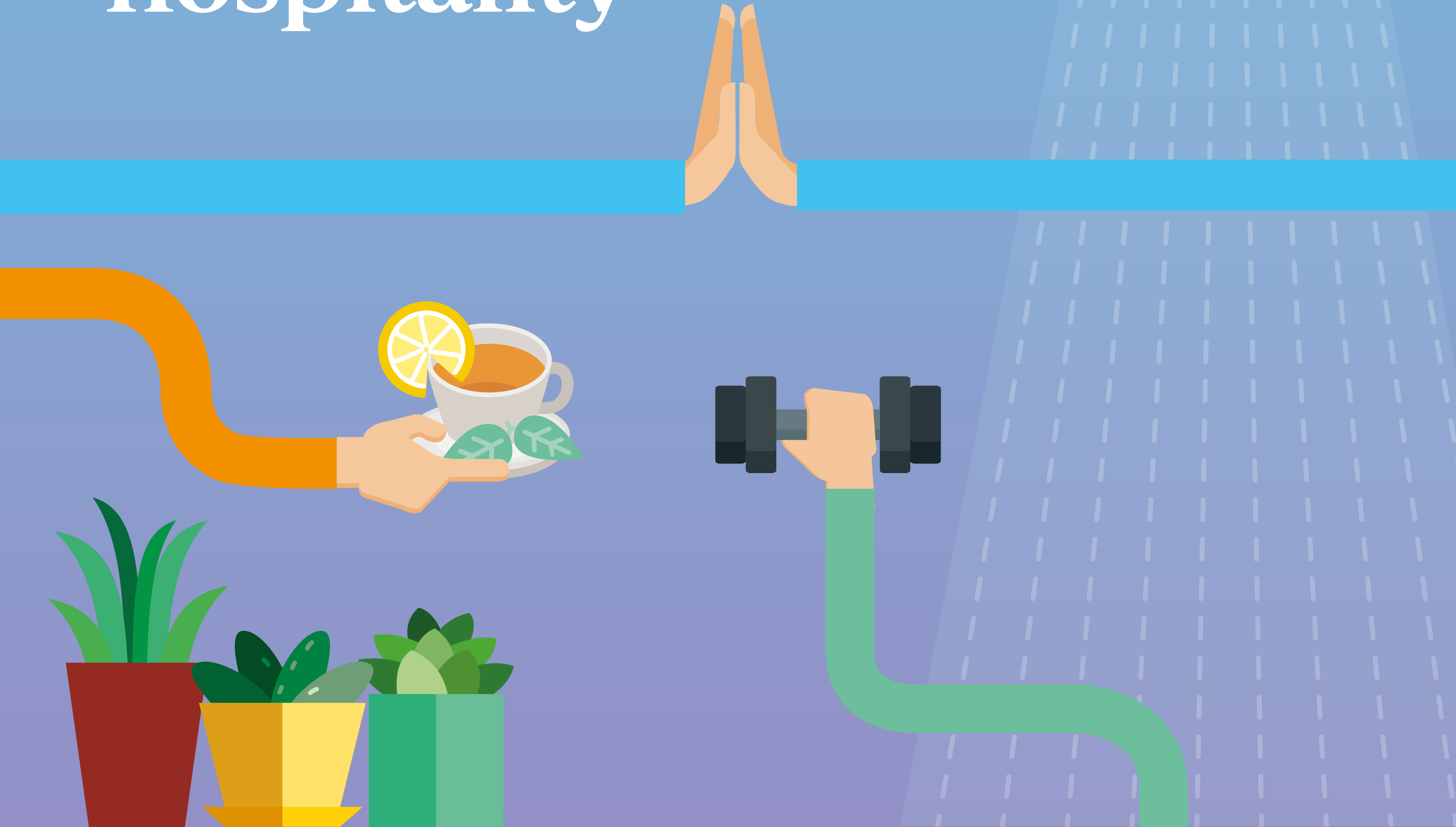
The future of wellness in hospitality

Beyond the spa



A note on terminology: what is wellness?

The Global wellness Institute (GWI) defines wellness as the "active pursuit of activities, choices and lifestyles that lead to a state of holistic health". Wellness tourism is "travel associated with maintaining or enhancing one's personal wellbeing".

