

EUROPE: *France*

THE SPA MARKET IN FRANCE

France is a country with strong aesthetic tradition with thalasso centers and thermal bath in constant development. Distributors and consumers don't have the same understanding of the word Spa. Because consumers associate Spa to a luxury world, top of the range hotels are trying to be different and to be even more luxurious, highlighting wellness and pleasure through Spa. On the opposite, lots of distributors are using the spa term for their brand image, but do not offer treatments or "relaxation break" as the notion of Spa would imply it.

French market is composed of 625 Spas (up to 200 sqm) and 12 000 day Spas (beauty salon) and attracts 4.8 millions consumers representing only 8% of the French population for "beauty break" and wellness.

This is probably due to the confusion between spa, institute, and hammam, especially considering that the spa business model is not clear and varies according to the type of distributors. There is no existing Spa label and everybody can use the word as they want.

Spa market is in full health and nowadays is growing at an annual progress of 12%, an opportunity for hotels looking to develop.

The French Spa market is currently going through an organizational phase in which everyone wants to have or promote a Spa. The reality, however, is sometimes disappointing. Spa areas are often too small and unable to satisfy guest requirements due to the small number of treatment rooms. In some cases, treatments may





SPA INDUSTRY BRIEFING: *France*

be available but are carried out in an environment that lacks the fundamental Spa atmosphere of treatment and well-being that guests now expect. In other cases, hotel owners are quick to use the word Spa when promoting wellness areas that are simply equipped with hammam, sauna and/or Jacuzzi facilities. Professionals are always ready to use the word “Spa” but not always in the right way.

The label question can also be asked. If no quality standard-setting organization exists, then collecting detailed market information is also impossible. Even if certain Spas stand out from the crowd as examples in the sector, they are far from numerous and obtaining market recognition is difficult. Furthermore, the sector has no acknowledged guide in which Spas are indexed and rated on even the most basic criteria.

Clients therefore have very little visibility when making their Spa choice. Information about Spa equipment and innovation is today communicated only in women’s magazines, professional publications and the engineering and consulting trade press.

In the 4-star segment, only 15.6% of hotels currently have a Spa – 1 out of 6 hotels. Most are situated by the sea (29.8%) or in urban areas (26.7%). However green destinations are on the increase and now represent 22.9% of the market. As for mountain destinations, approximately 30 4-star luxury hotels have a Spa – 20.6% of the total market. Not surprisingly, Paris and the Côte d’Azur are the market leaders in terms of destination, with one out of every three hotels possessing a Spa.

In the mid-range segment, it can be safely estimated that less than 5% of hotels have a Spa. Despite this market incoherence – created by the speed at which Spas have developed - demand is clearly present and can sometimes generate enough income to make the Spa profitable. A Spa can therefore become a source of profit for the hotel. The average size of a Spa in a 4-star luxury hotel is 570 m² offering, on average, 6.7 treatment rooms. As far as segmentation by type of hotels offering Spas is concerned, 58% are selective establishments like Relais & Châteaux, Small Luxury Hotels of the World, Leading Hotels of the World, and Esprit de France. The rest of the market is taken up by hotel chains such as Sofitel, Pullman, Hyatt, Hilton, Radisson, Méridien and InterContinental (19%), the Luxury/Palace category (12%), boutique hotels and 4-star hotels with thermal centre partnerships (7% of the market).

On the project side of things, several openings have been planned for this year: Bains de Léa at the Regent in Bordeaux, the new Spa de la Messardière and Château St-Martin. In addition, the Mandarin and Shangri-La palaces, both planned with Spas, should be opening soon in the capital and the Crillon is currently planning the opening of its new Spa.

The market is today in a phase of growth and organization: more and more hotels are opening Spas. Eventually, the trend should extend towards mid-range units too. The 3-star market is actually more diversified and competitive than the 4-star market. Offering Spa facilities would provide 3-star hotels with a real commercial advantage over not only their segment competitors, but also over under-equipped

4-star hotels. As far as questions of market identity go, hotel chains are beginning to conceptualize and review the well-being facilities they offer.

Too few hotel chains today - integrated or voluntary – rank their hotels on the basis of this single criteria. Only Relais & Châteaux have a brochure dedicated to well-being and Spa facilities available in their hotels and even award a “Spa Trophy” every year. This is very similar to the initiative taken by Leading Hotels of the World with their “Leading Spas” endeavour. Voluntary chains like Relais du Silence, Châteaux & Hôtels Collection, and Hôtels & Préférence allow potential guests to choose a ‘Hotel with Spa’ option on their Internet site search engine. In integrated hotel chains, information about Spa facilities is even harder to find and comes mainly from the hotels themselves and not from chain-source promotional communication. The exceptions to this rule are the Hyatt and Starwood groups who both offer a choice of hotels with Spas throughout the world.

First, it must be specified that hotel spas have a significant competitive advantage over day spas in terms of profitability, as their fixed costs are spread over accommodation activity too. They also hold a considerable advantage in terms of attracting clients. As guests are already in the hotel, little expenditure on commercialising and promoting its spa facilities to attract clients is required.

