Challenges in spa evolution
Can hot springs help?

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ASPA Melbourne 2014
Hot Springs: an opportunity to evolve the Spa business model

• Broadening spa’s appeal
  – A mainstream rather than luxury event
    • Addressing perceptions of affordability
    • Removing the fear factor

• Deepening the spa experience
  – Meaning as well as R&R

• Improving efficiencies
  – High Day Spa Costs
Broadening the Appeal of Spa
The appeal of Spa 1

- 59% of Australians have never visited a spa
- Only 21% have visited in past 12 months

Source: ISPA 2008 Global Consumer Study Research International
Why so many people don’t visit day spas?

If you answered “Never” why?

- Too time consuming: 3.89%
- Too costly: 57.31%
- Not sure about the treatments: 16.29%
- Not available in my area: 15.55%
- Don’t understand what it is: 6.97%

Costs of hot springs spas vs. day spas

• Avg hot spring spa NZ = approx $20 per client

• Avg day spa NZ = approx $90 per client
Question

• Can hot spring spas utilise their low cost bathing model to entice clients to try out day spa “lite” services?
Deepening the Spa Experience
It’s all wellness

Primary reasons for going to a spa are to relax and relieve/reduce stress or for overall health.

<table>
<thead>
<tr>
<th>Primary Reasons for Going to a Spa</th>
<th>Europe</th>
<th>Asia-Pacific</th>
<th>N. America</th>
<th>Internet Population*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relax and relieve/reduce stress</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Overall wellness/health</td>
<td>37%</td>
<td>53%</td>
<td>42%</td>
<td>30%</td>
</tr>
<tr>
<td>Pampered</td>
<td>29%</td>
<td>45%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Soothe sore joints/muscles</td>
<td>24%</td>
<td>15%</td>
<td>30%</td>
<td>26%</td>
</tr>
<tr>
<td>Self-indulgent</td>
<td>23%</td>
<td>37%</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>Therapeutic for my body</td>
<td>19%</td>
<td>20%</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>Make me look better</td>
<td>21%</td>
<td>-</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Therapeutic for my mind</td>
<td>17%</td>
<td>-</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>Look younger</td>
<td>22%</td>
<td>-</td>
<td>10%</td>
<td>32%</td>
</tr>
</tbody>
</table>
### Reasons for Not Visiting a Spa

#### Non-spa-goers

<table>
<thead>
<tr>
<th>Reason</th>
<th>Avg</th>
<th>Austria</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Spain</th>
<th>UK</th>
<th>Australia</th>
<th>Japan</th>
<th>Singapore</th>
<th>Canada</th>
<th>USA</th>
<th>China</th>
<th>India</th>
<th>Russia</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spas are very expensive</td>
<td>55%</td>
<td>55%</td>
<td>67%</td>
<td>43%</td>
<td>54%</td>
<td>56%</td>
<td>62%</td>
<td>52%</td>
<td>48%</td>
<td>57%</td>
<td>59%</td>
<td>66%</td>
<td>48%</td>
<td>49%</td>
<td>51%</td>
<td>56%</td>
</tr>
<tr>
<td>I don't have enough time to go to a spa</td>
<td>28%</td>
<td>29%</td>
<td>22%</td>
<td>24%</td>
<td>28%</td>
<td>35%</td>
<td>18%</td>
<td>22%</td>
<td>27%</td>
<td>29%</td>
<td>19%</td>
<td>18%</td>
<td>19%</td>
<td>27%</td>
<td>35%</td>
<td>31%</td>
</tr>
<tr>
<td>I don't know exactly what to expect in a spa</td>
<td>24%</td>
<td>28%</td>
<td>18%</td>
<td>31%</td>
<td>26%</td>
<td>26%</td>
<td>28%</td>
<td>26%</td>
<td>18%</td>
<td>29%</td>
<td>28%</td>
<td>29%</td>
<td>14%</td>
<td>25%</td>
<td>26%</td>
<td>12%</td>
</tr>
<tr>
<td>I don't know what services spas offer</td>
<td>19%</td>
<td>19%</td>
<td>23%</td>
<td>23%</td>
<td>16%</td>
<td>20%</td>
<td>16%</td>
<td>22%</td>
<td>22%</td>
<td>14%</td>
<td>17%</td>
<td>14%</td>
<td>17%</td>
<td>22%</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td>Spas are not in a convenient location for me</td>
<td>18%</td>
<td>-</td>
<td>12%</td>
<td>25%</td>
<td>28%</td>
<td>17%</td>
<td>29%</td>
<td>25%</td>
<td>10%</td>
<td>17%</td>
<td>19%</td>
<td>21%</td>
<td>10%</td>
<td>20%</td>
<td>14%</td>
<td>21%</td>
</tr>
<tr>
<td>I would feel out of place in a spa</td>
<td>15%</td>
<td>14%</td>
<td>-</td>
<td>13%</td>
<td>13%</td>
<td>-</td>
<td>27%</td>
<td>25%</td>
<td>-</td>
<td>17%</td>
<td>23%</td>
<td>29%</td>
<td>14%</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Spas are just not for people like me</td>
<td>15%</td>
<td>11%</td>
<td>-</td>
<td>12%</td>
<td>11%</td>
<td>-</td>
<td>21%</td>
<td>18%</td>
<td>19%</td>
<td>14%</td>
<td>20%</td>
<td>22%</td>
<td>22%</td>
<td>19%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>A hard sales approach during visit makes me uncomfortable</td>
<td>14%</td>
<td>14%</td>
<td>-</td>
<td>20%</td>
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<td>-</td>
<td>-</td>
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<td>-</td>
<td>36%</td>
<td>-</td>
<td>21%</td>
<td>-</td>
<td>21%</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Embarrassed others see me without clothing at spa</td>
<td>13%</td>
<td>12%</td>
<td>-</td>
<td>10%</td>
<td>10%</td>
<td>-</td>
<td>19%</td>
<td>16%</td>
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<td>28%</td>
<td>16%</td>
<td>16%</td>
<td>11%</td>
<td>11%</td>
<td>-</td>
<td>18%</td>
</tr>
<tr>
<td>Uncomfortable with a male spa employee massaging/treating me</td>
<td>13%</td>
<td>10%</td>
<td>-</td>
<td>-</td>
<td>10%</td>
<td>-</td>
<td>11%</td>
<td>15%</td>
<td>-</td>
<td>25%</td>
<td>17%</td>
<td>19%</td>
<td>18%</td>
<td>13%</td>
<td>-</td>
<td>21%</td>
</tr>
<tr>
<td>Uncomfortable other people touch my body</td>
<td>10%</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>12%</td>
<td>14%</td>
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<td>23%</td>
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<td>15%</td>
<td>10%</td>
<td>14%</td>
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<td></td>
</tr>
</tbody>
</table>