This is further refined by the World Health Organisation (WHO) as "an optional state of health, concerning a person's individual health physically, mentally, emotionally and spiritually as well as their role in society, fulfilling the expectations in their family, community, place of worship, workplace and environment".

Within wellness tourism, spa tourism is generally understood to be travel for the purpose of enhancing health and wellbeing through the use of spas, preventative treatments and therapies. Various 'non-spa' activities such as spiritual or religious retreats, pilgrimages, adventure tourism and 'other life-enhancing' experiences come under the banner of wellness tourism.

In recognition of how spas have become submerged into the broader wellness experience, in 2015 the word 'spa' was dropped from the name of the Global (Spa and) wellness Summit.

Wellness in hospitality remains a loose concept and covers any adoption of a wellness component, great or small, physical or experiential.

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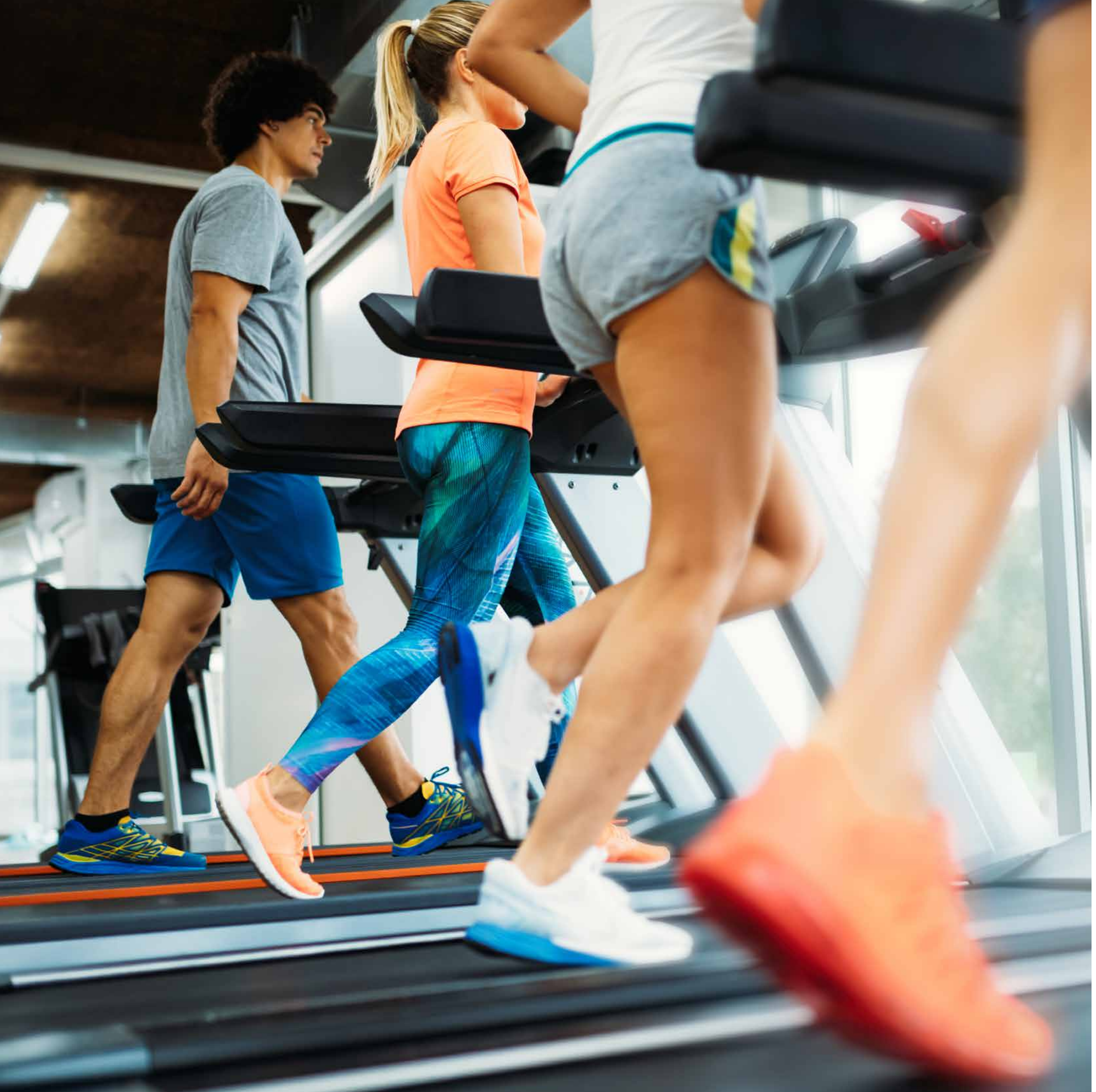


