



## The Americas: United States

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The hospitality industry and the spa sector in particular continue to emerge slowly from the challenging times faced in the last couple of years. The growth is incremental and we foresee this trend to continue in the near future as well. As anticipated, the slowdown has impacted consumer behavior in several ways. All stakeholders in the business, skincare brands, equipment suppliers, therapists, contractors and so on have experienced various degrees of transformation to adapt and succeed in the new environment. As providers of skincare products and services globally, we have observed some unique trends that will significantly impact the business in the coming years. Key trends in the US are summarized below.

**The need to define the mission of spa around wellness has been identified and debated by experts for a long time now.** However, in the implementation of this concept, spas have experienced varying levels of success. Our experience shows that the primary reason is lack of consistency amongst all the touch-points that a client experiences during a spa service. Consumers are increasingly willing to spend on wellness as awareness about the consequences of accelerated aging is rising. With changing client behavior amidst the economy, we see a change in the adoption of wellness concepts in the business. Spas are seeking ‘integral solutions’ for wellness as replacing past practices of bits-and-pieces implementation of this concept. We see skincare product and treatment providers to be at the forefront of partnering with spas in the implementation of the integrated approach. This would translate into capability building that would involve much more than formulating products in the lab. Integration of a particular spa treatment service with other wellness offerings in a spa (e.g. yoga classes at a destination resort, spa marketing and CRM initiatives) will define client loyalty.

**Brand licensing by product companies.** Inquiries for branded spas are getting generated across many countries in the world. The merits of branded spas have always been around the consistency of message, image, marketing, treatments etc. In addition to these established benefits, we see a vast opportunity of branded spas in elevating the image from a spa to that of a ‘lifestyle center’. A lifestyle center is a place where clients experience treatments, purchase take-home products, get lifestyle education/ classes on all aspects of a balanced lifestyle e.g. yoga, meditation, diet, and so on. This model offers tremendous cross-selling opportunities to spa-goers, yoga customers, and retail buyers thus widening the client base for the business. As investors better appreciate this objective, the demand for branded lifestyle centers will rise. Some attempts are being made by spa operators towards franchising and these will drive standardization in the business. However, the value offering by franchisors remains weak thus preventing consolidation in the industry. Branded lifestyle centers on the other hand would thrive in customization while retaining the brand’s core message.

Implementation of the lifestyle center concept in other countries makes our belief stronger about its potential in the U.S. market too.



**A new look at oils.** There has been drought of innovation in product formats in the skincare cosmetics business in the past few years. While there have been some creative twists, the dominant product formats have remained virtually unchanged e.g. shampoos and conditioners for hair, creams for the face, lotions for the body and so on. It has always been about the ‘secret breakthrough ingredient’ in the same old product format. We see a great interest amongst spas and clients when a new product format is presented with credible evidence of efficiency. Traditional product usage practiced for thousands of years in the East will be the benchmarks that will help manufacturers in offering trustworthy new product concepts and formats in the future. We see oils leading the way in this direction. A recent article in the Off-Duty section of the Wall Street Journal (Feb 12-13, 2011) encourages readers to, “..toss your moisturizer in favor of deeply hydrating nectars (no, they won’t make you break out)...” In our personal experience, all our recent top sellers have been innovative formats like hair oils, eye oils and night-time oils. These products have generated the most media inquiries and compliments from users. All these products have been inspired from traditions in India and adapted for the western world.

Going forward, we see manufacturers devoting attention in product format innovation as consumer interest rises exponentially.

**Web creates opportunity for professional skincare and spa brands.** Google and social media on the web have created unique opportunities for professional skincare and spa brands to reach their target audience in much more efficient ways than was ever possible in the past. Brands with unique positioning are now able to engage more deeply with their target audience without needing large marketing budgets. Facebook offers sharply differentiated brands an opportunity to showcase their message and brand philosophy in unique ways, helping them acquire fans at a rapid pace. Telling an interesting story, educating fans about the core message of the brand and showing interesting applications in their lives are ways in which consumer engagement can be built. We have experienced such a rapid growth in the fan base for SUNDĀRI. Interestingly, we also find that brands mimicking the social media behavior of mass market and department store beauty brands tend to show lower fan engagement.

We have exciting times ahead as we are going to see interesting models through which sharply positioned professional skincare and spa brands will use the web to segment the market and gain followers.

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