



ASIA-PACIFIC: *Thailand*

THE CURRENT SPA AND WELLNESS INDUSTRY

As the Global Managing Director of MSpa International, I would be focusing on the worldwide platform for Spas development. I would like to stress here that the age old concept of Spas to be limited to massages and facial treatments are a thing of the past now. Modern Spas focus on a holistic lifestyle approach and rather than treatments alone. To ensure that this paradigm shift happens, I feel that there is an urgent need to focus on 2 major areas. (a) A lot more awareness to be generated amongst clientele – this is where the media role is extremely vital. There is fierce competition in this field with new brands being launched by the day. A clear demarcation on the basis of professionalism and high quality standards is essential. (b) The Spa educational process within the hotel industry on what the holistic lifestyle is all about. Most major hotel brands run their own Spas. Whilst this could be a tempting business move to generate revenues, one needs to really investigate if these Spas are really run by professionals who have the expertise to do so. This area requires a high degree of talent and there is a general lack of sales & marketing awareness as regards the Spa industry is concerned.

THE CURRENT ECONOMIC CRISIS

Like any of the service industry perceived as the luxury market, the Spas too have experienced a decline of around 25% in business prospects. In Thailand, Spa services are perceived to be expensive when compared to hotel accommodation. In a 5-Star Hotel like Marriott, the room rate per night is almost equal to a 90 minutes Spa treatment at a renowned Spa.

The easiest way would be to drop prices to attract the mass volume of clients at a discounted price. Having said that, this is the time that the industry needs to focus on value additions. For example, a 60 minute Spa treatment could be extended to 90 minutes – the customer gets more value for money spent, whereas the basic cost almost remains the same for the operator.

SPENDING PATTERNS OF CONSUMERS

In these times of the economic downturn, people around the globe are exploring ways to cut costs and ensure maximum savings. Spa services are perceived as a luxury indulgence– and in these trying times, any spending on luxury indulgences would be trimmed.



SPA INDUSTRY BRIEFING: *Thailand*

This is where one has to be extremely careful whilst developing a business strategy. There is fierce competition in the Spa market. There are a lot of top brands competing against some new “hotel-developed” brands which operate at a much lower cost and the ROI is extremely high.

I strongly feel that dropping prices at this stage is not the best of strategies to adopt. Value additions at competitive prices, by not compromising on quality, educating the clients on the aspects of a holistic lifestyle approach rather than run-of-the-mill massage parlours, would be a more radical approach worth pursuing.

SHIFT IN 2009 REVENUES

To be frank, 2008 was also not the best of years, as far as the Spa industry was concerned. I feel that for 2009 and the 1st Quarter of 2010, the revenues would be 30% lower in comparison to last year revenues.

Spa industry is considered as a luxury component – and any luxury services do take a hit during the economic crisis. A careful planning of strategy would help tide over the situation I feel. Cost cuts need to be planned, but not by compromising on quality. Value for money needs to be experienced by the client spending financial resources. The global spa industry’s extraordinary growth and resiliency has been fueled by important new ideas in health, wellness, fitness, beauty, design, and cuisine.

PROJECTS IN THE PIPELINE

My strong estimate would be that around 40% of projects are either on hold for 6 months or have been pushed behind schedule. Apart from Middle East, MSpa International would look at aggressively expanding in specific regions like Africa, China, India & Thailand.

The Spa industry would move towards an ardent focus on enhancing awareness on a more holistic lifestyle approach rather than being limited to treatments. Our Anantara Spa at Kempinski Dead Sea is a great example of where the industry is heading. Spread over 10,000 sqm, the Spa is considered one of the largest Spas in the region. Whilst the Spa offers traditional treatments & therapies, the menu is coupled with various elements such as Ayurvedic, Hammam, Watsu, energy pools, Spa Café, Yoga lounge, Outdoor treatment salas as well as a retail Zone. Life style variety solutions are on offer for guests to choose from.

ADAPTATIONS

The industry would adapt to the current economic crisis, by evolving innovative and creative strategies to ensure that there is increased awareness, brand promotion, a lifestyle approach to products and services. There certainly is optimism which indicates many spa operators believe that the spa industry may be protected to some extent from the negative affects of the current economic climate, as spa consumers continue to demand relaxing spa and wellness services despite potential falls in their discretionary spending, coupled with evidence that rationalization has already occurred in some spa markets.

OPPORTUNITIES

I feel that in the next 2 -3 months, there would be some Spa brands which would go bankrupt and businesses would be put up for sale – which would be an opportunity for some other brands to take over at a competitive price.

Another advantage would be the availability of a pool of highly professional talent made available due to the retrenchment of staff, especially Balinese, Indonesian and Thai. The economic crisis would make them venture out and travel the world, which they would otherwise not have done. Even though the short term outlook does seem a bit uncertain, it is important to understand potential longer-term consequences of reactive decisions made during an economic downturn and review how the Spa industry may take advantage of market changes during economic downturn.

- ◇ Development Plans - as others around you shelve spa development or refurbishment plans, it may be advantageous to continue with the project, assuming funds are available, and take advantage of the increased availability of trades' people, advisors, trainers and suppliers you will require to continue with your project. You may be able to negotiate better pricing and timelines due to reduced workload.
- ◇ Staff Retrenchment - given the shortage of qualified and experienced spa employees, it may be more cost effective in the longer term to retain staff so when the market bounces back, the business does not incur the time and cost restraints of recruitment activities.

Many spas have been too busy during the boom time to focus on improving the way their business operates, so any slowdown may provide the opportunity to make required changes. A full review of the business may seem a difficult and time consuming task, so break it down into key areas to make it easier.

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