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Additional Information:

[Hand & Stone Massage & Facial Spa 'BAI Webinar – September 24, 2009 presentation'](#) (Effective: September 24, 2009 / click on the link to view / download the slides)

[Hand & Stone Massage Spa 'Talking Points'](#) (Effective: December 2008 / click on link to view / download)

Franchise Sales:

Single Unit: Yes

Multiple Units: Yes

Area/Master Developer: No

Resales: Yes

Description of Franchise:

Hand and Stone Massage Spa is a franchise opportunity which begins with the basic concept of providing affordably priced, conveniently located, top quality therapeutic massage services. Hand and Stone is focused on creating and maintaining customer satisfaction. We strive to make customers feel welcomed, pampered and appreciated. This, along with our membership based program, keeps them coming back again and again generating multiple recurring streams for the business owner.

We offer a unique approach to proven industry offering the widest range of services and best consumer experience offered by a membership-based massage franchise. This is a largely fragmented industry with only one other national player. We are at a significantly lower price point from a day spa. We are changing the delivery system from an all-day experience at a high-end spa to “affordable & convenient” while still in an upscale environment. We provide the spa experience which an independent who goes to someone’s home can’t offer so there’s no direct competition there either. We are easier to schedule than both of these as well. Our largest national competitor offers a far too sterile experience going so far to intentionally brand themselves as a clinic. They offer only one massage option. We offer a relaxing spa like setting and a menu of services allowing more choice for the consumer and the opportunity to up-sell for the owner. Our performance based compensation program, flexible scheduling and variety of services allows us to effectively recruit employees even in markets where our competition is established.

We are surprisingly recession resistant. An increasing number of Americans view massage as necessary therapy, not a

luxury item (can back up with articles from CNN and Newsday). Also, Hand and Stone capitalizes on consumer trends which have done well in down economic times dating back to the Great Depression: Tap basic human needs relevant to the times (we provide comfort & human touch); Enable People to Demonstrate Power through Luxuries (we are an affordable luxury at 39.99 introductory price point); Leverage the Quest for Good Old Entertainment (we provide a distraction from daily worries); Capitalize on Down-Trading (someone who was spending hundreds at high end day spa now finds Hand & Stone a less expensive alternative).

This is a retail opportunity without the headaches of retail. The business generates recurring revenue with our membership based model, there are multiple revenue streams, there are multiple opportunities to up-sell to increase average ticket, and there is very little inventory.

- Significant revenue is generated from members' automatic Electronic Funds Transfer (EFTs). We are an easy use tenant (no noise, no food, etc) and we attract the desired clientele for the center so property developers love us! There is no food, no spoilage, no employee theft/slippage, little inventory, little cash.
- Multiple Revenue Streams: Only franchise in industry offering membership based Massage AND Facials nationwide, recurring membership fees (like a gym but not a gym); non-member massages (with higher pricing); walk in business; gift card sales; retail sales..
- Outbound retail. Security of 4 walls but not limited by 4 walls. The business benefits from but is not limited by real estate. An owner can improve & grow the business with community networking to supplement the traffic drawn into the store from marketing efforts and the location.

Background:

Year Established: 2004

Year First Franchised: 2005

Franchised Units: 52

Company Owned Units: 1

Projected New Units (12 months): 100

States/Countries Registered In: All 50 States

Availability in Canada: Masters / Area Developer: Single Units (by separate contract with Canadian Master Franchisee)

States, from which Broker Referrals ARE being accepted: Referrals are accepted for all 50 states for single & multiple unit owners. The Regional Development Rights are no longer available in WA, OR, AZ, CO, TN, GA, NC, NJ, Long Island and Central Florida. All other Regional Development territories are available.

Financial/Terms:

Cash Investment: \$100K Single/Multiple Unit, \$180K+ Regional Developer

Total Investment: \$400K Single/Multiple Unit, \$550K Regional Developer

Minimum Net Worth: \$500K Single/Multiple Unit, \$1M Regional Developer

Franchise Fee: \$39K first unit, \$29K additional units, \$180K+ Regional Developer

VetFran Program Participant: (Yes / No) Y

Discounts: VetFran, Women, Minorities? VetFran Discount is 20% of single unit franchise fee (does not apply to Regional Developer fee)

Royalty: 5%

Ad: 1%

Average # of Employees: 10

Passive Ownership Allowed: Possibly (semi absentee preferred to passive)

Earnings Claims: Yes, Earnings claim shows the 2 stores which have been opened over 1 year. Tom's River, NJ Corp Store: 2007 Sales: \$860,158, net profit \$158,944 (before taxes, debt service, insurance and depreciation). Spring Lake, NJ Franchise Store: 2007 Sales \$754,973, net profit \$124,559 (before taxes, debt service, insurance and depreciation).

Support & Training Provided:

Financial Assistance Provided: In house financing for portion of Regional Development Fee, SBA registry, 3rd party

lending partners

Site Selection Assistance: Yes, local and national assistance including demographic analysis. Also, the architects who design our stores have also designed Best Buy, Eddie Bauer, Lens Crafters and others! .

Lease Negotiation Assistance: Yes

Co-operative Advertising: Based on market

Training:

3 weeks of training is spread out between the time you sign your franchise agreement to the time you open your Spa doors for business.

- Week 1-Class Room Training: Shortly after you sign your franchise agreement your 1st week of Spa Training begins. Hand and Stone converted one of its operating spas into a state-of-the art training center. Here you will receive spa training to efficiently operate your Hand and Stone franchise.
- Week 2-Live Spa Training: You will spend a week working in a live spa in order to gain valuable knowledge and insight into the day to day activities that will take place in your Hand and Stone Spa.
- Week 3-Opening Support: Prior to your Spa's Grand Opening, a team member or your regional developer will visit you to help ensure a smooth grand opening and work with your staff to ensure that they understand Hand and Stone's procedures.

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