* * Less than 10%

Which of the following has kept you from visiting a spa or has decreased the frequency of your visits?

* Convenience sample
Questions

• Can the health benefits from hot springs bathing further broaden the appeal of spas?

• Can the social aspect of hot springs bathing overcome many of the comfort zone concerns of non attendees?
Make it social

Hamam workshops

The Hamam is a room for relaxation, cleansing and detoxification. While many people enjoy just sitting in the Hamam, traditional practice is to participate in a process of cleansing and relaxation.

Fun workshops are now available with our trained spa therapists who teach you the techniques to make the most of this very special practice.

One hour workshops are held twice daily at 10am and 4pm.

The following is an introductory guide to enjoying a traditional Turkish Bath ...

1. Heat the body
   A sweat can be raised by sitting in the Hamam for approximately 10 minutes or to raise your body temperature faster, lay on the heated centre stone in the Hamam.
   Note: Preheating in the hot spring pools or sauna is also a possibility.

2. Cleanse with vigorous scrubbing
   Once heated, use a mitt (kesi) to scrub your body, exfoliating a layer of skin and removing any retained dirt.

3. Massage & manipulation of the muscles
   A massage of the back, neck, arms and scalp can be a great part to the Hamam experience. It is best to bring along a friend to help each other with the scrub and massage.

4. Soap lather
   Using the Hamam soap create suds and lather the body. While lathering the body, the massage can continue.

5. Rinsing
   Use the the rinsing bowl (tiga) to scoop water from the marble bowls and wash away soap suds.

For Hamam Workshop bookings send enquiries to groups@peninsulahotsprings.com or call 03 5950 8712. For a group of min 5 and max 12 people the cost is $100 per person which includes entry to the Bath House bathing area.

Source: Mornington Peninsula Spa Website.
Make it educational

• How the Romans did it?
Make it fun

Hells Gate

MUD SPA

MUD BATH & SPA
SULPHUR SPA
MUD THERAPIES
MUD SPA PRODUCTS
Improving efficiencies
Day Spa direct costs

- As a percentage of total sales in Day Spas, Direct Labor Cost increased from 50.2% in 2010 to 56% in 2011

- In Day Spas, Total Direct Costs increased from 69.0% to 69.3% of Sales. Day Spa Direct Costs are about as high as they can afford to be

Different economics

• Economics of hot springs spas
  – start up costs - high
  – Operating costs - low, high marginal profitability.

• Economics of day spas
  – start up costs – low to medium
  – Operating costs - high, low marginal profitability.
Questions

- Can hot spring spas be combined with day spas to get the best of both worlds (high volumes and high revenue per head) whilst keeping delivery costs under control?
Summary

• Hot springs spas offer a different spa experience to the dominant day spa model.

• The question is whether it can beneficially change the current spa business model, through:

  – Increasing spa appeal
  – Deepening the spa experience
  – Changing economics of service delivery