

## **Spas Are Hot, Don't Get Burned: Understanding the realities and steps for a marketable and profitable spa. Part 1**

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Spas have gone from being a luxury to an amenity to a necessity for almost any four and five star resort and to many up-scale hotels. Many resort/hotel spas have become "signatures" for the property in terms of facilities and services. Some properties have even become notable because of the spa, and the spa features prominently in advertisements and public relations announcements.

Spas have become, and will continue to evolve, as one of the fastest growing and hottest components of a lodging venture because they are on-trend in terms of helping people relax, release stress and have a sense of balance in their lives. While spas need to be very market-driven and attractive to the consumer, it's easy for the owner, operator or investor (you) to get burned if you do not understand the development, staffing, marketing, financial and operational realities of the spa business.

It's essential that you do your homework before jumping on the spa band-wagon. You should visit a few spas. Spend some time as a guest so that you can appreciate and understand the unique intricacies and personal nature of the spa. Then go from your robe to your suit and talk to spa owners and operators to understand the economic realities from concept to completion to day-to-day operations. Spas should be run as a business.

This is the first of two articles that address the factors that need to be considered if you want your spa to be a viable business. The focus is on the resort/hotel spa rather than the destination or day spa. While these articles may be more helpful to those of you who are contemplating a spa, there are some valuable ideas for those of you who already have a spa.

In this article we will focus on some of the conceptual and planning issues that need to be considered when developing a spa:

### **Definitions**

The first challenge starts in defining "what is a spa." There are no "universally accepted" definitions or standards for what constitutes a spa. If you are going to have a "spa", make sure you know what your guests expect in terms of facilities, treatments, products, activities, service standards, ambiance, etc. In their minds, they know what the word "spa" means so don't think you can use the word without delivering the experience.



Chart 1 is a simple diagram showing the facility differences between a fitness center, health club and spa. As you can see, the spa is the all-inclusive facility. A spa is more than having a health club with a few spa treatment rooms, e.g., massage. If you say you have a spa, make sure it includes the basic components on this chart.

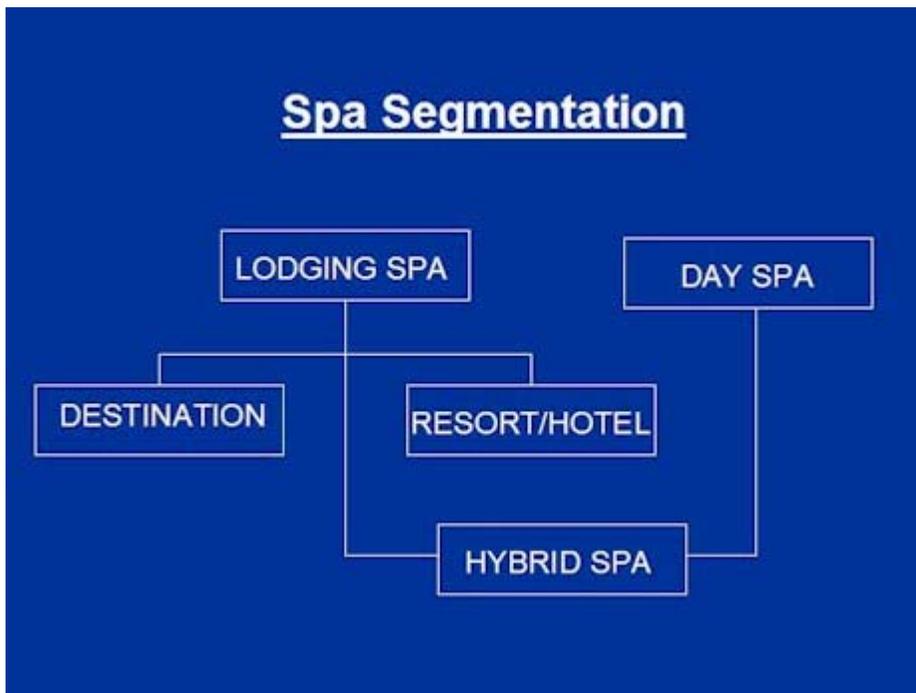


Chart 2 shows some of the types of spas. The future of the spa industry will be in the creation of the *hybrid spa* which is the resort/hotel spa that caters to lodging guests who want something as simple as taking an ala carte treatment to those who want to spend a few days on a special, spa-specific multi-day get-away. In order to maximize the utilization of the spa, the local community should be invited to use it as their “day spa.” Some spas even have a membership component. Care must be taken to balance the needs of all the markets.

