Overview of the Asia-Pacific Spa Industry

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Introduction to APSWC

- *Asia-Pacific Spa & Wellness Coalition* - a regional non-profit, volunteer organisation linking spa-related associations in 17 Asia-Pacific countries.
- Est. March 2006, its mission is to act as "a bridge between countries to promote, protect, educate, and develop the spa & wellness industry in Asia-Pacific".
- Knowledge is shared between markets to fast-track development; helping emerging markets to learn from other countries that have faced the same challenges.
- Six task forces: People, Professionalisation, Profit, Products, Planet and Traditional Therapies.

Key Statistics

Asia-Pacific Spa Industry, 2007*			
Type of Spa	**No. Spas**	**Revenue US$bn**	**No. Employees**
Day / Club / Salon Spa	10,805	$ 5.57	162,733
Hotel / Resort Spa	2,944	$ 3.04	80,162
Destination Spa / Health Resort	82	$ 0.28	3,937
Medical Spa	939	$1.05	12,430
Other (traditional)	6,796	$1.44	104,387
Total	**21,566**	**$ 11.38**	**363,649**

* Source: Global Spa Economy Study 2007, published by the Global Spa Summit

- Asia-Pacific spa industry is relatively young, but is the fastest growing region globally.
- Hotel / resort spas lead development; larger proportion of spas in emerging markets.
- Destination spas are typically spa resorts. Health resorts under-developed, but growing.
- Medical spa – mainly day spas, but increasing trend towards medical tourism.
- 'Other' spas: mainly traditional wellness centres
- Ave. revenue per spa is 35% lower than in Europe / 19% lower than global average; hotel spas fare better, being only 3.75% and 5.8% lower respectively.
- Ave. number of employees per spa is 17; average per hotel spa is 27.

According to Intelligent Spa's *Global Spa Benchmark Report,* May 2009:

- Payroll accounts for 45% of total revenue
- Treatment room occupancy (37%) is the highest of all regions
- Average treatment rate (US$77) is the lowest of all regions

General Characteristics

There is a lack of definition of the word 'spa': the experience differs greatly depending on country / location, type of spa, and target market.

Day spas catering to a local Asian clientele tend to focus on aesthetic services, especially high tech facials, slimming, whitening, manicure & pedicure. Branding is important; recognised products from Europe or Japan are preferred.

Hotel spas targeting the international visitor seek to create a 'sense of place'; usually drawing upon traditional wellness practices and local materials. This presents challenges for the hotel spa that aims to capture both international visitors and a local clientele.

General characteristics of hotel spas in Asia:

- *Origins:* with the exception of a few countries with hot springs (Japan, Korea), Asian spa did *not* derive from 'health through water'. Wellness in Asia draws on systems of traditional medicine which are often thousands of years old.
- *Treatments:* traditional medicine is often based on energy systems, rather than physical anatomy. Most cultures have their own systems of cure, which typically include multi-faceted programs of: massage, movement, meditation, herbs / nutrition and specialist treatments.
- *Products:* bulk of menu is international brands, but signature treatments favour natural products made with local ingredients. Increasing private label massage oils & body products.
- *Design:* few regulatory restrictions; use of local and natural materials; multi-functional treatment rooms; little hydrothermal (just emerging). Often emphasis on form over function.
- *Ambience:* a major strength of Asian spas, achieved through use of colour, aroma, sound, materials, and integration with nature.
- *Ritual:* heavy use of ritual, in life as well as service protocols.
- *Presentation* is meticulous: tremendous attention to detail.
- *Staffing:* very few formally trained staff: most trained on the job in 8 – 12 weeks. Strong service culture in South-East / South Asia. A natural affinity for touch. Attraction and retention is a major operational challenge.

Top 10 Countries: Key Points

Japan: traditional onsen and bathhouses: spas seen as a threat to traditional culture, so government not supportive. Increasing onsen spas: affordable alternative to hotels. High quality products. LOHAS on the rise

China: a confusion of business types – some with questionable practices. Growth is accelerating. Local clientele: 90% facial, brand conscious, membership-based sales. Hotel spa: emphasis on TCM. Quality is a concern. IP is extremely difficult to protect

South Korea: market polarised - traditional *oncheon* (hot/mineral springs) dominate, and day spa/salon. Hotel spa recently emerging to provide luxury experience. Large companies (eg: LG) and casinos opening themed resorts with large spas. Treatments increasingly holistic.

Australia: industry growing but per spa revenues down to due competition. High skill level, but shortage of staff. Strength in natural products. High environmental awareness – especially re water. Increasing market for health; spa merging with fitness, nutrition and natural therapies.

Thailand: Thai massage is well-known: herbal heritage yet to be fully explored. *Thai-ness* is a unique attribute that cannot be copied. Hotel spas hit by political unrest. Increasing regulation impacting foreign talent. Opportunities in medical and wellness tourism

India: home of Ayurveda: traditional system of medicine that has been most pervasive in international spa market. Emphasis on detox: international market 'cherry picks'. Tourist market dominated 4 - 5 big hotel brands. Spa for domestic middle class under-developed.

Hong Kong: mature market: 70% day spa. Now more professional management. Wellness trend to combat high stress urban environment. Hotel spas: TCM very popular; luxurious hydrothermal areas. Local guest seeks "result orientated" treatments, esp. medi-spa.

Singapore: mature: 58% day spa – similar to HK. Strong public-private sector relationship. No differentiating therapies but reputation for safety. Hotel spas: trend toward traditional treatments and large scale hydrothermal. Constant change in response to competitive pressure.

Taiwan: 81% day spas; few international tourists. Negative growth since 2008. Good TCM resources. Growth in medical spa, anti-aging and high end real estate communities. Chinese mainland seen as key opportunity. Credit card restrictions: spa is one of 8 restricted industries.

Indonesia/Bali: still growing; 52% hotel destination spas. Bali - centre of 'spiritual wellness'. Lack formal training but inherent sense of care. Strong demand for traditional and holistic treatments. Government restrictions on products, staffing. Current growth is unsustainable.

SWOT – Regional Overview

Strengths

- wealth of traditional therapies
- labour: (theoretically) plentiful and affordable
- heritage of touch, strong service orientation, warm style of hospitality
- rich and diverse cultures conducive to spa – design, ambience, products, holistic lifestyle
- governments becoming more supportive

Weaknesses

- weak foundations: no definition of 'spa', standards, market intelligence, benchmarks, business expertise, experienced leadership, qualified staff, training institutions
- perception of industry: still dubious in many countries
- diversity creates barriers: geography, language, culture: A-P is 6 very different regions

Opportunities

- huge potential domestic market: 4 billion people / ~60% of the world's population, with rapidly developing economies
- world-wide trend toward Wellness opening new markets: medical, corporate, etc.
- investment from developed markets: to develop labour force and business opportunities

Threats

- external crises: pandemics, terrorism, civil unrest
- inappropriate government intervention: labour force, licensing, taxation, corruption
- dilution / ineffective protection of Traditional Therapies
- insufficient understanding of the economics of operations
- changing consumer demographics and psychographics
- competition from medical / pharma, retail