

THE ANALYSIS OF THE REGIONAL AND LOCAL SPA MARKET. STARTING A SPA BUSINESS

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Abstract

The current approach of the human health through a SPA Center is setting up a market estimated only in US to be nearly \$11 billion, up from \$5 billion two years earlier. SPA business is a growing field in Romania with more than 1 million SPA visits on established businesses that are still not more than 15 nationwide, 65 percent of which were made to day spas and it is estimated that the market will double during the current year, meaning the Romanian market is very open for new spa owners.

In starting a Day SPA Business these aspects are very important: how to create a business plan of the spa; how to conduct initial market research for the spa business; deciding what services to offer in the spa business, with the following information provided for each type of spa service: description of the treatment, benefits of the service, which spa staff member performs this service, time needed to perform the service, materials and equipment needed, approximate retail cost; licensing requirements for spas, choosing a name for the spa business, start-up costs including start up budgets for both a small and medium sized spa, source of financing the start-up of the spa business, choosing the location and dimension of the spa center.

Managing a Day Spa Business is a very hard task involving a lot of commitment being very important: how to develop effective systems for running the spa business on a daily basis, setting the spa's hours of operation, working with spa employees, to determine the staffing needs of the spa, setting sales goals and keeping spa employees motivated, hygiene requirements for spas, establishing a maintenance schedule for equipment, setting prices for the spa's service and developing packages to encourage clients to buy more, developing promotional materials to market the spa business, choosing a brand of products to use and sell, ways to attract spa clients through advertising and free publicity, how to get repeat business from the spa clients

Keywords: Regional development, Spa Market, Day Spa

1. International Spa Market

According to the latest Global Spa Research of ISPA (International SPA Association) estimates point to nearly 100 million active spa-goers globally. The need to relax transcends borders. Regardless of where they live, the primary reasons spa-goers visit spas are to relax and relieve/reduce stress. "The No. 1 lesson one can learn at a spa is that the world won't fall apart if you take time out for you," said ISPA President Lynne Walker McNees.

“ISPA defines the spa experience as your time to relax, reflect, revitalize and rejoice. The critical words in that statement are your time. We simply must take the time to recharge our batteries in order to be better people for ourselves, as well as our spouses, children, friends and employers.”

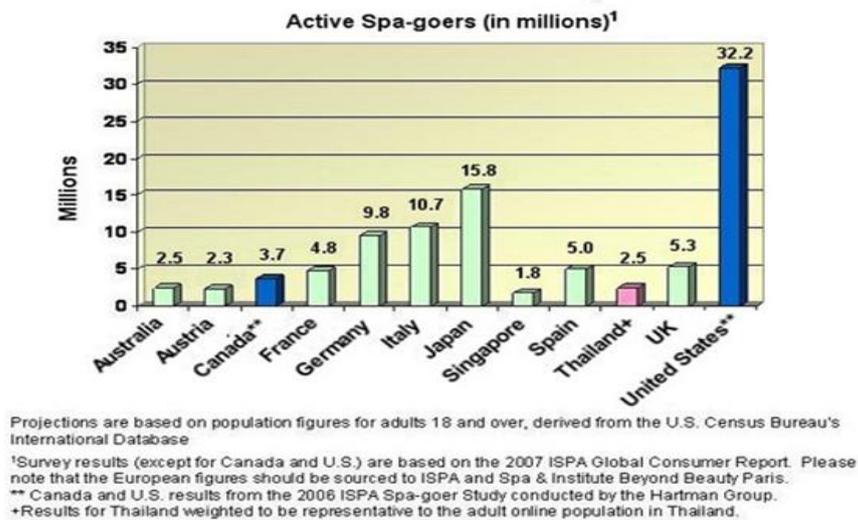


Fig. 1 Active Spa-goers

Interestingly, the spa-behavioral differences by gender are consistently different. In general, men tend to seek treatments that “get work done,” meaning they enjoy a deep tissue massage or other body treatments. Women, on the other hand, are much more likely to receive treatments that enhance their appearance, such as services for their face, hands or feet.



