



Student Challenge Program

**UNIVERSITAS
GADJAH MADA**

4th Annual Global Spa Summit
Bali, 15-19 May 2011

Student Challenge, 2011

DEVELOP A
PROFITABLE SPA CONCEPT AND DESIGN
in conjunction with a Spa Architect or Designer

Thanks to:

GSS Board

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- b. **Spa Theme**
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a. Conceptual Frameworks

1. MAIN CONCEPTS

- ❑ Goal of a successful spa:

SIMPLICITY – *less expensive to set up*

(i.e. capital). If we don't have to import everything and less expensive to operate (operational costs) = *bigger chance of profit from the beginning.*

- ❑ Goal of spa for clients: ***Clean, Comfortable and Safe***

2. LOCATION AND DESIGN

- ❑ The location **should be in a large catchment area** (i.e. big potential market), e.g in the centre of the busiest areas in southern Bali, Kuta or Legian as a stand-alone spa.
- ❑ The “**SPA ATMOSPHERE**” **should be created once the guests walk in** the doors. Revenue producing areas must be **well planned** and those that do not provide revenue must also be cleverly designed to work with the guests’ „spa journey”
- ❑ **The design should be small**, but every inch of space is well used (based on concept of making maximum use of small spaces and beautifying them)
- ❑ Guests to Bali have travelled extensively, so **offering other Indonesian islands’ style of massage & treatments**, will be key to attracting them



3. MARKET

The main market will be **Women**, because despite the efforts to promote “*wellness*” and “*couple spa*”, the main market of spa, day-to-day, is still women. The other targets will be **Men** and **Couples**.

The main market segments will be:

- ❑ **General Tourists** → sometimes these tourists will go for elaborate spa packages (e.g. Russian market), honeymoon for 2, etc. **Price will not be a big problem for them as it is a “one-off” special occasion for them.**
- ❑ **Specialized Markets** → for example: **Japanese** (prefers: facial/ body scrub and certain brand lotions); **Indians** (prefer hair treatment for wedding parties); **Surfers** (prefer muscle relaxing/ sunburn treatment), so on.
- ❑ **Expats** → they generally want massage, manicures and pedicures (mani/ pedi) **but expect reasonable prices (not “tourist prices”)**. Advantages of targeting this segment is they live in Bali and will be regular guests/clients.
- ❑ **Indonesians** → they generally **want best value and best service since they are used to having massage at home.**

4. MAIN SOURCE OF INCOME

- ☐ **Daily Income (day to day) will be most generated from the massage activities.** The research has showed that massage is the money maker and that pays the bills for spa.
- ☐ **Regular Income will be most generated from the manicures and pedicures (mani/pedi) activities.** These activities is the second biggest source of regular income for spa, as for most woman, they can do the manicures and pedicures once every month or otherwise do self-maintenance.
- ☐ **All the elaborate more exotic spa offerings** → lulur, day packages, facials etc are often one off and are not regular money-makers.

POTENTIAL INCOME:

Wedding parties are a huge market in Bali with many supporting services: hair styling and make up on the day of the wedding, plus mani/pedi, massage for wedding party in the days before.

5. BUSINESS CHALLENGES

- ☐ **How to keep the spa full all day**, not just during the usual busy period (15.00-19.00)
- ☐ **How to keep guest moving through the spa** so revenue producing areas are best utilized
- ☐ **Offer snacks and healthy beverages only**, too expensive to run a kitchen
- ☐ **“Call out” service? – Decided against for Stage 1.**
Have to factor in all additional costs – transport to/from, portable equipment, setting up, losing therapist for travel time etc. Will guests pay premium worth it?



6. STAFF

- ❑ **Well trained staff are ASSETS** and key to profitability
- ❑ **Hiring someone with a passion to do massage therapy**, not just a job for them; skills can be taught.
- ❑ **Investing in staff**, keeping them happy, and offering incentives mean less turn over of staff
- ❑ **Staff have to be well trained not just in the massage therapy but in handling clients** so that the woman's modesty is respected at all times, for example: covered with a sheet etc even when it is woman-woman massage.
- ❑ **Hiring local women** as massage therapists draws on Balinese and Indonesian culture – and **will spread benefits to local community**.