### **Objectives**

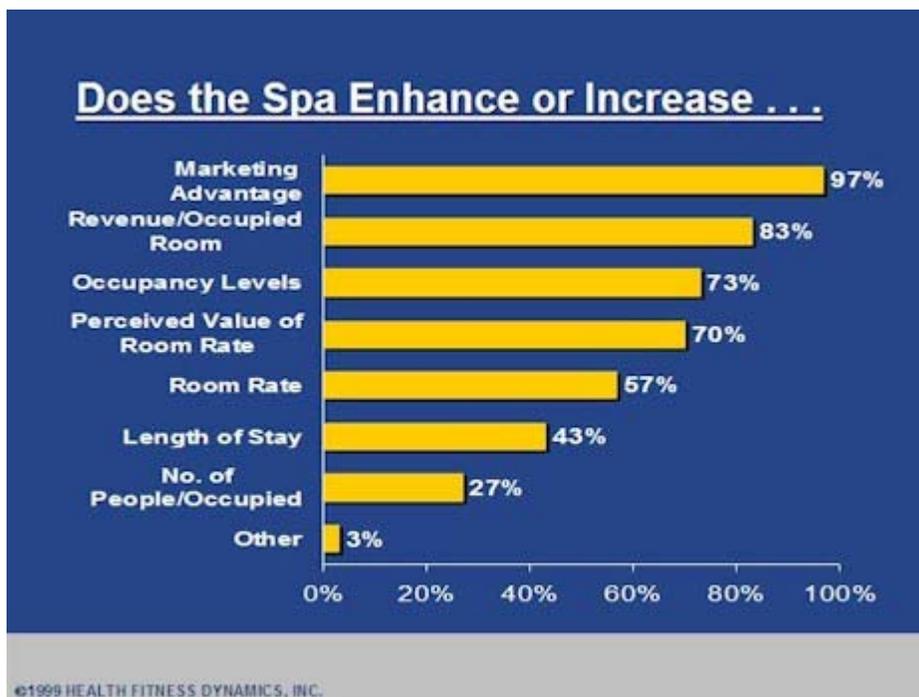
If you plan to add a spa and want it to be a tangible, as well as an intangible asset, it must be properly conceived, themed, programmed, designed, marketed and managed. With every decision you make regarding the spa, never forget that you are in the “spa” business because the spa helps your “core” business.

Be very clear about why you want to have a spa. You must realize that although the spa can and should be a profitable department, it is not a “cure-all” to boost your occupancy. It should be one of the many highlights of your property that will enhance the *total* experience for your guests. Many of HFD’s clients expect the spa to:

- Generate additional room nights especially in the off and shoulder seasons
- Expand the shoulder season/shorten the off season
- Generate additional revenue per occupied room during the peak season
- Be an additional profit center
- Meet the demands and expectations of guests
- Enhance the guest experience
- Help them be more competitive with other properties that have spas
- Provide a marketing edge against properties that do not have spas
- Provide guests with an added “recreational/leisure service”
- Attract a new, yet compatible market...people who like resorts/hotels with spas
- Give group and business guests another reason to return as leisure guests
- Encourage group guests to arrive a day early or to depart a day later so they can get ready for and relax before or after meetings as “leisure guests”
- Provide an opportunity to market the resort as an “incentive” destination for corporate award programs
- Enhance spouse/companion programs for convention attendees
- Provide an indoor activity during inclement weather

## Benefits

Although it is difficult to quantify the spa’s contribution to additional room nights, occupancy, etc., the *HFD 1999 Economic Study of US Resort-Based Spas* found that spas help resorts with regards to their Marketing Advantage, Revenue/Occupied Room, Occupancy and Perceived Value for Room Rate.



In June 2002, HFD conducted a survey of thirty (30) resort-based spas to examine the spa’s contribution to the revenue per occupied room (RPOR). The spa gross revenues did not include membership fees and dues nor any hotel-related room nights and food and beverage related to spa packages. After disregarding the high and low responses, the average RPOR for the remaining twenty-eight properties was \$35.28.