Fig. 2 Spa-Goers Gender

Top Three Treatments Received in the Past 12 Months by Country¹

	Australia	Austria	Canada ^{**}	France	Germany	Italy
First	Facial 46%	Sauna/Steam Bath 71%	Facial 57%	Sauna/Steam Bath 59%	Sauna/Steam Bath 71%	Sauna/Steam Bath 47%
Second	Full-body Massage 35%	Full-body Massage 53%	Manicure 54%	Body Scrub or Wrap 40%	Full-body Massage 34%	Facial 41%
Third	Sauna/Steam Bath 34%	Facial 30%	Pedicure 52%	Scotch Hose 33%	Facial 26%	Pedicure 35%
	Japan	Singapore	Spain	Thailand ⁺	United Kingdom	United States ^{**}
First	Sauna/Steam Bath 46%	Facial 62%	Sauna/Steam Bath 70%	Reflexology 65%	Facial 50%	Full-body Massage 63%
Second	Shiatsu Massage 44%	Sauna/Steam Bath 48%	Scotch Hose 63%	Thai Massage 61%	Pedicure 45%	Manicure 57%
Third	Aromatherapy 21%	Body Scrub or Wrap 43%	Hydrotherapy 51%	Facial 52%	Manicure 41%	Pedicure 56%

¹Survey results (except for Canada and U.S.) are based on the 2007 ISPA Global Consumer Report. Please note that the European figures should be sourced to ISPA and Spa & Institute Beyond Beauty Paris.
^{**} Canada and U.S. results from the 2006 ISPA Spa-goer Study conducted by the Hartman Group.
⁺Results for Thailand weighted to be representative to the adult online population in Thailand

Fig. 3 Top Three SPA Treatments

According to ISPA 2007 Consumer Trends and Reports, the top reasons of the spa-goers are: 47% reducing stress; 38% reducing muscular pains; 31% improving self image; 28% emotional and mental health; 22% beauty; 19% wellness

2. The Romanian Spa Market

The Romanian Spa Market is a growing market, with great potential, open and not well established. This is correct from the both supply and demand point of view. The Beauty, Wellness & Spa Market is crowded, but not yet a concurrent one. Most of the players from the market have not services, staff and products at high standards. An almost missing element of beauty services is the staff and center etiquette.

The SPA concept is a multidimensional concept with the following characteristics:

- the SPA concept belongs to the wider range of services offered in the hospitality industry category;
- it is a location with specific, independent functions that may be annexed to a hotel – usually, a higher rank one – or individual;
- it offers a number of procedures and techniques that combine the traditional with the results of the technical progress, meant to meet the customer’s relaxing, good humor, inner balance gaining, or beauty requests
- it is well-individualized tourism product targeting a specific customers segment – generally, people with a good financial situation, who have higher requirements as to the quality of services.

They are a few types of spa centers: Medical Spa, Spa Resort, Hotel Spa, and Day Spa. Medical Spa offers mainly health, physical activities and relaxation programs. Their purpose is a range of specialized investigations and treatments belonging to a wider philosophy meant

to eliminate the effects of elder age using the advantages of quality during the years of life. Spa Resorts are independent locations, dedicated to this type of services, belonging to a holiday center. It is a good method of advertising the spa services and it offers a good option for families. Hotel Spa is a part of a hotel, generally, deluxe, that offers a certain range of services going from body and facial care to sauna and hammam. Many of these Spas are slowly turning into leisure/relaxation centers with a fitness room, personal trainers and diet specialist. The spa resorts may also be reminded as a subcategory, when Spas are part of a holiday center. Day Spa is located in urban centers, offering the following services: aromatherapy, hydrotherapy, sauna, body care treatments and facial care, based on a daily schedule, without implying the offering of dining and accommodation services. We can also speak about an urban SPA when there is a combination between a SPA and a beauty institute. The specialists go as far as to consider the implementation of this SPA type in big shops and commercial galleries.