Executive summary

Wellness tourism is the fastest growing segment within the global tourism market. Within hospitality, we have seen a number of major hotel companies and operators responding to this trend through acquisition of specialist wellness brands and the repositioning of existing assets.

Wellness in hospitality has principally focused on the spa but consumers are rapidly changing and if the sector is to capitalise on the opportunity a greater understanding of what this means is needed. Over the next ten years wellness will become a central factor driving design, the operational ethos and balance of revenues in hotels. Consumers will not only want more advanced and focused spa facilities but also a wide range of other 'soft' elements (the ability to personalise all elements of a stay, ethical / sustainability values) which are fundamentally ingrained with the evolving meaning of wellness.

Whilst wellness is an evolution from spas, the sector still focuses on the latter to deliver wellness. Over the next ten years this will have a much greater meaning in hospitality as traditional spa offers merge with wellness programmes and concepts to meet shifting consumer needs.

Failure to invest in wellness and sustainable design now could cost more than you think. Within the funding, planning and regulatory environments there is increased preference for sustainable buildings that can demonstrate ecological or wellbeing benefits through professional accreditation (such as WELL certification). Over the next decade there is likely to be a smaller investor pool for properties that do not meet these criteria as funds seek to increase their 'green' ratings.

Proving a business case for wellness in hospitality is more challenging than it is in other real-estate led sectors – the Office market for instance, has fully embraced this opportunity. However, it is intuitive that guests experience wellbeing through beautiful spaces and considered concepts. We are familiar with the intangible premiums applied for larger spaces or better views, and similarly, inspirational and healthy buildings deliver motivation and pride to employees, who in turn provide an exemplary service to guests. Investing in wellness, ultimately delivers that well-used phrase in hospitality: "happy staff, happy guests, happy profits".

In this paper we bring together the latest market research, consider a range of spa focused business models (operational structures, profitability benchmarks and best practice examples) and suggest a vision of how wellness might influence hospitality to 2030.

We are grateful to Kasha Shillington (Resense Spa), Becky Woodhouse (Pure Spa) and Jason Sloan (Hyatt) for assisting in the research for this publication.

Physical and experiential: approaches to wellness in hotels

Over the last 30 years, spas have become an increasingly common amenity in hotels of all types and the principal space where 'wellness' is deemed to be delivered.

Hotels have traditionally either offered a full service spa as part of the core offering, or they have been a 'nice extra' to a hotel that primarily focuses on bedroom revenue or conferencing (rather than selling spa packages, for instance). This distinction is blurring and there is the emergence of a new type of hotel we might refer to as a 'wellness hotel'.

DESTINATION SPA / HEALTH HOTELS / RESORTS

A destination spa often has its own methods or philosophies of wellbeing. GWI counts 2,633 of these resorts globally.

Frequently all-inclusive residential stays with personalised or structured programmes of treatments. Average length of stay 3-7 nights, but some long stays for health issues, (weight loss, etc.).

HOTEL AND SPA

A hotel with health club and spa offering. This is the fastest growing segment of spas with over 50,000 globally (GWI).

The facilities can be free or chargeable to hotel guests and are often open for a fee to non-residents. These are no longer seen as an indulgence but an important part of everyday wellness.

URBAN HOTEL SPA

A city-centre hotel with a small spa, usually a modest number of treatment rooms with limited other facilities.

Sometimes this includes a small gym and a sauna, steam room or hot tub. The focus is on quick treatments for nearby workers or travellers.

WELLBEING HOTEL

A hotel that offers wider amenities across the property rather than being confined to a specific spa area (although can be part of a spa hotel or a hotel with a spa).