## Market

The market should drive your decision as to whether or not to have a spa and what kind of spa you should have. Everything you do needs to be market-driven; therefore, you need to understand and serve the people whom you expect to visit your spa. The key marketing points to remember are to:

Know Your Market: You need to know your market and develop a concept, facility, program and service standard that they will want and appreciate. If you do not know your clientele, there is no way to give them what they expect and deserve. Regardless of how niche-oriented you are, it is important to know that one of the main reasons for guests to use a spa is because they want to be taken care of, get rid of stress, relax and feel re-charged.

Depending on where your spa is located, the following are the potential markets:

- **Local Market:** this could be day guests or members from the community
- **Lodging Market:** this could be the leisure guests, conference guests, companions of conference guests, niche markets and affinity groups

Know Your Competition: Once you know your guest profile and what they want, make sure you can deliver an experience that at least meets if not exceeds their expectations. The spa should offer something unlike that of any competitive property. You need to be different *and* better. You cannot be a “copy cat”...your spa needs to have its own unique selling points and personality. The spa should be an extension of and an enhancement to the lodging experience.

## Concept

The concept is your vision and the foundation of everything you do in order to capture and please your market. The main focal points in developing your concept include the following:

- Create the Experience: Touch the senses, evoke the feelings, create the memories and establish "signature touch points." Some spas will create a signature theme such as age management, medical aesthetics, mindfulness, fitness, wellness, luxury, etc.
- Be Unique: You can not be a “me too.” There is a careful balance between being unique and being so unique that you limit your market. Points of uniqueness could be the services, products, facilities, guest clothing, price point, etc. Your uniqueness should create curiosity and demand so that you get people in the door. What you do to get them to return is another key element to your success.
- Be Consistent: Know your concept and be true to it. Share it with your guests and staff. Everything you do should reflect the concept.
- Make It PR Worthy: Magazines should want to feature and/or write about you. Let the media tell your story. This is a more credible and marketable strategy than placing ads.
- Be a Leader: Stay one step ahead by offering new products and treatments. Don't get lost in the crowd by being good. Excel in every way.

## Facility

The key in planning a marketable and profitable spa is to make sure the spa is based on a well-conceived concept that is sensitive to your guests while also being efficient from an operational perspective. No matter how small your spa, it should offer enough to create an *experience* for your guests.

Consistent with the Concept: The facility and design must reflect the concept. If you have a tropical spa, the design elements, lighting, foliage, etc. should connote this feeling.

Efficient Flow: The flow should help you control payroll as well as be stress free for guests.

Balance between Profit Zones, Comfort Zones and Back-of-House: How you allocate your space can affect your success. The spa needs to make money with treatments and retail. There needs to be enough social and private comfort areas where people can stay and relax. In order to run a business, you need to have the functional areas like offices, workstations, etc.

Unique Feature: Spas typically have something that is “eye-catching” as a signature design element that ties into the concept. It is the photo opportunity for the media, the visual highlight in your brochure and ads,

and something that gets the attention of your guests.

Create An Experience: One area that warrants special attention is the wet facility area (steam, sauna, whirlpool, cool dip, lounge, etc.). This is one of the most expensive areas to build. You need to carefully consider what to put in this area and decide if it is excellent enough to charge a fee just to use these facilities. If done well, the facility fee revenues can be quite profitable but if not done well, the facility fees or daily membership fees can present a barrier to entry. The facility fee is oftentimes waived in full or in part when guests take treatments.

Design with Flexibility: The facility should allow for growth and development. Think of your expansion plan during the initial planning stages so that you do not compromise the efficient flow as you grow. Think in terms of multi-usage of space such as treatment rooms that can do more than one type of treatment, an exercise studio that can accommodate massage workshops when a fitness class is not being scheduled, etc.

Impact on the Support Departments: During the planning stage, it will be important to be aware of the spa's impact on other departments of the resort such as laundry, housekeeping and maintenance. This impact can be in terms of physical space as well as labor. It is also important to integrate the spa into the resort/hotel and vice versa so a system must be established to ensure quality assurance, customer service and a smooth integration between the spa and the other departments.

## Summary

Planning a spa involves creativity, sensitivity and a sense of reality. The spa is unlike anything else you will ever have at your property because of the way the staff emotionally and physically interact with the guests. It is important for you to learn as much as you can so that you create a spa that is market-driven, trend-sensitive and both a tangible and intangible asset for your property.

In Part II, we will discuss some of the operating issues such as:

- Treatments
- Products
- Payroll
- People
- Operating Expenses
- Marketing
- Spin-Off Ventures
- Conclusions

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