In the analysis of the macro environment of this Spa market we find some general trends world wide:

- older age groups will continue to grow in size in the short to medium term and will drive to growth in demand for health tourism products and spa services;
- climate change will determine changes in tourism flows, increases in trips outside the summer season and growing popularity of summer destinations during the traditional winter period;
- there will be an increasing need for branding in order to identify international operators that can be trusted;
- there is a need to combine cultural, leisure and entertainment products;
- clients look for higher quality experiences;
- demand for well-being, health, fitness, stress management products is growing in the developed economies;
- internet strategies for promotion and in new research techniques are in line, marketing messages based on experiences and feelings will have a greater importance in travel decision, more focused tailor-made and personalized products will be generated.

There are important figures referring the situation of the balneary resort market:

- With reference to the accommodation capacity, in the last years we observe a decrease in the accommodation capacity because many hotels were not operating because of the low condition and an increase with 60% of the 3-4 stars hotels because of the construction of the new hotels and modernization and upgrading of some existing ones;

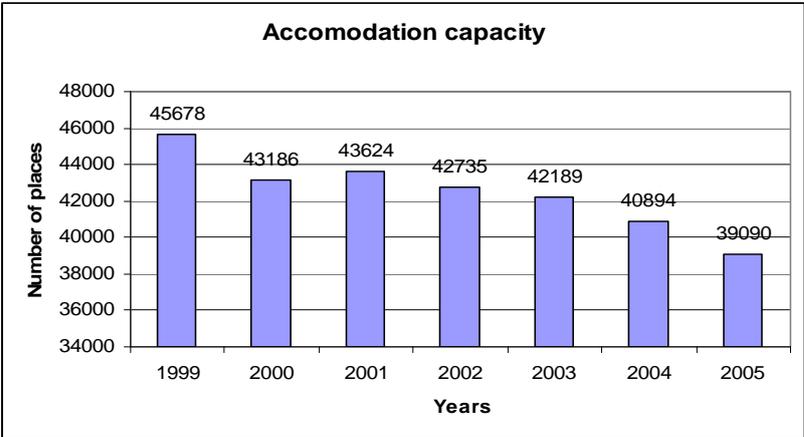


Fig.4 Accommodation capacity

- Referring to the Tourist circulation can be seen a decrease of tourists' number with 4.7% from 2005 comparing to 2004 and 24% decrease in the number of foreign tourists;

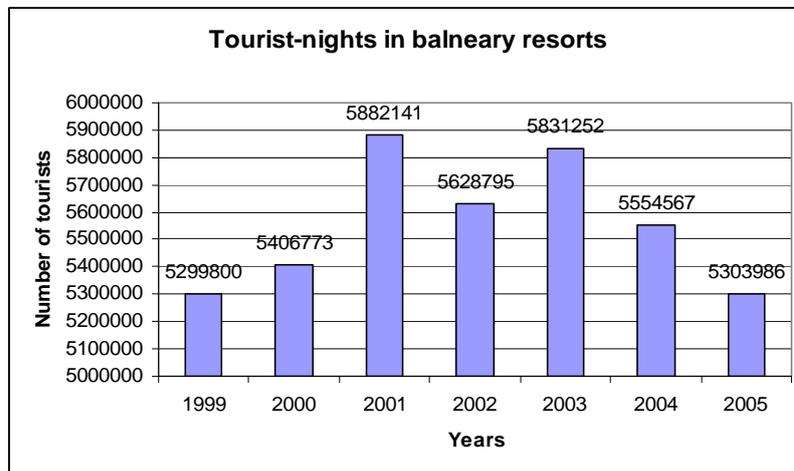


Fig. 5 Tourist-nights in balneary resorts

- With reference to occupancy and average stay analysis the occupancy was 49.5% in 2005, the biggest from all other types of tourism packages and the average stay was 8.2 days, being in the same way, the longest one.