Examples include bedrooms designed to enhance sleep (blackout blinds) or offer sleep aids, a healthy menu in the restaurant, gym equipment in the bedrooms, local running groups, yoga classes and free mental health apps available to download.

"The client journey is very important and not considered enough. Everyone wants to feel amazing when they leave and creating a positive experience is vital. A spa, as distinct from a salon, enables guests to get changed and relax before entering a private treatment space, and it is crucial to have professional input into the design of a new spa to ensure this 'journey' is planned. Careful planning is not just for the guests though, understanding how the space is going to work will enable the operator to maximise the revenue-generating areas. Ensuring the simple things are correct is important, such as the right balance of facilities and opening hours reflect the demands and availability of the target market e.g. evening and lunchtime slots in city spas."

Becky Woodhouse, CEO, Pure Spa

Spas offer an established wellness experience to guests predominantly associated with relaxation and pampering. The more recent wellness movement has reinvigaorated the spa sector with rising demand for treatments, especially those in the 'results-driven' space e.g. beauty or physiotherapy products. The positioning of these types of treatments are more frequent and less lengthy, to fit into modern life.

Hotel developers looking at this trend have seen an opportunity to limit the development costs of facilities by focusing on the experiential, asset-light, 'soft' side of the spa, rather than spending on the asset-heavy 'hard' infrastructure of spa facilities. In reality, consumer demand will be for both elements.

'HARD' WELLNESS

- Treatment rooms
- Beauty clinic / salon
- Gym
- Spa Facilities (swimming pool, hydrotherapy pool, jacuzzi, hot tub, sauna, steam room, experience showers, hammam)

Hotel brands that are known for their best in class spa assets include:

- Six Senses
- Aman
- Banyan Tree

'SOFT' WELLNESS

- Wellness experiences (yoga classes, running groups)
- Product choices (in spas and bedrooms)
- Environmental considerations (attitude to recycling/ re-using, water consumption)
- Physical environment (air quality and temperature, natural light)
- Ambience and architectural design (impact of buildings on mental health)
- Health and diet considerations in food and beverage provision throughout (restaurant, bar, in-spa, within bedrooms)
- Self-care (provision of apps for mental health / relaxation, yoga mats with on-line tutorials)
- Social engagement (opportunities to engage with other guests or local residents in shared healthy or creative activities)

Hotels that have adopted an asset-light approach to wellness include:

- Even Hotels by IHG (in-room fitness equipment and workout videos, health food restaurants)
- Locke by SACO (curated local activities and free yoga classes)

FINDING BALANCE

The direction of travel is for hotels to offer combinations of both aspects. This provision brings together the elements of income generation with the trends that upsell those services, and puts the property 'on the map' in an evolving market.

Both large and small hotels are able to create this balance. For example:

- Miravel Resorts (expansive facilities with over 100 wellness activities)
- Como London (streamlined urban spa with exclusive wellness programmes and treatment rooms with private steam room)
- Equinox (focus on fitness with every element of the hotel designed to deliver 'ultimate performance' from work-outs to sleep)
- The Scarlet Cornwall (small hotel and spa with unusual facilities – cliff top hot tubs – but offers extensive residential wellness retreats)

The softer elements of wellness work for staff as well as guests, providing an inspirational and healthy workplace which is shown in other sectors to aid staff retention and productivity. The crux of hospitality is in service, and happy staff are proven to deliver better service. Happy guests lead to improved hotel performance and is something particularly revered in the digital age of online reviews.

More tangibly, planned and environmental design can deliver lower costs and better conversions. Greener, energy efficient properties will become the standard for investors and funds of the future, as well as increasingly demanded by owner-operators. Where the difference in build costs is minimal, developing a healthy building would appear common sense in order to future-proof the asset.

How wellness is leading to structural shifts in the market

CONSOLIDATION
Hotel brands are acquiring noted spa/wellness and fitness brands such as Hyatt (Two Roads, Miraval and Exhale) and IHG (Six Senses).

HEALTH AND HOTELS
Fitness companies opening hotels under their brand, such as Equinox and Steel Hotels.

ASSET-LIGHT
Hotel brands are finding small ways to introduce wellness into their offerings, such as The Pig Hotels (potting shed treatment rooms).