7. PRODUCTS

- ❑ For massage oils especially, **better to buy the commercially made aromatherapy oils**. Since they are widely available, in many scents, and usually a mixture of organic products plus stabilizers to help them last longer.
- ❑ Problem with “organic” supplies is they do not keep (i.e have short “shelf life”) and have to be thrown out very often as you buy in bulk
- ❑ **New law for Bali: Jan, 2011:** all spa products – used in “body contact” – have to be registered and tested with the appropriate government's authority, and only can be used with the correct approval stamp on them. **This means spas will use fewer products as it will be a costly and difficult process.**



8. BENEFIT LOCAL COMMUNITY

- ☐ **Hiring local people and training them** as masseuses, mani/pedi, and other treatments.
- ☐ Hiring local people for **support staff** : security, reception, cleaners, gardeners etc.
- ☐ **Sourcing local supplies** when available e.g. batik for decoration, pillows, furniture etc.
- ☐ See what is available in the neighborhood around spa to see what **services or products that can be sourced locally**



9. OTHER KEY POINTS

- ❑ **Making sure to buy the best massage tables** possible and buy from a knowledgeable source.
- ❑ **Providing showers and hair dryers; clean and good towels.** Especially for expat women (who always have busy schedules whether they work outside the home or not) can just shower and go. Clients should always shower after using massage oil because on the skin makes them more vulnerable to sun-burn.
- ❑ **Legal responsibilities are also becoming more and more important.** Clients have to sign a “waiver” sheet absolving the spa for any responsibility e.g. allergic reactions to an oil etc. Client fills in a simple medical sheet as well as a profile

b. Spa Theme

“The Spice of Life”

JUSTIFICATION:

- ❑ **Reflects famous Indonesian heritage – the Spice Islands.**
- ❑ **Indonesia has many tropical beauty products and secrets.** Many of today's natural treatments for hair, skin, and even medical cures can be found in the vast botanical variety of Indonesia's 6,500 species. Some of the beauty treatments that are in use today were once guarded secrets within the palace walls of the royal family and are just recently becoming available to the public.
- ❑ **Spices are used in jamu or Indonesian herbal medicine.** Jamu has been known for centuries as part of the Indonesian heritage for health and beauty care, especially for woman of all ages. This wisdom of ageless beauty through drinking jamu in order to remain healthy, slim and fit, resulting in natural radiant beauty should be shared widely.
- ❑ **Spices are also used for many lotions for massage, body treatment and care. Spa, massage, etc help to “*spice up your life*”** i.e. get away from the everyday, a special treat.

c. Principles

The activities should meet the following criteria :

1. Aims to be **profitable in design and operations from Day 1**
2. **Maximizing use of space and flow of guests** among revenue-producing areas
3. Design and operational principles: **clean, comfortable & safe**
4. Using as much as feasible **Indonesian nature based products** (herbs, spices, flowers, medicines, fruits, vegetables) originating from different parts of Indonesia with clear labeling
5. **Blending with the natural setting** and almost become one with the nature (treatment rooms fuse indoor and outdoor space with natural settings).
6. Providing the visitors **unique and outstanding experiences** in the world of spa, wellness and rejuvenation
7. Maintaining the **quality of the environment** and being **ecologically respectful**
8. Creating significant **benefit for the local communities**

d. Marketing Strategy

The marketing strategy used to promote this spa will be:

- ☐ **Market to expat market** through expat women's associations and schools parents groups— offering discounts to try when during quiet times, special monthly rates when a series of massage or mani/pedi bought etc. **Every expat community has its own groupings based on nationality e.g. American, Australian, Japanese etc.**
- ☐ **Work closely with travel agents and hotels** to offer spa packages, massage
- ☐ For long stay visitors and expats, **offer discounts, package of massage vouchers** (e.g. 10 for the price of 9)
- ☐ **Sell gift coupons and distributes brochures** through as many outlets as possible



e. Feasibility Analysis

1. Land	: 600 m2
2. Building Area	: 455 m2
3. Landscape	: 343 m2

** in USD*

A. LAND	\$ 228,111.1
B. INTERIOR & EQUIPMENTS	\$ 139,667.2
C. EMPLOYEES (Shift System) – 1 st Year Only	\$ 39,200.0
D. TRAINING for new staff	\$ 1,777.8
E. Allowances for unexpected costs – 3% fr Budget (e)	\$ 12,262.7

TOTAL BUDGET \$ 421,018.2

Detail of Budget

A. LAND				
1. RENT (price /100m2/year)	:	USD	3,888.9	USD 23,333.3
2. Building (price /m2)	:	USD	366.3	USD 166,666.7
3. Landscape (price /m2)	:	USD	111.1	USD 38,111.1
SUB TOTAL				228,111.1

B. INTERIOR & EQUIPMENTS :				
<i>price per item</i>				
1. Furniture (tables, chairs, sofas, shelves, stools, display racks, etc)	:	USD	5,556	
2. Lighting	:	USD	8,889	
3. Floor, wall and ceiling finishing	:	USD	50,000	
4. 5 Mani-pedi chairs	:	USD	556	USD 2,778
5. 8 Massage tables	:	USD	556	USD 4,444
6. 4 Bath-tubs	:	USD	222	USD 444
7. 9 Shower-rooms	:	USD	1,333	USD 12,000
8. Other spa equipment (mani-pedi paraffin kit, facial equipment, etc)	:	USD	27,778	
9. Spa supplies (massage oil, body scrub, body mask, milk bath, etc)	:	USD	27,778	
SUB TOTAL				139,667.0

Detail of Budget

C. EMPLOYEES (Shift System)

	<i>Salary per each</i>		<i>1st Year Salaries</i>	
1. 12 therapists	USD	144.4	USD	20,800.0
2. 2 Security	USD	144.4	USD	3,466.7
3. 4 Front Officers	USD	122.2	USD	5,866.7
4. 2 Administrators	USD	177.8	USD	4,266.7
5. 1 Manager	USD	400.0	USD	4,800.0
SUB TOTAL				39,200.0

D. TRAINING for new staff	1,777.8
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TOTAL BUDGET	408.755.6
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Allowances for unexpected costs (permit for business, social costs, etc)	3% of Budget	12,262.7
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TOTAL	421,018.2
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Assumptions

**in USD*

Initial investment	\$ 421,018.2
Initial Average Price (per Pax)	
<i>Excluded revenue from spa merchandise - ONLY for spa treatment. Additional price per pax will directly impact to total revenue. Price includes Govt. Tax</i>	\$ 44.4
Increase of price/ year	
<i>Based on rate of inflation. Indonesia has 5% – 6% rate inflation (Source : Indonesia Central Bank, 2011)</i>	7%
Initial Volume	
<i>Assuming will be visited by 50 – 60 Visitors per week</i>	\$ 2,880
Growth of volume/ year	
<i>Average growth volume per year 15% (for year 1 & 2 assuming will be 25%, year 3 and above will be stayed at 15%)</i>	15%
Cost per unit (of Sales Price)	20%
Interest rate/ year	
<i>Interest rate for commercial loans in Indonesia 13% - 14,5%</i>	14%
Risk factor	2%
Total discount factor	16%