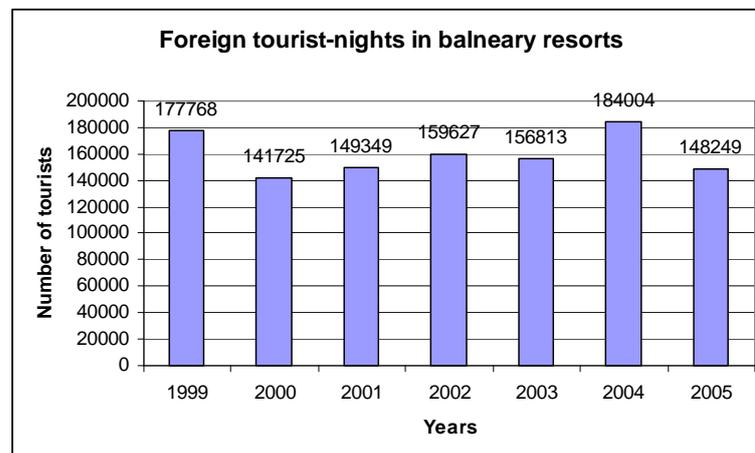


Fig. 6 Foreign tourist-nights in balneary resorts

- in the tourism market 28.86% from tourists' nights in Romania were in balneary resorts (2005), only 2.79% were foreign tourists. The big number of Romanian tourists is completed especially because of the social and union programs. Regarding the foreign tourists, Hungary has the first place, followed by Germany and Israel. It can be noticed that the balneary resorts are concentrating the best of the foreign tourists, the 5 countries keeping together 83% from the market. Motivation for traveling is treatment,

but we notice another category in young people and graduates that have as motivation for traveling in relaxation, entertainment and rest. 70% of the balneary resort tourists have over 50 years old, 80% of them are coming for treatment. 50% of the tourists are spending less than EUR100 for the entire sojourn.

SWOT Analysis for the local industry

Strengths

- Existence of natural resources unique in Europe
- High level of professionalism of the medical staff
- Variety of treatment procedures
- Low prices comparing with other countries
- Existence of traditional markets for the Romanian balneary tourism – Germany, France, Belgium, Israel

Weaknesses

- Accommodation and treatment facilities of low quality
- Providing a low quality services of entertainment in these resorts
- Old and insufficient infrastructure of access, use and collecting of balneary resources
- Intensive exploit of mineral substances and resources
- Weak local infrastructure (access, utilities)
- Badly maintained environment, lack of green places and wearing out of the balneary parks
- Difficult access to the resorts

Opportunities

- Increasing of demand on the international and national market for balneary treatments
- Trend of ageing of the world population
- Increase of interests for the traditional treatments
- Increase of the facilities for wellness and treatment
- Increase the number of specialized tour-operators in balneary tourism
- Access to international funds for assistance

Threats

- Decrease of the purchasing power
- Similar offer of traditional destinations – Hungary, Czech Republic
- Increase of the competition in the region by the appearance of new destinations – Croatia, Slovenia, Bulgaria, that are superior regarding the facilities
- Maintenance of old-style and out-dated management considering the EU access
- Lack of a partnership between private and public sector in developing the wellness complexes.

3. Starting a SPA business

In order to start a spa business, the entrepreneur will have to begin with the preparation of the business plan that will have to follow at least:

Situation analysis:

- business description: legal form of business, state incorporated, country for business license, owners or major stakeholders, legal or corporate name, doing business as..., brand or trade names, subsidiary companies, names of top management: Chairperson of the board, President, Chief Executive Officer, Chief Financial Officer, Chief Operation Officer, Advisory board members
- Company's mission, objectives, company's development stage, company's products or services, specialty business information development budget, completion schedule.

