

EUROPE: *Spain*

ECONOMIC CLIMATE

The negative effects:

1. A significant drop in revenue from the thermal baths, spas and other tourist establishments of health and beauty in the year 2009, about on an average of - 30%.
2. A considerable decrease in health and wellbeing consumption, which is still considered as a “caprice” product, owing to a significant reduction in household expenses of tourism and leisure on account of the rise in unemployment and the downturn in household consumption: a decrease in the number of treatments contracted, the travellers, and overnight stays, as well as a significant lower average price.
3. Companies have been forced to cancel or halt their projects owing to the fact that the investments are totally paralyzed.
4. A very significant decline in the demand resulting from the spa industry.
5. The fragility of the spa market has become more marked. It is true that the sector has grown quickly and has not had time enough to be strengthened. We notice a lack of expertise in management, operations and marketing.
6. A “price war” has been created: promotions, offers, discounted prices. These promotional actions have also been reflected in the quality and the professionalism of the sector.

The positive effects:

1. Customer’s expectations are higher regarding standards of quality and professionalism. Customers are expecting an added value for the money they spend, and they are more discerning. Also they are adopting a more rational behaviour in their consumption.
2. Consumers look for excellence in service, personalization in treatments – treatments adapted to client’s requirements or needs – and the quality of the products that are applied to the skin – for instance natural products, organic anti-aging properties.
3. Changes in consumer behaviour have created new market segments, new targets and new offers.
4. Professional intrusion has been restrained: the emergence of multiple companies with few facilities and poor service has been stopped.
5. There has been a “spa market cleansing” at the moment with the strongest companies still standing.
6. The economic crisis is forcing employees of the spa industry to improve in professionalism and quality. We have to be able to respond to this new demand in standards in order to survive.

EVOLUTION OF THE SECTOR

Since 1998, we have seen significant growth of the spa industry in Spain. Having multiplied by 5 over this decade. Revenue of the spa industry which includes market segments such as thermal baths and other tourist establishments for health and beauty - thalassotherapy centers, and spa hotels in general - grew by 4.7% in 2008 to 3,375 million Euros.

Despite the deterioration of the economic situation that started in the last months of 2008 that brought about a reduction in tourism expenditures, there has been an increase in the public budget for the social thermal sector and a considerable increase in the supply of spa hotels which explains the growth of this sector. Also, the establishment's renovation policies and an orientation targeting a younger demographic with bigger purchasing power and motivation to go to spas for relaxation and aesthetics, has helped increase revenue of the spa industry.

Compared with the previous year – 8% -, in 2008 the revenue of thermal baths grew by 3.7% to reach 280 million euros. 37.5% of this revenue came from treatments, while accommodations represent just under 36%. Total revenue of hotels with spa, thalassotherapy centers and establishments specializing in health and beauty, rose 4.7% in 2008, to 3.095 million euros.

INNOVATION

Despite Spain's current economic situation which is showing that the recession is prolonged and the recovery will be weak, potential in the spa & wellness industry is still high in the medium and long term for 3 main reasons:

1. It is one of the latest upward trends in the personal care market
2. There is an increasing demand for health and wellness tourism
3. It is a product of differentiation and profitability

This optimistic view creates more of awareness than innovation in the sector. It will lead to developing appropriate training for therapists, managers and directors as well as establishing quality standards, respecting the environment, incorporating renewable energy and new systems for saving energy.

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