



## ASIA: *Hong Kong*

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### ECONOMIC CLIMATE

Competition in Hong Kong increased because the larger hotel spa operations were impacted by a decrease in hotel occupancy throughout 2009. The more forward thinking and well managed spas focused on local business and those that applied this strategy had a successful 2009.

The Day spas also report a general increase in business and comment that whilst the number of customers may have increased, the average spend seemed to diminish. To some extent this was observed in the hotel spas also.

At least 12 new spas managed to open in 2009.

Because in Hong Kong memberships are traditionally paid up front annually, some spas were negatively impacted.

The biggest observance in business is that competition has increased for local market customers. Companies are becoming better at managing their resources and being more creative in offering packages to guests. Most spas finished in the positive category however below their budgets.

There were a number of high profile redundancies (lay-offs) at the beginning of the year but by midyear this settled down and there has been little movement of Spa Directors lately. Salaries have generally been frozen but some form of bonus has been paid out in a few locations.

One major local spa brand training school closed.

### STATISTICS

Capture rate was impacted by a change in the occupancy levels for hotels and their mix of guests. Most hotels were able to supplement this with an increase in local business.

Perhaps the most interesting statistic for Hong Kong was the contribution margin in both Hotel and Day spas. It was largely maintained (just below budget) due to changes in business mix, packages and efficient cost control. In general the consensus was that the contribution was down between 5% and 10% on the previous year.

Product companies report an increase in business which was largely influenced by growing business in mainland China and the continued success of local spas.

## INNOVATION

The increase in competition has spurred more creativity by all companies. All spas are trying to offer value for money by creating packages rather than discounting. Upgrades in services are also offered. Creative payment schemes for packages and memberships have also been introduced.

Edm (electronic direct marketing) and twitter are being used to reach out to potential customers with some success.

Product companies have improved their service to their loyal clients and department stores have tried to seek collaboration with product companies and spa operators to increase awareness.

A new spa management programme was launched at Hong Kong Polytechnic University.

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