Area description: location: company headquarters, place of business, branches, geographic area served and population.

The industry analysis: size and growth trends, maturity of industry, vulnerability to economic factors, seasonal factors, technological factors, regulatory issues, supply and distribution and financial considerations.

Marketing plan:

- environmental overview,
- target markets: demographics, geographic, lifestyle and psychographics, purchasing patterns, buying sensitivities, size and trends of market.
- competitive analysis: competitive position, market share distribution, barriers to entry, future competition.
- marketing and sales strategy: company's message, marketing vehicles, strategic partnership, other marketing tactics, sales force and structure, sales assumptions.

Operations

- Facilities: Reception area, Retail space, massage and spa treatment rooms, saunas, steam rooms, locker rooms, administrative offices and staff lounge, medical and educational facilities
- Manufacturing or production plan: touch therapy, hydrotherapy, aromatherapy, skincare and spa treatments, relaxation therapies,
- Equipment and technology: miscellaneous equipment, water system
- Variable labor requirements,
- Inventory management
- Supply and distribution
- Order fulfillment and customer service
- Client evaluation and education, retail sales.

Management and organization: Principals or key employees, Boards of directors, Consultants/ Specialists, Management to be added, Organizational Chart, Management style or corporate culture, Job descriptions, employee incentive plan.

Development strategy:

- development and exit plans: long term company goals, growth strategy, milestones, risk evaluation, exit plan.

- capital expenditures: project cost, annual operational and maintenance cost and employee profit sharing,
- financial strategy: financial feasibility and key indicators, ownership structure and reserve fund.

Financials:

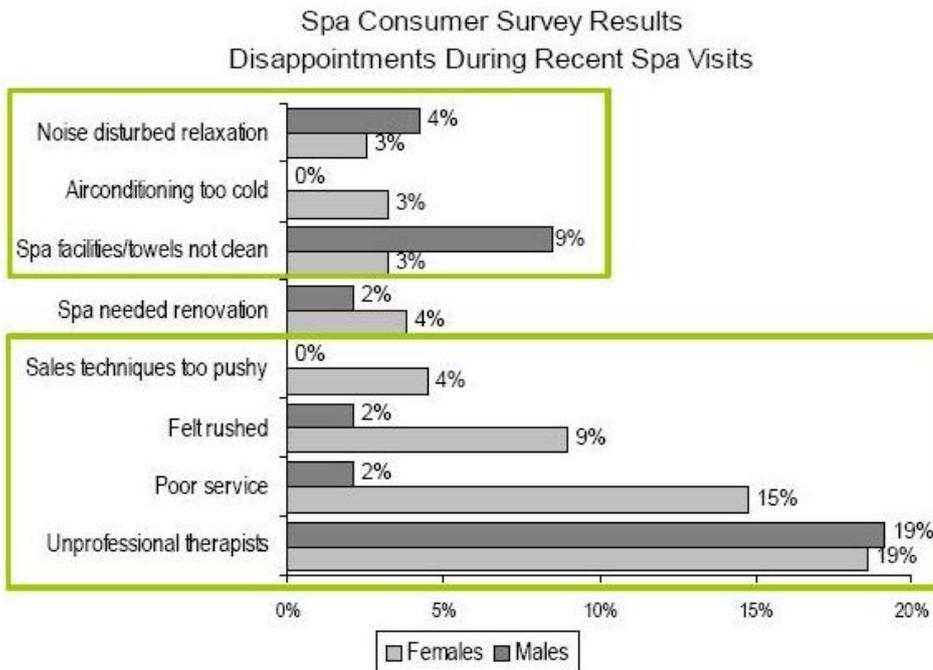
- sales plan, staffing plan, TQM plan, marketing plan, capital budget, cash budget
- income statement, balance sheet, cash flow, break even analysis, plan assumptions, use of funds

For an entrepreneur interested in opening a spa business it is crucial to determine if it is a real market in the specific area (location) is planning to open in order to achieve this it have to be done a surveys among people and corporate. Once the entrepreneur has a clear idea about the potential market, has to check the existing competition and the potential one for the advantages and disadvantages.