CASH FLOW PROJECTIONS: 10 YEARS

	Initial Investment	Total revenue (price/ unit times volume)	Total cost (cost/ unit times volume)	Net cash inflows	Discounted cash inflows	Accumulated cash inflows	Accumulated discounted cash inflows
Year 0	(421,018.2)						
Year 1		128,000.0	25,600.0	102,400.0	88,275.9	102,400.0	88,275.9
Year 2		157,504.0	31,500.8	126,003.2	93,640.9	228,403.2	181,916.8
Year 3		210,661.6	42,132.3	168,529.3	107,969.6	396,932.5	289,886.3
Year 4		259,219.1	51,843.8	207,375.3	114,531.5	604,307.8	404,417.9
Year 5		318,969.1	63,793.8	255,175.3	121,492.3	859,483.0	525,910.1
Year 6		392,491.5	78,498.3	313,993.2	128,876.1	1,173,476.2	654,786.2
Year 7		482,960.8	96,592.2	386,368.6	136,708.6	1,559,844.8	791,494.8
Year 8		594,283.2	118,856.6	475,426.6	145,017.2	2,035,271.4	936,512.0
Year 9		731,265.5	146,253.1	585,012.4	153,830.8	2,620,283.8	1,090,342.8
Year 10		899,822.2	179,964.4	719,857.8	163,180.0	3,340,141.6	1,253,522.7

IRR	48.2%
NPV *)	2,691,720
Payback period	3 years 1 months
Discounted payback period	4 years 2 months

- **Reasonable rate of return (investment effective)**
- **Feasible payback period**

*) estimated with discount factor (risk) and assuming the business goodwill 20 years ahead

f. Proposed Design

DESIGN CONCEPT

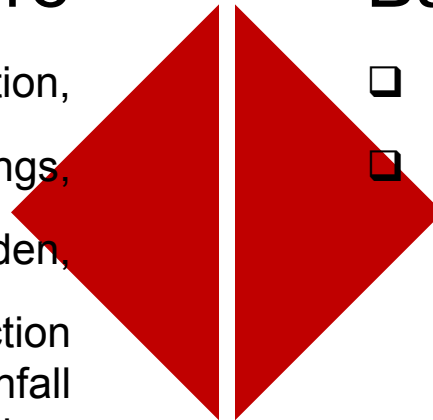
Integrated **TROPICAL-BALINESE ARCHITECTURE** based on the needs of a dynamic and elegant spa:

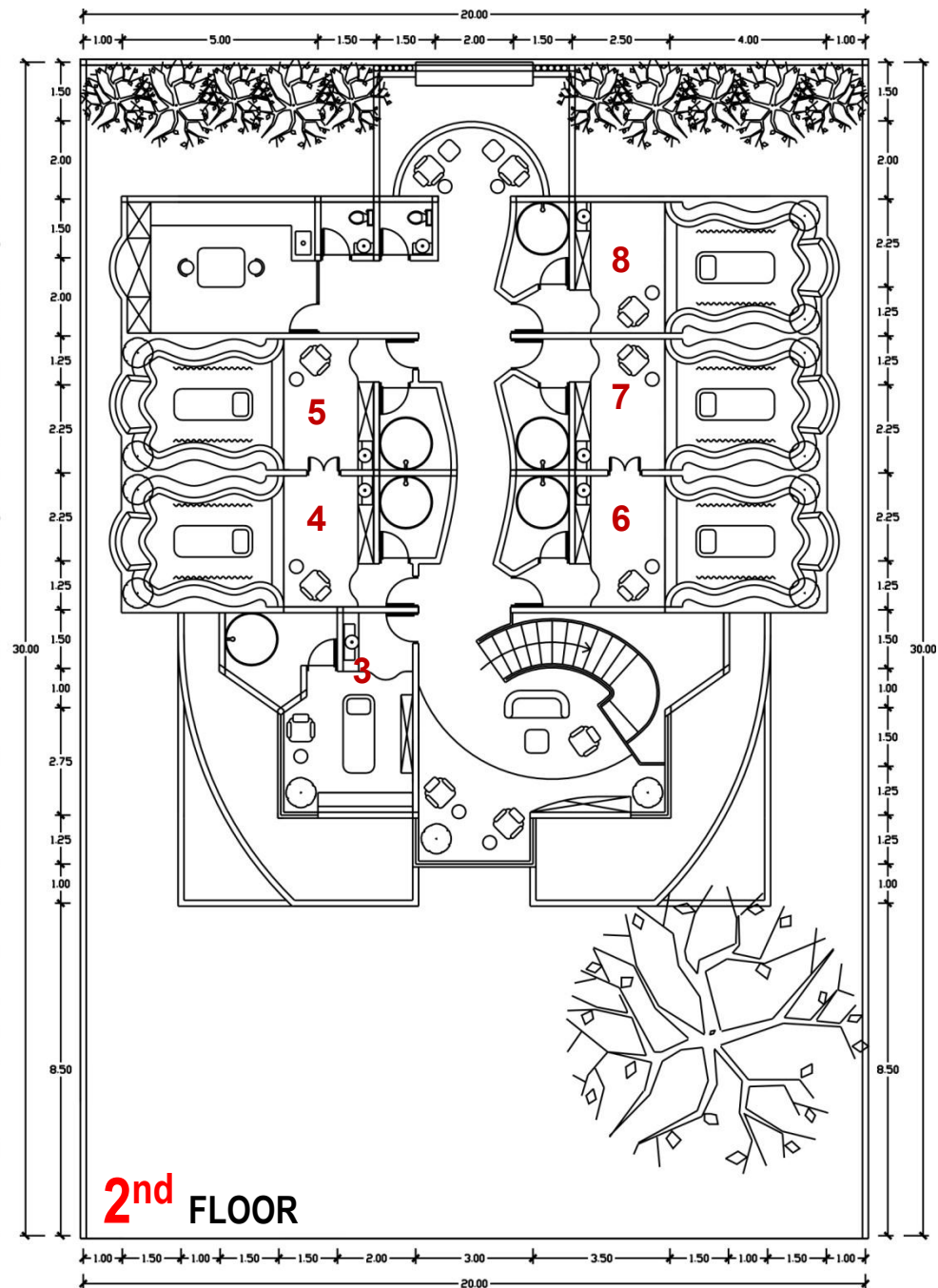
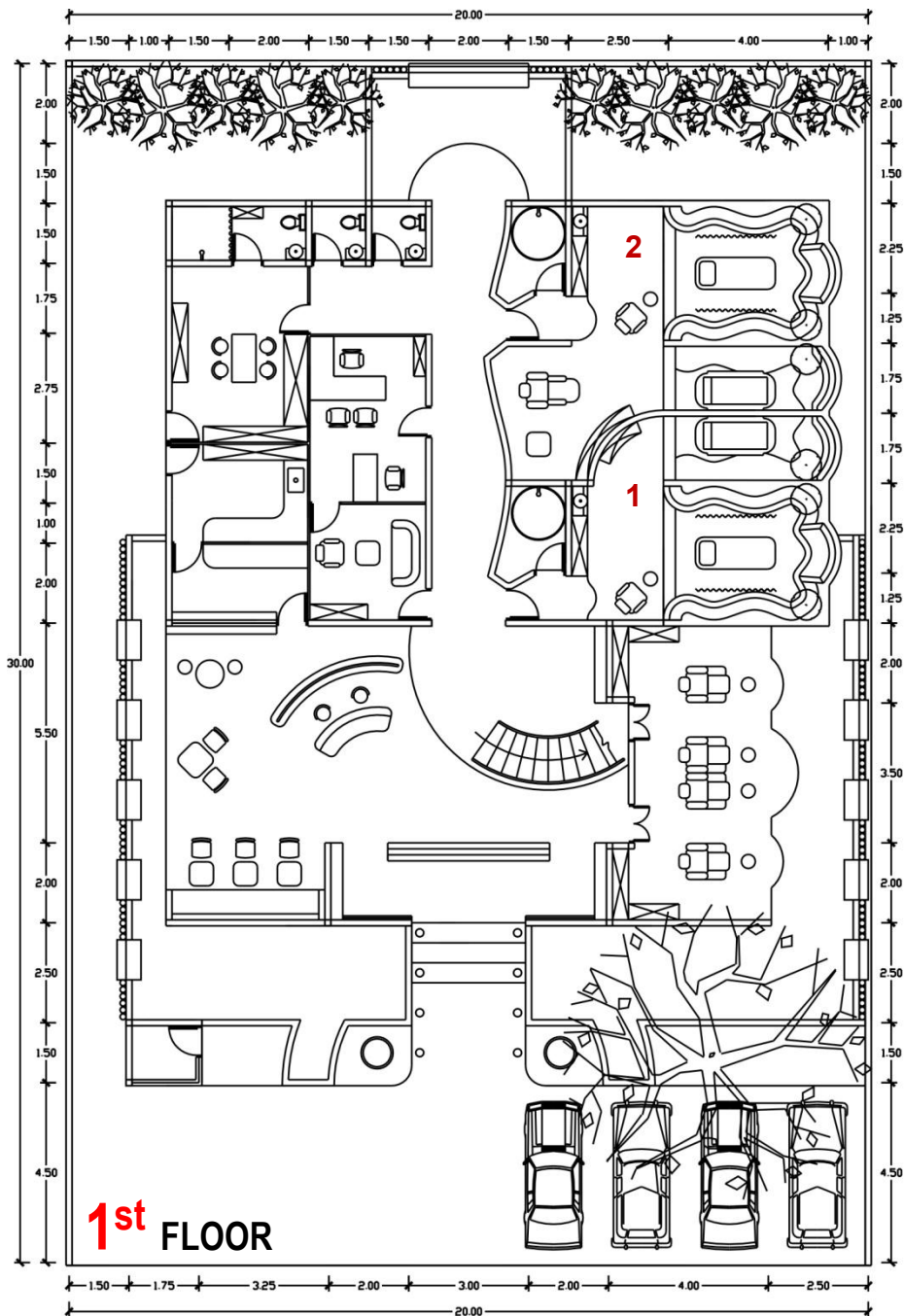
Tropical Architecture

