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The Spa Industry Today

Angela Anthonisz and Isobel Stockdale

Introduction

The world spa market has over 120,000 operators with new additions and offshoots of the spa product being developed every day (Global Wellness Institute, 2015). The availability of funding for new spas and the change in ownership of hotels are key trends driving growth in the spa industry. Smaller boutique hotel operations now look to add spas as a means of adding value to the consumer and driving hotel room occupancy. A number of the larger mainstream hotel operators such as Fairmont, MGM, Sofitel and ICHG are looking to develop the 'healthy hotel', focussing on wellness as a new approach to marketing and packaging the guest experience (Spa Creators, 2014). Spa towns and destinations are reinventing themselves to appeal to the ever-increasing number of wellness tourists, while resorts use spas as an integral part of a wider experience that might include golfing, skiing or walking.

As the medical and wellness tourism industry grows, both businesses and governments are grappling with how to define, organise and promote these sectors (Global Spa Summit, 2011). This is especially challenging for the spa industry because spas offer products and services that cut across both wellness and medical related tourism, and the integration of spas into these markets varies widely across different countries and regions. Over the years, the definition of spa has evolved and transformed, but an agreed position has never been accepted as the organic changes and pace of growth within the industry has meant that the spa offering has often changed before a definition can be accepted. Foley (2003:8) stated that 'spa' is an international word with the same meaning in any language, but it provides different experiences depending where you go in the world. Berge, even earlier (1999:9) described spa as *"the millennium buzzword for health, beauty*

and relaxation”. The academic debate seems to have moved forward into the consumption of the products continually driving the development of new products. The reality is that spa has become part of society and everyday life, and is a common word that is used daily within a range of contexts (Pytell, 2012). In recent years the popularity of the spa industry has seen the term spa linked to anything from shower gels, dog groomers and beauty salons, with the possibility of a spa experience being delivered by walking through certain aisles of the supermarket. The association for the consumer could be that if a product was called ‘spa’ or the word ‘spa’ was included in the title, then it was pampering/indulgent.

This lack of clarity when it comes to developing our understanding of spa is addressed in this chapter, as it considers the current size and shape of the spa industry, the diversification of the spa product and some recent attempts at classifying what is meant when we talk about spas. It could be argued that the complexity of the spa offering makes it impossible to classify and subsequently makes it difficult for managers to identify how to position themselves within the business environment. Chapter 1 of this book has made some inroads into being able to categorise spa operations by creating the distinctions between therapies and treatments, leisure and tourism offerings, and businesses and products. This chapter attempts to build on these concepts by considering the size and structure of the spa industry internationally and looking at the extent to which the scope of the business operation may impact on operational, business and corporate level strategy, and then on operations. On that basis we consider the creation of a typology of spa by looking at the characteristics of the business rather than the type of facility and treatment.

Size and shape of the spa industry

The global wellness economy, as seen in Figure 2.1, was valued at US\$3.7 trillion in 2015 (Global Wellness Institute, 2014). Within that global economy the spa industry was valued at just under US\$100 billion. The growth in spa is fuelled by a number of trends which include: the increasing numbers of wellness tourists, who made 691 million trips in 2015; the increase in associated locations, such as thermal and mineral springs with 27,507 locations, and the increasing demand for beauty and anti-aging products. These sectors have contributed to an average growth of 8% every year, with the number of spa locations rising from 105,591 in 2013 to 121,595 in 2015 (Global Wellness Institute, 2014). As this growth was achieved in and post the economic crisis, it could be assumed that the projections are set to follow this trend.

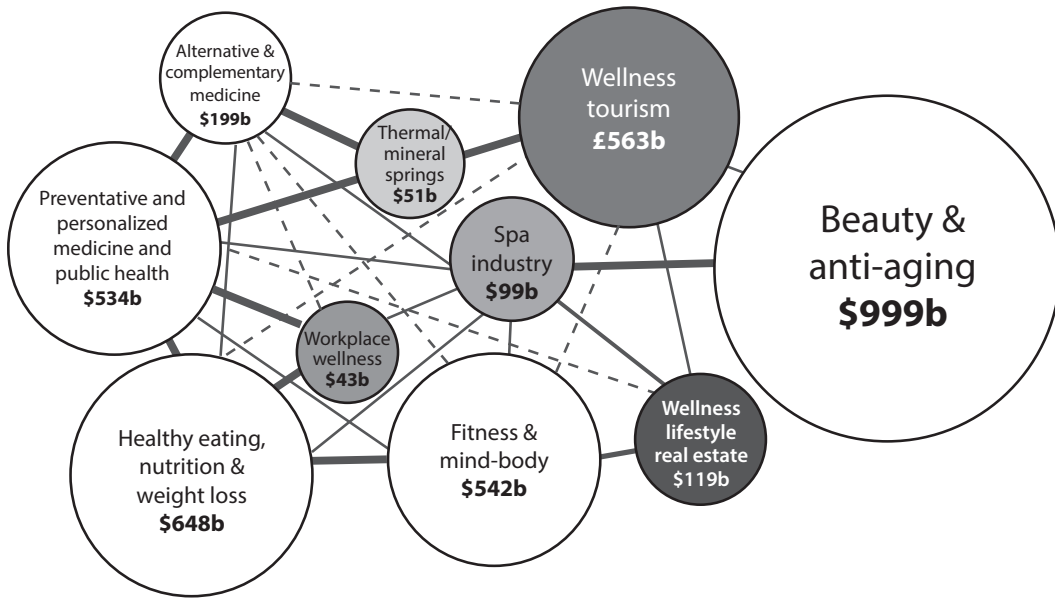


Figure 2.1: The Global Wellness Economy in 2015.

Source: www.the.globalwellnessinstitute.org [Accessed 22/11/2016]

Within this context, the top ten key spa markets in terms of revenue continue to perform to these targets. (See Figure 2.2). While the U.S., Germany and Japan have ranked as the top three spa markets in terms of revenue over the last six years, there has been some interesting movement on the “top ten list” with China entering the top five for the first time, and Russia entering the top ten. The top five spa nations currently account for almost half of the worldwide industry revenues. While the majority of spa business is dominated by these markets there is significant growth being created by changes in tourism flows, and includes the economic growth and maturity of many developing countries. Sub-Saharan Africa and the MENA regions, as well as Eastern European locations have all generated increased revenues in the spa industry since 2007 (Global Wellness Institute, 2014).

While there are a number of general trends associated with the international growth of the spa market, making it one of the few industries that has been resilient to fluctuations in the economy (Frewin, 2014), each market will present the spa manager with a unique set of challenges in which to determine how best to compete. Again, the complexity of the spa industry is such that there is a need to find a way to create a typology that may help in positioning the spa from a management perspective.