Standard Operating Procedures

According to a consumer survey conducted by Intelligent Spas, spa consumers felt disappointment about eight reasons in their last visit to a spa:

- Noise disturbed relaxation
- Spa facilities/towels are not clean
- Sales techniques too pushy
- Felt rushed
- Poor service
- Unprofessional therapists
- Spa needed renovation
- Air-conditioning too cold



Source: Intelligent Spas, Female Versus Male Spa Consumers Report

Fig. 7 Intelligent SPAS Consumer Survey

By applying Spa Operational Procedures and improving them regularly a spa could solve quickly and easily these complaints. Spa Operational Procedures is tailored especially to increase customer satisfaction, minimize customer complaints, maximize revenues and repeat business, reduce training costs, supervision costs and compensation for unhappy.

Spa Rules and Regulations/General Behavior - Personal telephone calls cannot be made or received from company telephones, unless during break or lunchtime on authorized telephones only; no unauthorized products are to be used in the Spa; all team members must be clocked in and ready to work a minimum of 10 minutes prior to their scheduled shift; personal appearance and dress must conform to Spa standards; each team member is responsible for cleaning his or her immediate work area, and keeping his or her area neat and orderly at all times; each team member is encouraged to update knowledge in his or her field; pricing is dictated by the Spa not by the individual team member; all vacation notices must be submitted to the Spa Director at least four (4) weeks prior to the start of the vacation date; no eating in any guest area; smoking in the Spa is prohibited; all breaks and meal times are to be taken in the Spa break area/room; rudeness to guests and fellow team members will not be tolerated and is subject to disciplinary action; extending your lunch or break period without a manager's approval will not be tolerated and will be subject to disciplinary action; Spa team members will be expected to maintain an impeccable appearance; no gum chewing is allowed anywhere in the Spa; zero Tolerance, the Spa has a commitment to equal treatment and a workplace free from harassment and discrimination; solicitation is not permitted in any area of the Spa, no exceptions; when entering any guest service area, employees must be fully uniformed. team members may not use the vanity areas for personal appearance checks and/or touch ups. This must also be done in the restrooms/area designated for team member use; no beverages are to be consumed in the view of guests. Keep all cups and beverages out of sight; each team member should take personal responsibility in finding some way to personalize each guest's visit to the Spa. Whether recognizing the guest by name, remembering a conversation or a personal fact they shared with you, or recognizing guests here to celebrate special occasions; all team members are required to read, understand and acknowledge all Spa policies. If there is a need for clarification, it is the team member's responsibility to ask and make sure the policy is completely understood; team members are responsible for checking their work schedule daily. Spa center will make every effort to avoid last minute changes to staff schedule but all schedules are subject to change based on business demands; team members should use guest's name whenever possible, when guests ask for directions, escorts are appropriate; pointing to the direction is not an acceptable standard; team members are not permitted to fraternize with guests outside of the Spa; under no circumstances are team members to ask celebrities or other famous guests for autographs; never divulge information about the Spa guests to anyone.

Spa Time and Attendance – Team members are required to notify a member of Spa Management of an expected tardiness or absence no later than 4 hours before the start of their scheduled shift; preferably, or where possible the day before, please notify management and failure to do so will be considered a no-call and will result in progressive disciplinary action; when calling out, it is the responsibility of that individual to assist management in finding a replacement to cover their shift and/or services scheduled for that day, it will be expected for the team member to start the process of replacing themselves, keeping management apprised of the results, only a Management team member can authorize for the employee not to have to replace themselves; team members are required to call and alert management as soon as they realize tardiness might occur independently of the reason for the tardiness; any period of incapacity requiring absence of five or more consecutive work days will require a team