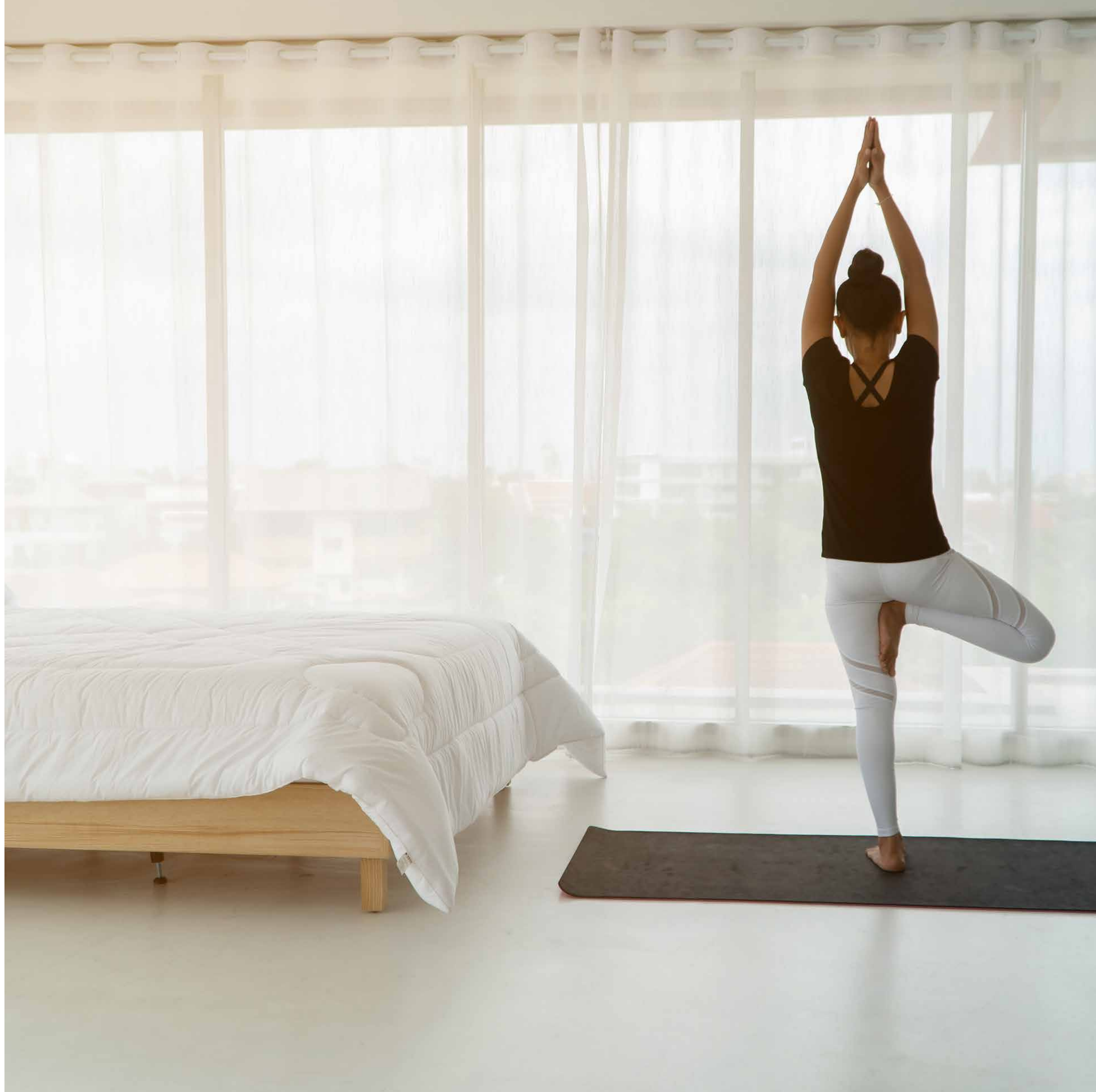
RESIDENTIAL WELLNESS
Residential developments centred around health clubs and spas at Glen Ivy / Goco Retreat Temescal Valley in California and the Club Greenwich.

PRIVATE MEMBERS CLUBS
Growth of private members clubs as holistic and exclusive approaches to wellness as hotels, spas and workspace e.g. Soho House.

