. The tanning market has to step-up its efforts to expose Sun Scare.

“It’s fair to say that we’re going to get there, but it’s up to us to accelerate it,” says McNabb. “Every person in this room and every person across the continent has an immense responsibility [to move this mes-

Roger Holmes, President of Celsius Tannery says,

“Our future is going to be whatever we make it.”



Call Sharon Today,

1-877-287-0254

www.BodyButterTanning.com

Copyright © 2011 Body Butter Tanning Products. All Rights Reserved.

sage forward] if they want their salons to succeed."

Brooking agrees: "We have to move forward in this industry and not just wear some t-shirts that say 'Get some vitamin D here.' We have to train our people to combat these messages."

Smart Tan's D-Angel program was designed with that mission in mind, and it has been effective in communities where salons have embraced it. Celsius Tannery president Roger Holmes says the program, combined with a commitment to get the message out, has made a difference with his staff and in the community.

"Our future is going to be whatever we make it," says Holmes. "I think there is a great deal of apathy in our industry and a lack of education and misunderstanding. If people don't get involved, decisions are going to be made for you."

George pointed to the fact that her doctor's office now has pro-sun, pro-vitamin D material right on the wall in each of the examination rooms. "That's a positive move," she says.

Russell pointed out that everyone should be bringing material to his or her doctors. "You are their customer. They are there to listen to you. They are in business, too. I've done it with my own doctor: My doctor now prescribes 5,000 IU of vitamin D or sunlight to anyone over the age of 50. [I've been] a real pain in the butt."

While following the science, I am personally encouraged that vitamin D science is vindicating a balanced UV position. It isn't that this guarantees our future, but it shows that we do have a future. Our future is consistent with what's natural and intended, and science is starting to come back to that, even if some aren't at the same conclusion yet.

WORKING TOGETHER ON REGULATORY HURDLES

In the past year, 20 different U.S. states proposed over 40 pieces of regulatory legislation for indoor tanning, as well as several Canadian provinces and municipalities. At the federal level, the U.S. Food and Drug Administration has been asked by dermatology and the beauty market to stiffen federal rules on tanning.

California and Nova Scotia most notably passed bans on minors using tanning equipment this year, joining Howard County, Md., and Victoria, BC, as North Ameri-

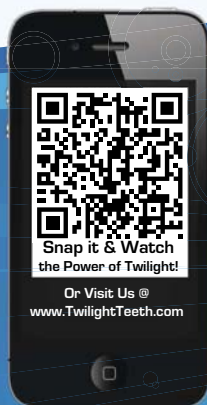
Rob Quinn, incoming ITA president, mentions that salon owners really need to work passionately with ITA.

"We need people to get engaged. The masses talk."



Our Exclusive Platinum 25

No Rinse Formula



One System
At Home or While You Tan



Works in 20
Minutes or Less!

All Rights Reserved Twilight Teeth Inc. Patent #7,160,111 Patent # 7,621,746 Other Patents Pending



John Overstreet, Indoor Tanning Association Executive

Director says,

“We’ve got to get involved not just when there’s a problem. We’ve got to get involved when there’s not a problem.”

can areas where minors cannot tan, even with a parent’s consent.

“California changes it a little bit. It gives our critics ammunition,” says Indoor Tanning Association Executive Director John Overstreet, pointing out that a lot of states in general “don’t see emulating California as something that would be good.”

California and Nova Scotia have left-led governments. The biggest common element of areas that have passed teenage-tan bans in North America: Regulation-happy governments who suppressed actual discussion of the science to ram anti-tan legislation through.

Getting the 160,000 people who work in the tanning market involved is key to combating anti-tan regulations. “We’ve got to get involved not just when there’s a problem. We’ve got to get involved when there’s not a problem,” says Overstreet, using Holmes as an example of someone who has gotten involved. “He’s the poster child for what you need to do.”

Holmes has convinced seven U.S.-elected officials to write letters to the FDA to take a more-balanced approach in its tanning regulatory review, which looked like an inquisition orchestrated by Sun Scare purveyors in 2009. Overstreet says this has slowed since, thanks to Republican control of the House of Representatives.

Holmes sees participation as key to the industry’s future. “To start with, you have to understand there is no ‘they.’ We are ‘they,’” he says. “If we don’t engage ourselves and our associates in these fights, then our opposition obviously will continue to spread their message and we will see more regulation, we will see more legislation, and we will see more taxation.”

Rob Quinn, incoming ITA president and owner of the Tan Pro USA chain in Ohio, points to the ITA’s successful lobbying efforts in states like Illinois, New York, Washington and New Hampshire. Salons need

to get involved in the process and work passionately with ITA to let legislators hear their concerns en masse. “We need people to really engage,” says Quinn. “The masses talk.”

Russell agrees: “You don’t have to fly to Washington. The majority of the impact you have made is visiting these people at home. If you don’t do this, they’re going to get educated by your opponents. And they’re going to believe it. Bridging these relationships is more important than buying a \$50,000 lobbyist.”

Overstreet’s suggestion for a first step to getting involved with ITA: Contact ITA at admin@theita.com.

A SUNTAN WILL REMAIN ATTRACTIVE

Tanned skin is natural and intended, say objective dermatology spokespeople, who also point out that tans are natural sunburn prevention, that melanin is in fact an antioxidant, that humans need UV to make vitamin D naturally and sun avoidance is unnatural and has always been prompted by society rather than by biology: Humans are naturally attracted to the sun.

So where does that leave indoor tanning?

“The days of really, really dark are probably gone – which I think is a good thing,” McNabb says. “But I think a healthy, moderate tan, where people are replacing cosmetics with the color of the skin from a tanning bed, is going to be cool forever.”

Watch This Program

The Closing General Session at Smart Tan’s 2011 Convention, “What Will the Tanning Market Look Like in 2015 and Beyond” was recorded, along with most of the sessions at Smart Tan Downtown. Contact your Smart Tan representative at 800-652-3269 to get this video recording.

The moderate UV exposure message is an opportunity for the tanning market, George says. “It’s all about moderation. I think physicians out there can appreciate that type of message coming from the indoor tanning industry.”

“It’s all about defining what your customers’ preferences are. When we have done research on what’s important to our customers, they all talk about how [visiting us on a regular basis] is part of their daily routine,” says Allison Heinrich of iTan. People are simply attracted to well-run tanning businesses.

She believes the advent of spray tanning complements that: “There’s a positive connotation with the growth in sunless. It has brought in a lot of customers who weren’t traditionally tanners. With the market consolidating a lot, this shows market expansion and the great new opportunity to get in sunless customers and people who wouldn’t normally be at a tanning salon and educate them. It’s a great opportunity.”

Brooking sums it up simply: “As long as there is sunshine, people are going to tan.”

Those who want to tan in salons are going to be even more attracted to the best-run systems in the market in the coming years. That means those who survive and thrive in tanning will need to adapt and change as the market enters the next phase.

“If you run your business today like you ran it yesterday, you probably won’t be in business tomorrow,” Brooking says. “You have to constantly change what you are doing from day to day.” ☺



iTan marketing manager Allison Heinrich says, **“There’s a positive connotation with the growth in sunless. It has brought in a lot of customers who weren’t traditionally tanners.”**