member to take a medical leave of absence and provide a medical certification form prior to the leave, failure to provide proper leave documentation will be considered an unauthorized leave of absence and may result in disciplinary action up to and including termination; no-call/no-show is defined as being absent from work an entire shift without notification prior to the mid-point of the shift; for all time-off requests the team member is required to complete the Time-off request form and submit it to the Management a minimum of four (4) weeks prior to the beginning of the request; management will review the request and, based on business demands, will approve or not approve the request; the form will be returned to the team member with the Spa Director's signature and the approval or non-approval; Spa will not be responsible for any vacation plans; airline or hotel reservations made prior to the team-member receiving the Time-off request form signed and approved by Management; changes in shift between team-members are not allowed.

Spa Appearance & Grooming Standards – all team members will be issued two uniforms depending on their employee classification; dirty uniforms need to be turned in to the Laundry at the end of the working shift; it is the team member's responsibility to ensure that they always have a clean uniform available prior to the beginning of each work shift; uniforms must fit appropriately; if alterations are necessary, they must be done prior to first day of work; uniforms must be worn exactly as authorized and issued by Spa; team members may not wear any unauthorized clothing (i.e. t-shirts or jackets) underneath or over their uniform in any areas; uniforms must be clean (free of odors and stains) and pressed; team members must be well groomed at all times and they are required to follow Spa grooming guidelines anytime they are on Spa premises; name badges are mandatory and must be in good condition; decoration on the name badge, such as stickers, symbols or pins is strictly forbidden; smile it is an important part of employees appearance; team members are responsible for arriving on time and ready to begin work both in attitude and appearance.

Spa Telephone Etiquette – makes sure you are always ready to talk before answering a call; be aware of the area in which you are answering the call; speak at a moderate rate (160-180 words per minute); let the caller finish their statement or question before responding; avoid using crutch-words, slang, or colloquialisms; ask permission to place calls on hold; wait for a response; never allow a call to remain on hold for more than one minute; if the caller is on hold for a minute, pick up the line and ask if they would like to continue to hold or have someone return their call.

Spa Handling of Gratuities – if a guest hands cash directly, the receptionist or attendant should confirm that the gratuity was intended for the **Spa team** – then show the guest to the gratuity drop box located at the Reception area – so that the guest can place this gratuity into the box themselves – hence removing the responsibility from the team member; if a guest places cash directly into an envelope, the receptionist or attendant should confirm that the name of the intended provider, Spa team member, or fitness instructor has been filled out, again showing the guest to the gratuity drop box and the guest should also put their name on the envelope; if a guest hands service provider cash directly, the service provider should first thank the guest, then, place the gratuity in a secure location as the Spa is not responsible for the loss of any personal monies.

Also it must be established standard operating procedures for **Spa Celebrities and VIPs; Spa Employee Break Area Etiquette; Spa Staff Use of Cell-phone, Pagers and Internet.**

4. Conclusions

As a result of the above mentioning we have to conclude that the spa market is an edge segment that is having a rapid development and will be a major growth, but in the same time it is a business that demand a highly involving and devotion.

For a SPA center all the trends and actions, which results from the analysis of the market situation and the SWOT analysis, will have a major impact if it will stay focused and take advantage of the fact that in order to be considered one of the best spas on the market there are some actions that are absolutely required:

- participation in all important national and foreign tourism fairs;
- close relationship with the National Tourism Authority to be part of all their promotion actions;
- coherent sales and marketing strategy to design products according with all the trends exposed above related to age and life style;
- intensive marketing activities on the Romanian market which starts to became the major player in the business mix of the spa;
- permanent evaluation of the spa market in Romania because the competitive set that is developing rapidly.

It is very important for a successful Spa business to establish the Standard Operating Procedures that it is making the difference for a happy and revisiting client.

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