



For Immediate Release

Spa Business Strategies for Economic Downturn

By Julie Garrow, Managing Director of Intelligent Spas

Singapore, 26 November 2008 – Preliminary findings of Intelligent Spas' current round of Spa Benchmark Surveys have identified the majority of spa owners and managers are forecasting positive growth in both revenue and spa visits for calendar years 2008 and 2009. This optimism indicates many spa managers believe 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 rationalisation has already occurred in some spa markets.

In June 2008, Intelligent Spas reported 28 spa businesses in Australia had closed down and 10 businesses stopped offering spa treatments in the preceding 18 month period. This indicated some rationalisation within the market place even though the overall number of spas grew by 152% over the previous five years. Similarly Asia Pacific's largest spa market, Thailand also experienced over 25 spa closures amongst overall strong growth.

This research shows spas are not immune to changes in supply and demand as market places evolve. Over the last five years, although the spa industry has experienced overall strong growth, some rationalisation occurred before the credit crisis began and further rationalisation is likely to occur as the global economy experiences further pressures. This is likely to reduce the timeframe for rationalisation in young spa markets such as Cambodia, which have yet to experience downturn, plus bring uncertainty to spa markets with multiple new developments in the pipeline.

Even though the short term outlook is uncertain, it is important to understand potential longer-term consequences of reactive decisions made during an economic downturn and review how spas may take advantage of market changes during economic downturn. For example:

- **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 of the business to make it easier. For example, some important activities which aim to minimise the negative effects of reduced demand and establish systems and procedures to ensure your spa runs smoothly during busier times to come include:

Management

- **Map staffing levels** against current and forecast demand to manage labour costs and ensure employees are productive. If you cannot, or decide not to reduce the number of staff to match reduced demand, keep idle employees productive with training and special projects and encourage them to take annual leave owing.
- **Review the financial reports** to identify areas the spa could reduce costs and improve profitability.

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- Review industry benchmarks to identify areas in which the spa is performing above and below the local industry average. Initiate activities to improve the spa's weakness and maintain the spa's strengths.

Marketing

- Modify marketing collateral to adapt to consumer sentiment, for example, emphasise spa treatments and services which aid stress-relief if it is relevant to your local community.
- Raise the awareness of therapeutic services offered to encourage consumers to maintain or increase spending on therapeutic treatments whilst they may reduce discretionary spending on pampering.
- Ensure treatment prices remains competitive as the local market changes. Consider adding more value to establish a competitive point of difference, rather than automatically discounting standard treatments and products.

Operations

- Review and update standard operating procedures to minimise hidden costs associated with unnecessary repetition, inefficient activities, product and supplies wastage and outdated policies.
- Ensure there are no gaps in procedures, particularly where staff numbers are reduced, to minimise risk to clients, employees and property which could result in legal action.
- Confirm spa employees are implementing service standards correctly so guest satisfaction is maximised to retain existing customers and encourage free, positive word-of-mouth advertising to generate new clients.

About Julie Garrow

Julie Garrow is managing director of Intelligent Spas, the only 100% independent research company specialising in the spa industry. Since 2001, Julie has pioneered spa industry research in the greater Asia Pacific region, authored a range of Spa Operations Manuals and is implementing the first Global Spa Benchmark Program to provide essential market intelligence to empower spa owners, managers, suppliers and supporters to maximise their performance.

Julie also published two free guides entitled *Using Spa Industry Benchmarks For Success* and *Standard Operating Procedures Evaluation Guide* to support the spa industry, and authored the Spa Industry Benchmarking chapter in the first spa industry text book entitled *Understanding the Global Spa Industry*. Visit www.IntelligentSpas.com for more information.



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