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# Uncharted territory

Horwath HTL Health & Wellness and GOCO Hospitality compile top trends that are shaping today's spa industry and those that will have the biggest impact in the years ahead

## The travelling wellness retreat: business disruption

Through social media channels such as Facebook and Instagram, entrepreneurs have immediate access to like-minded consumers. It enables them to cut out the middleman and develop successful models that would not have been possible in the past.

In the hospitality industry, we feel that business disruption occurs through cutting out the fixed overheads associated with developing and running a hotel, resort or spa. Two current examples are Airbnb, the impact of which is only now being registered by hospitality operators; and Zeel, a company that facilitates at-home massage via a digital platform – visiting a spa or



**Disruptor: Zeel** links clients directly with therapists

calling an unknown mobile therapist is no longer required for a great treatment.

One area that's ripe for further business disruption is wellness tourism. Many markets around the world have an oversupply of hotels and resorts. Given this situation, why develop a wellness resort when you can develop or own programmes, connect directly to guests and rent rooms from other underutilised properties? The operating margins are lower and so is the initial investment required and overall financial risk.

Yes, there are a plethora of yoga professionals that are doing exactly this. However, no one's developing and offering branded wellness vacations that utilise rooms/space at third-party resorts – an Airbnb for wellness



**Airbnb for wellness tourism:** there's a gap for branded wellness vacations that utilise third-party resorts

## INDUSTRY INSIGHTS

A new hybrid model that gets the revenue engine roaring is a spa that complements traditional areas with other lifestyle components that are efficient and focused on generating financial returns

► tourism if you will. Well not yet anyway. The travelling wellness resort is coming and the market is wide open. We believe that the first group to enter with branded programmes and a credible reputation will experience great success.

### Advanced cosmeceutical facials: a numbers game

In an ever-changing global real estate market, owners and managers largely focus on one element: investment return per square metre or square foot. It's all about driving the highest return in the shortest amount of time.

In order to maximise revenue-generating space and meet performance requirements, owners and managers are scrutinising their plans and questioning their concepts. Classic spa facilities, which offer standard treatment rooms, costly hydrothermal amenities, beauty areas and expansive relaxation areas are passé. They possess few opportunities for annual revenue growth when compared to new hybrid facilities that are hitting the global marketplace.

The new hybrid model that gets the revenue engine roaring is a spa that complements traditional areas with other lifestyle components that are efficient and focused on generating financial returns. These include conceptualised male grooming outlets, specialty female salon outlets, higher quality retail platforms, revenue generating hydrothermal experiences and independently-branded cosmeceutical facials rooms.

### ABOUT THE AUTHORS



Left to right: Emlyn Brown, Oliver Boppe and Matthew Brennan

Between them Matthew Brennan (director) and Oliver Boppe (consultant) of Horwath HTL Health & Wellness and Emlyn Brown, director of spa operations at GOCO Hospitality, have 35 years of industry experience. They've teamed for this article up to identify trends which are currently shaping the global spa and wellness industry and those that have the potential to make an impact on the sector over the next 10 years. They believe these trends will create areas of opportunity for spa owners, managers and other professionals.

Specialty cosmeceutical facial rooms, such as those offering treatments by QMS Medicosmetics and Medical Beauty Research (MBR) are particular favourites of owners and managers who are looking to improve financial performance in their spas – and fast. Treatments by cosmeceutical product houses are popular for a number of reasons:

- They're priced at a 25-100 per cent premium over traditional facials yet they have similar delivery costs
- They're delivered in small areas that do not require high levels of investment
- They offer immediate results that encourage repeat visitation
- They offer higher-margin retail sales and greater propensity for the guest to purchase retail products

Moving into 2016 and beyond, owners and managers, primarily in urban areas, will reduce the footprints of spa facilities. We expect that they'll limit amenity space and, instead, focus on high-yielding beauty treatments and other aforementioned services that guarantee returns.

### Growth of life coaching: plan of action

Global citizens of today are ambitious and believe they can achieve it all. But with this comes the demands that they, or others, place on themselves and personal and professional time merge. Life coaching delivers support and a plan to maximise individual potential.

Moving forwards, we predict an even greater shift from traditional body-only fitness training to all-encompassing life coaching that embraces nutrition, physical exercise, stress management, goal setting and empowerment.

While life coaching still a largely unregulated profession, it's recognised by organisations such as the International Coach Federation which values it as a US\$2bn (€1.8bn, £1.3bn) industry with

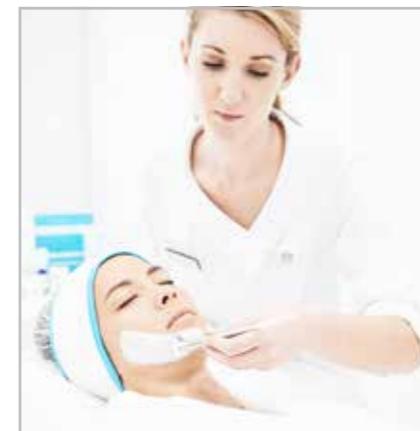


Revenue-generating hydrothermal facilities are the way forward for spas

PHOTO: SHUTTERSTOCK/KZENON

more than 47,500 registered life coaches. And all signs point to continued take-up.