IMPACT FACTORS

Profitability is firmly linked to:

- ◇ Price policy. This is not necessarily fixed. By offering promotional prices, packages, and gift vouchers, hotel owners can also influence Spa occupancy as a result of on-going promotions.
- ◇ Spa management. This follows the same logic as that of hotel occupancy. Factors such as the weather, calendar (week-ends, school holidays), hotel occupation units, local events and exhibitions must be taken into consideration.
- ◇ Opening the Spa to non-residents. In Spa hotels with seasonal-based activity, clients from the local area and tourists can count for up to 60% of annual sales turnover. Membership subscriptions, gym classes, personal coaching and products sold in the spa shop are also sources of revenue.

On average, Spa turnover fluctuates between 1,000 and 1,500 €/m². Recently opened Spas generate between 50 and 500 €/m². Spas with the best turnover/m² score are the smallest (less than 200 m²). Many reasons explain this: a better occupancy rate for treatment rooms, demand for in-room treatments, partnerships with a luxury skin care brand whose products are relatively expensive, etc. Palace hotels in Paris obtain significant income from the sale of highly-priced products and Spa entrance fees but such income represents only a minor part of global hotel revenue. When considered in proportion to the number of treatment rooms, turnover reaches around 50,000 € per treatment room. Logically speaking, Spas generating annual turnover figures of over 500,000 € have a minimum of between 8 and 10 treatment rooms. Financially speaking, break even point is reached around year three. Occasionally, initial investment is covered within only two years.

The average Spa turnover/total hotel turnover ratio emphasizes the Spa “type” positioning:

- ◇ Guest facility Spas: 0 to 7%
- ◇ Resort or destination Spas: 7 to 12%
- ◇ Spa in partnership with a Thermal/Thalassotherapy establishment: 10 to 35%

Base 100/Average brackets

	All Spa types	Spa/Thalasso	Spa Resort/Destination	Guest facilities Spa
Payroll:	45-50%	40-50%	40-50%	45-55%
Sales costs & additional expenditure:	20-25%	15-20%	20-25%	30-35%
Profit margin:	25-30%	30-40%	25-35%	15-25%

Important average activity ratios.

Average treatment price stands at 87 € (tax inclusive) in 2007. This varies enormously depending on the skin care brand used. As for product sales, this generates an average of between 15 to 20% in turnover (tax inclusive). This figure varies as it is often linked to the range of products sold and to promotional initiatives taken to highlight the Spa. Today, thalassotherapy establishments offer an increasing number of Spa treatments, allowing them to diversify their income sources. As a result, their turnover figures improve mainly due to income generated by beauty and well-being treatments. Hotels in partnership with thalassotherapy or thermal establishments have fully understood the importance of promoting their Spas. By using treatment rooms available in their establishments, they can attract cure clients as well as clients looking for well-being but without the ‘medical’ side. While taking full advantage of their original structures, they have successfully managed to diversify their activities and update their image. It’s important to remember that not all thermal establishments have managed this change over. Only establishments such as Royat and Amnéville-les-Thermes have been truly successful thanks to their thermal-active concept.

As for Spas known as destination or “resort”, they too generate a satisfactory part of gross sales profit: 25 to 35%. Finally, seaside Spas offer thermal cure-style treatments that generate the best sales profit. Guest facility Spas are the least profitable. There are several reasons for this:

- ◇ Spas in palace hotels (included in this sample) present an increase in payroll linked to salary brackets in the capital and the presence of professionally trained staff (physiotherapists, osteopaths).
- ◇ They are often small structures and can’t open their services to non-residents without immediately increasing issues concerning opening times, occupancy and schedules (except at the Ritz where there is sufficient space).
- ◇ Profitability is not the focus. Guest facility spas exist for the pleasure of hotel guests.

Originally created as a new facility for hotel guests, hotel spas have become increasingly profitable over the years. Although this type of service is still rare even in the 4-star segment (1 out of 6 hotels), it offers many advantages to hotel owners such as:

- ◇ The possibility to stand out from local competitors in the hotel and hotel services sector.
- ◇ Generating additional custom thanks to the arrival of clients attracted to luxury fitness and well-being treatments.
- ◇ Improving guest loyalty while extending the length of their visits.
- ◇ Creating a new promotional communication tool for the establishment and sometimes even for the destination itself.

Although most Spas in palace hotels have low profitability, the Ritz Health Club has a high performance record. By following their example, other palace hotels in the capital like the Four Seasons George V have also improved their profitability levels.

While the thalassotherapy sector has reached saturation, hotels are now creating thalassotherapy/Spa establishments such as Les Flamants Roses in Canet-en-Roussillon, the Domaine de Rochevilaine and the Miramar Beach in Théoule-sur-Mer. Even although the thalassotherapy market has barely progressed over the last few years and beyond all forecasts and expectations, concepts like these have obtained encouraging results in terms of occupancy and gross sales profit.

There is not 'one' but 'several' business models for Spas. The Spa world can create its own model based on either a specific style of communication, a partnership with an exclusive skin care brand, unique and innovative equipment or very simply, efficient management.

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