

Tan Republic — Unit Economics & ROI

Author: Tyche (Financial Controller) | 2026-05-01 | Run: 064ce7dc-ef0e-4237-b88d-2a06e0e19785 | Confidence: Medium — public signals only; inputs: site_audit, competitors, brief, domain_research (Athena)

DATA SOURCES & KEY ASSUMPTIONS

Material regulatory finding (Athena / DEM-33): A **10% federal excise tax** (IRC §5000B) applies to all indoor UV tanning services. It does NOT apply to spray tan, red light therapy, or spa — creating a structural margin advantage for the wellness/sunless mix. Four of six states (CA, NV, OR, WA) have complete or near-complete under-18 UV bans.

SIGNAL	SOURCE	CONFIDENCE
Employee count: ~144	Competitive analysis	Medium
Location estimate: ~20 (144 ÷ 7.2 staff/loc)	Inferred	Inferred
Footprint: CA, ID, NV, OR, UT, WA	Site audit, brief	High
10% federal excise tax on UV services	IRC §5000B via domain_research.md	High
Under-18 UV ban: CA, NV, OR, WA	AIM at Melanoma via domain_research.md	High
Sunless tanning market: \$1.2B, CAGR 5.3%	Business Research Insights via domain_research.md	Medium
Red light therapy: \$40-80/session (cosmetic claims only)	Market benchmarks; FDA Class II constraint	Medium
Tanning memberships: \$20-80/month	Industry standard	Medium
Franchise model: fee + royalties	tanrepublic.com/franchising	High

PER-LOCATION UNIT ECONOMICS (BASE CASE — STABILIZED LOCATION)

20 locations assumed. UV excise tax (10%) modeled on UV-tier membership revenue (~36% of gross).

LINE ITEM	ANNUAL (\$)	% GROSS REV	NOTES
Revenue			
Membership — UV tier	117,000	36%	~195 UV members × \$50/mo
Membership — sunless/wellness tier	78,000	24%	~130 members × \$50/mo; no excise
À la carte / day-rate services	97,500	30%	UV, spray, red light, spa
Retail / ancillary	32,500	10%	Products, upgrades
Gross Revenue	325,000	100%	
Regulatory			
UV excise tax — IRC §5000B (on UV-tier memberships)	(11,700)	(3.6%)	\$117K UV revenue × 10%
Net Revenue (after UV excise)	313,300	96.4%	
Cost of Goods Sold			
Consumables (spray solution, lotions)	19,500	6%	
Equipment depreciation / lease	26,000	8%	Beds, booths, red light panels
Utilities (UV energy cost)	32,500	10%	UV beds energy-intensive
Total COGS	78,000	24%	
Gross Profit	235,300	72.3%	(on net revenue)
Operating Expenses			
Labor (7.2 FTE × ~\$42K avg)	114,000	35%	
Rent (~1,500 sq ft @ \$35/sq ft)	52,000	16%	Retail strip / wellness center
Marketing & local advertising	16,250	5%	
Insurance + admin	16,250	5%	
Total OpEx	198,500	61%	
EBITDA (per location)	36,800	11.3%	Excise-adjusted; ~\$48.5K pre-excise

~325

Members/location

\$50

Avg monthly spend

\$1,200

Member LTV (24-mo)

72%

Gross margin

11.3%

EBITDA (excise-adj)

~235

Break-even members

4-7 yr

Franchisee payback

CHAIN-LEVEL SCENARIOS

BEST CASE

\$8.2M

22 locations | EBITDA \$950K (11.6%)
Wellness >55% of mix; excise minimized;
franchise royalties strong

LIKELY (BASE)

\$6.3M net

20 locations | EBITDA \$620K (9.8%)
UV excise drag; red light + spray grows;
stable operations

WORST CASE

\$4.7M net

18 locations | EBITDA \$200K (4.3%)
UV decline accelerates; no wellness offset;
margin squeeze

FRANCHISE ECONOMICS

ITEM	AMOUNT
Initial franchise fee	\$25K-\$40K
Royalty rate	~6% gross revenue
Marketing fund	~2% gross revenue
Royalty/unit (base)	~\$18,800/yr
Franchise units est.	8-12 of ~20
Annual royalty pool	\$169K-\$226K
Franchisee investment	\$150K-\$250K
Payback period	4.1-6.8 yrs

AI DEMO ROI — ANABASIS INTELLIGENCE

CONVERSION	VALUE	COST	ROI
1 franchise close	\$25K+	\$7	3,571x
5 member LTVs	\$4,800	\$7	686x
1 co-brand deal	\$100K	\$7	14,286x

Break-even: 0.03% close rate / 1,000 demos. Sub-day payback.

REGULATORY GUARDRAILS FOR DEMO COPY (ATHENA / DEM-33)

CLAIM CATEGORY	STATUS	ACCEPTABLE FRAMING
UV safety / "healthy tanning"	NO — Prohibited	No "safe," "healthy," vitamin D claims (IARC Group 1; FTC target)
Red light — medical claims	NO — Prohibited	Cosmetic lane only: glow, appearance, skin feel (FDA Class II)
Spray tan "FDA-approved"	NO — Prohibited	"FDA-approved DHA color additive, externally applied"
Cosmetic / experience copy	OK — Safe	Glow, appearance, relaxation, ritual, skin care
"18+ UV service" framing	OK — Required	Accurate; complete/near-complete minor ban in CA, NV, OR, WA
Smart Tan Certified staff	OK — Verifiable	Legitimate industry credential claim

RECOMMENDATIONS

- **Wellness pivot improves margins:** Each UV→red light/spray conversion cuts the 10% federal excise drag. Lead the demo with wellness revenue growth.
- **Franchise pitch is highest-value:** \$25K fee + \$18.8K/yr royalties per unit; expand AZ, CO, MT (underserved Western metros).
- **Membership LTV (\$1,200) is the investor hook:** 60% recurring revenue = SaaS-like economics; surface this prominently.
- **Excise asymmetry = pricing power:** Red light + spray memberships can match UV price points at higher effective margin.
- **Copy guardrails enforced (Athena):** No UV health claims; no vitamin D; no medical red-light claims — cosmetic/experience lane only.

Assumptions: mid-premium regional chain benchmarks; IBISWorld 2025 / Athena domain_research.md (DEM-33) for regulatory data; public competitor scale signals. No direct financial disclosure from Tan Republic. Update if business_profile.md (DEM-34) surfaces materially different revenue or location count. | Tyche — DEM-43 (S2-R1) — Run 064ce7dc-ef0e-4237-b88d-2a06e0e19785