



EUROPE: *United Kingdom*

INTRODUCTION

'It's the Economy, Stupid' was Bill Clinton's famous 1992 campaign slogan and never has a single phrase been more appropriate for 2009, the year of global recession and general economic turmoil. With high unemployment, a steep fall in GDP, and a collapse of consumer confidence particularly in the developed markets, 2009 was no easy ride. And travel (inevitably) was affected. The spa industry generally follows the ups and downs of the economy so tourism arrivals and departures declined significantly, the luxury sector was particularly hit hard, and the trend towards the 'staycation' was much in evidence.

ECONOMIC CLIMATE

The U.K. went into recession early and is late to recover. A 7.8% unemployment rate is not as high as some, but is a significant cost and productivity issue. A 4.9% GDP fall in 2009 and public spending at record levels, partly as a consequence of government stimulus measures to drive the recovery, are both short and long term issues. And the decline in bank lending to businesses, down 8.1%, further increased the pressure. In the overall travel market visits abroad by U.K. residents decreased by 14% in the 12 months to February 2010 - a decline of 9.4 million visits. There was a marked decline in business travel (down by 21%) as well as holiday travel (down 14%) but visits to family and friends were less affected (down 6%). With regard to visits to the U.K. by overseas residents, there was a decline of 4% in the 12 months to February 2010, a decline of 1.4 million visits. There was a decline in business travel (down 14%) and visits to friends and family (down 7%) but holiday visits actually grew by 5%, partly attributable to favourable exchange rates which improved the attractiveness of the U.K. as a destination. Bottom line: more people were holidaying in the U.K during 2009 which significantly helped the hotel and spa industry ride out the economic downturn.

SPA DEVELOPMENTS & CONSUMER BEHAVIOUR

2009 was more about reinforced balance sheets than reinforced concrete but spa developments were completed and spa projects were announced. Not at the frenzied rate of previous years but in significant numbers. Openings included the So Spa at the Sofitel St James, the Scarlett Spa at the Bedruthan Steps Hotel, the Rockliffe Hall Hotel and Spa, the Harrods Urban Retreat Medi-spa and many others – reinforcing the long term investment potential of the spa sector.

A recent Mintel survey in the UK found that only 17% of respondents were 'stress free' – the other 83% had significant worries about finance, family and friends, personal health, job satisfaction, and job security. A demand for a retreat from the daily grind, from the fast pace of modern living, is no surprise. Couple this with different lifestyle requirements from the 'we're here now' Generation X and Y consumer and the 'nearly here' Millennial's and you can see how the future of the spa industry looks rosy.

BYE BYE 2009 AND HELLO 2010!

Every business we know breathed a sigh of relief at the end of 2009, but it was not a ‘hunker down and do nothing’ year. Spas in the U.K. took the opportunity to right size their businesses, become more efficient and get more aggressive at marketing. They continued to see the value in staff training and were more robust in the selection of treatments and products. Professional Beauty magazine conducted a U.K. tracking study on beauty salons, nail salons, and spas and it is the spa sector which is holding up better with higher treatment room occupancy, growth in number of treatments per week, stable profitability and a return of business confidence.

INNOVATION

Although business failures in the U.K. increased to 1 in 74 businesses in 2009 versus 1 in 87 in 2008 there were no high profile casualties in the spa sector. We believe a key reason for this was the response of individual spa owners to the economic downturn, they worked harder, their businesses worked smarter, and they focussed on getting the basics right. Out the door went trendy treatments and there was a lot more focus on time; yield management, loyalty, and repeat business. 72% of spas in the Professional Beauty survey offer Gift Vouchers and many are on 3rd party gift programmes and spa managers are getting more innovative in using new channels to communicate their products and services. This is reflected in the increased use of social networking sites like Facebook. Value led marketing is now the standard, not the exception. Spas have a promotion schedule, offer incentives and discounts, and reach out for new business as a matter of course. This was likely driven by a need for economic survival - but it has put the industry in good shape for the recovery.

And the most surprising statistic? In a recent survey, spa owners said they would prefer a visit from Cheryl Cole rather than Brad Pitt – now that’s economic reality!

At SpaFinder Europe we responded to the recession as would be expected. However as an internet marketing company we specifically focussed on, and invested in, making our technology deliver enhanced benefits to our spa partners and our customers. We launched an international online redemption system so our spa partners can redeem gift cards and vouchers back to us quicker and more easily – saving administration costs and speeding up reimbursements. And for consumers we launched an eVoucher gift product – with instant delivery to the buyer’s (or recipient’s) inbox which provided immediate gratification for the internet buying generation. We are 100% focussed on meeting our customer’s requirements.

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