- ❑ A high ceiling for cross ventilation,
- ❑ Open space around buildings,
- ❑ A veranda overlooking the garden,
- ❑ Wide shading, taking into direction of the sun and the rainfall distribution,
- ❑ Natural elements on the interior and exterior.

Balinese Architecture

- ❑ Exposed building material
- ❑ Ornament as a decorative interior and exterior element (Balinese fabric “Poleng” motive fabric, Balinese carved wall, etc),
- ❑ “Aling-aling” (a part of entrance) as a view barrier from the outside into the interior.





FLOOR PLAN – LAYOUT (2D)



1st FLOOR PLAN DETAIL

Waterfall Garden

Bamboo Series

Spice Garden

Unisex Toilet

Spa Storage & Preparation Room

Hanging Curtain

Spa Treatment Room 5

Product Display, Storage &
Wash Basin

Bamboo Shower (Powder Room)

Waterfall Garden

Spa Treatment Room 4

Bamboo Shower (Powder Room)

Spa Treatment Room 3

Treatment Table

Product Display & Storage

Waterfall Garden

"Koi" Fish Pond

Relaxation Area

Artificial Bali Paddy Terrace

Hanging Curtain

Spa Treatment Room 8

Spa Treatment Room 7

Dry Garden

Spa Treatment Room 6

Void (Mani-Pedi Area on 1st Floor)