In 2013, the Stanford Business School sponsored a study on 200 CEOs and the results were interesting. Only one-third of the polled CEOs had received professional coaching, yet 100 per cent of them were interested in it in the future. "We are moving away from coaching being perceived as 'remedial' to where it should be: something that improves performance, similar to how elite athletes use a coach," the study reported. Notably, a number of universities such as Columbia, Stanford, and Harvard are developing dedicated life coach programmes.



QMS: spas will embrace specialist skincare

The life coach industry will experience the greatest uptake in powerhouse economies such as the USA and in growing economies where competition is fierce, including places throughout the Middle East, India and China.

Opportunities may exist for spa and wellness facilities to rent under utilised treatment rooms to life coaches, which would be a win-win for both parties. The life coach would have the opportunity to practice in a commercial yet conducive environment, and the spa could earn rental income plus gain access to the life coaches' clients who are typically middle- to high-net worth individuals.

## INDUSTRY INSIGHTS

### Wearable and genomic technology: targeted treatments and improved results

Wearable technology is growing rapidly and the world's leading sport and lifestyle companies are competing in the marketplace. One of the latest developments in 2015 is Under Armour's bid to make electronic clothing that monitors biometrics and communicates results directly to smartphones. It's an obvious move for spas to tap into the data these numerous devices collate to personalise treatments.

At the same time, we believe that spas and medical-focused destination spas will further embrace diagnostic medical technology. Today, ultrasound machines are highly portable and therapists can use the information to perform targeted massages. Furthermore, hand-held machines can now safely extract a pinprick of blood and immediately analyse the sample to determine any mineral deficiencies.

Genomic testing remains in its infancy, but some businesses, such as the Sha Wellness Clinic in Spain are providing tests to measure telomeres – the DNA structures that are linked to cellular ageing (see SB13/1 p54). Other biotech companies such as Illumina are putting much money and effort into producing DNA testing machines to enable researchers to explore the genome on a new scale and move us closer to the realisation of personalised medicine. Indirectly, this will provide opportunities for spas and wellness-focused businesses. As with many other technologies, initially these are developed for private use and over time they become more accessible for everyday consumers. As the equipment, technology and DNA testing becomes cheaper, its adoption will accelerate, switching focus from diagnostic to



As DNA testing services from firms like Illumina become cheaper, spas will be at the forefront of deployment

preventative healthcare and creating further opportunities for expansion of the wellness business model.

There's a lot of Silicon Valley brainpower and money focused on health-based, diagnostic genomic testing and wearable technology. We don't yet know how these technological advances will affect the spa sector or, ultimately, how they'll affect our personal and emotional state. What we do know is that the wellness and spa industry will be at the forefront of technological deployment and future development.

### New fitness concepts: urbanisation and specialisation

Millennials the world over are assuming the role of trendsetters and this is impacting existing businesses and creating opportunities for others. Internet proliferation, combined with ease of access to information allow for larger audiences and quicker trend acceptance. Global consumers demand the latest products and prefer specialised and personalised experiences. While this shift is just starting to infiltrate the spa and wellness industry, it's already having a noticeable impact on the fitness sector.

New and 'hot' fitness concepts are on the rise in North America, Europe and further afield. The majority of them are based on metabolic resistance training, CrossFit principles, circuit training and spinning, or a combination of all four under the 'new fitness concepts' umbrella. According to *Bloomberg Business*, between June 2014 and January 2015, CrossFit increased its number of licensed locations from 10,000 to 11,650 (nearly 17 per cent in six months). Since 2006, SoulCycle has added 36 studios to its portfolio. Meanwhile The Lab, a new fitness concept in Bangkok, Thailand has a loyal following. Its CEO, Richard Cohen, won the 2014 Expat Entrepreneur Award and has seen the opening of an additional unit in Sydney, Australia. Its next step will be to move into the organisation of health and wellness vacations.

New fitness concepts are flourishing because they focus on results (these are places for intense workouts), friendship and community. By creating a sense of belonging, these businesses will not be jolted if one, two or five new facilities open in the same market – bucking the traditional metrics of demand and supply.



Stylised exercise like CrossFit is booming and specialised spas are just around the corner

Plus they have a smaller amount of initial capital investment while still charging similar daily, monthly, or yearly fees as traditional fitness clubs.

It's important for spa professionals to analyse this trend and plan accordingly. Is it appropriate to locate a new fitness concept in hotels and resorts? How can spas improve their own facilities and charge a premium while not being viewed as elitist? How can facilities increase demand while decreasing operating costs? Like the new fitness concept, the future of spa lies in specialisation. ●

### JOINT COLLABORATION – HORWATH HTL & GOCO HOSPITALITY

Horwath HTL Health & Wellness was formed in 2013 and specialises in the development of health and wellness-focused facilities (rather than just resorts and hotels). It offers feasibility and market research along with concept development and executive recruitment, while branding, technical services, pre-opening and management is provided by GOCO Hospitality.

Horwath HTL Health & Wellness is one of the only spa consultancies that's part of a global hospitality consulting consortium. Formed in 1915, it has 50 offices globally and is one of the world's oldest hospitality consulting consortiums. Tel: +66 2 252 6281 Email: mbrennan@horwathhtl.com Web: www.horwathhtl.com; www.gocohospitality.com