Curved Stairs

Sofa Set

Floor Elevation

Mini Library

Roof garden

Frangipani Big Tree

2nd FLOOR PLAN DETAIL





FRONT VIEW



PERSPECTIVE



INTERIOR SECTION



WELCOME HALL SECTION

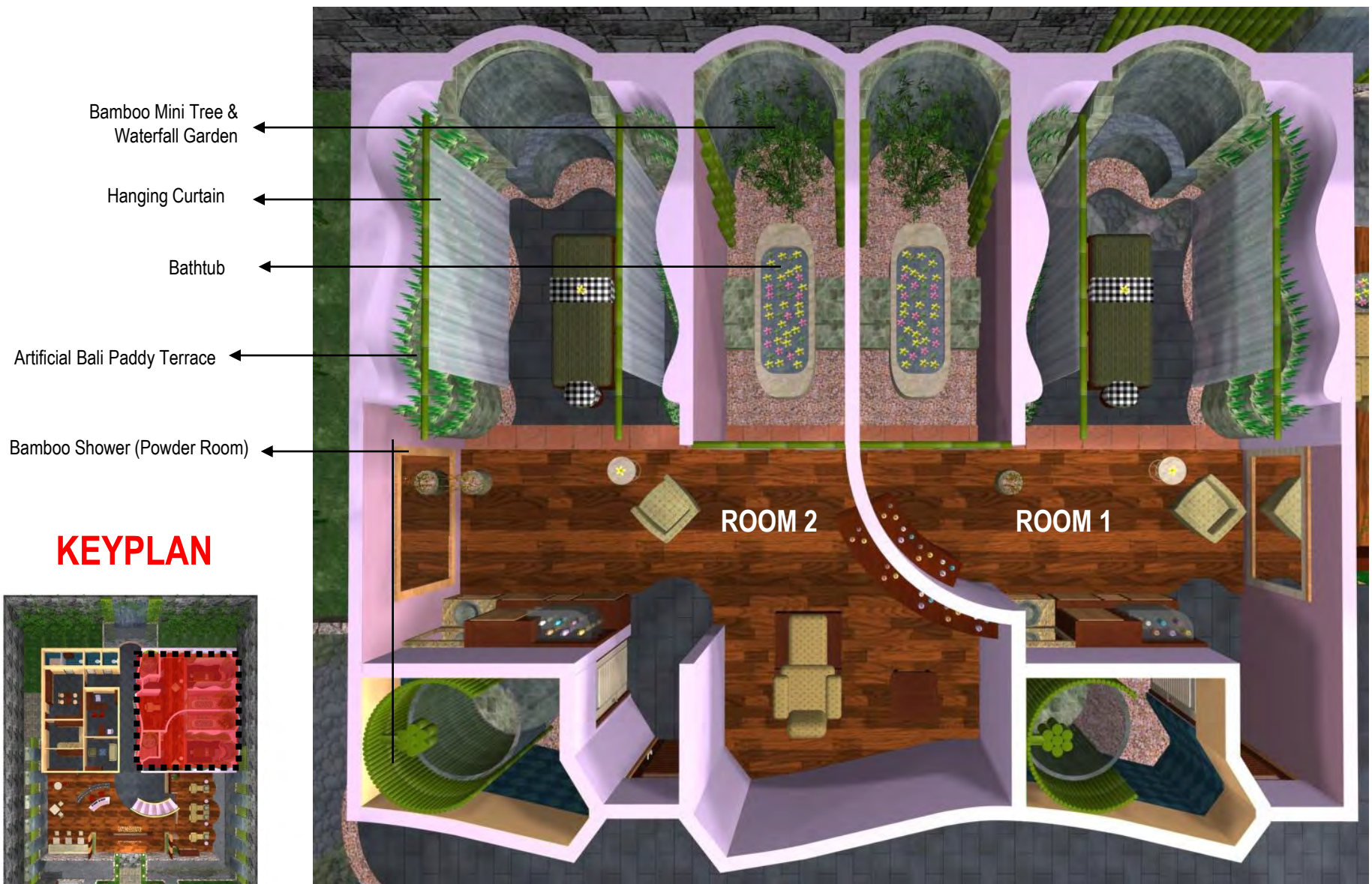
KEYPLAN



1st FLOOR



OFFICE, SERVICE & CORRIDOR



**SPA TREATMENT ROOM 1 & SPA SPECIAL TREATMENT ROOM 2
(FLOORPLAN)**



KEYPLAN



2nd FLOOR

SPA TREATMENT ROOM 3, 4, 5
(PERSPECTIVE)

KEYPLAN



2nd FLOOR



SPA TREATMENT ROOM 6, 7, 8
(PERSPECTIVE)



WELCOME HALL **1st** FLOOR



MANI-PEDI AREA



TREATMENT ROOM



THANK YOU

**From Universitas Gadjah Mada
Student Challenge Team**