EXPRESS SPA
The rise of minimally-invasive treatments (acupuncture, botox and fillers) in cruise ship spas, shopping centres, etc.

HOLISTIC WELLNESS
Hotel brands making a commitment to company wellness, not just guests, is the bedrock of hospitality.

SHARED SPACES
The integrated co-living, co-working, and fitness / wellness concepts being launched by WeWork / WeLive / Rise by We and LifeTime Fitness / Living / Work in the USA.



Wellness tourism: the market

Wellness is the fastest growing segment of global tourism

According to the World Travel and Tourism Council, tourism accounts for over 10% of the world's GDP and 10% of jobs. This is likely to increase as holidays become accessible to a larger percentage of the global population, and the decline in the cost of air travel encourages greater frequency of travel for middle classes.

Within the tourism sector, wellness tourism specifically was worth $639bn in 2017 and is predicted to grow to 44% by 2022 (GWI).

This is the fast-growing segment, growing by 6.5% annually from 2015-2017 (more than twice the growth rate for general tourism). The spa economy has shown even stronger growth at 9.8% 2015 to 2017 worth $118bn.

Europe is the largest destination for wellness trips in 2017, ahead of Asia-Pacifica and North America.

Europe receives the highest spa revenues globally totalling $33.3m in 2017, with projections suggesting that the continent will require 76,585 spa employees by 2022 to meet demand.

In the UK, a 2017 survey showed that 8% of the UK population had visited a spa – an increase from only 2% in 2014 (GWI), with wellness trips in the UK increasing by 6.1% during the same time period.

Wellness trips to regions	2017	% growth from 2015
1 America	204.1	+9%
2 Europe	291.8	+17%
3 Asia-Pacific	257.6	+33%
4 Latin America-Caribbean	59.1	+26%
5 Middle East-North Africa	11.0	+29%
6 Africa	6.5	+20%
Total wellness Tourism Industry	830	20.1%

Source: GWI

Hotels/resorts see the strongest growth

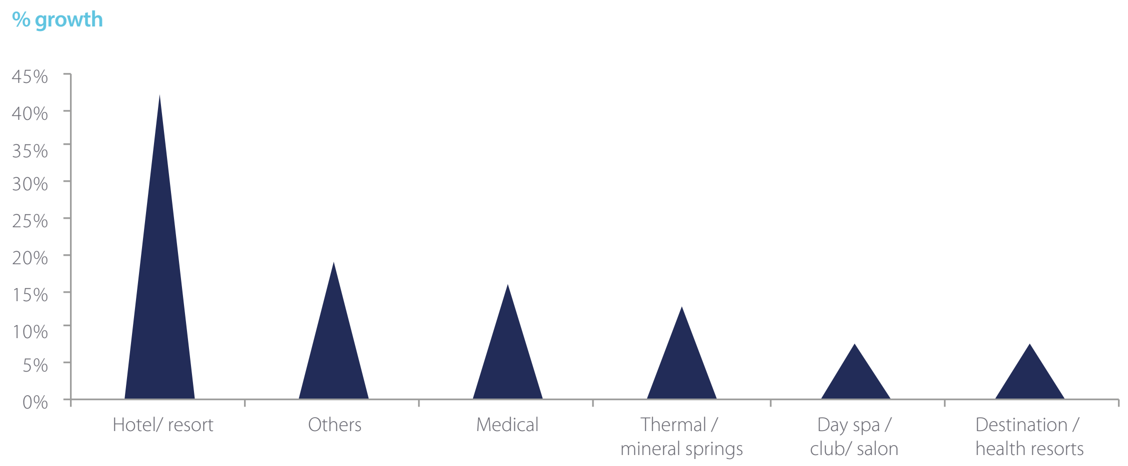
To meet this growing demand hotels are adding to their facilities. Since the majority of growth is in smaller, lower-priced properties the average revenue per hotel/resort has fallen in recent years. This highlights the impact of everyday wellness on the common traveller – it is no longer exclusively for luxury resorts and high spending travellers.

Across the six categories of spas, globally all have experienced growth, but hotels and resorts have seen the strongest growth.

No. of spas 2017

Facility revenue ($bn) 2017

Source: GWI



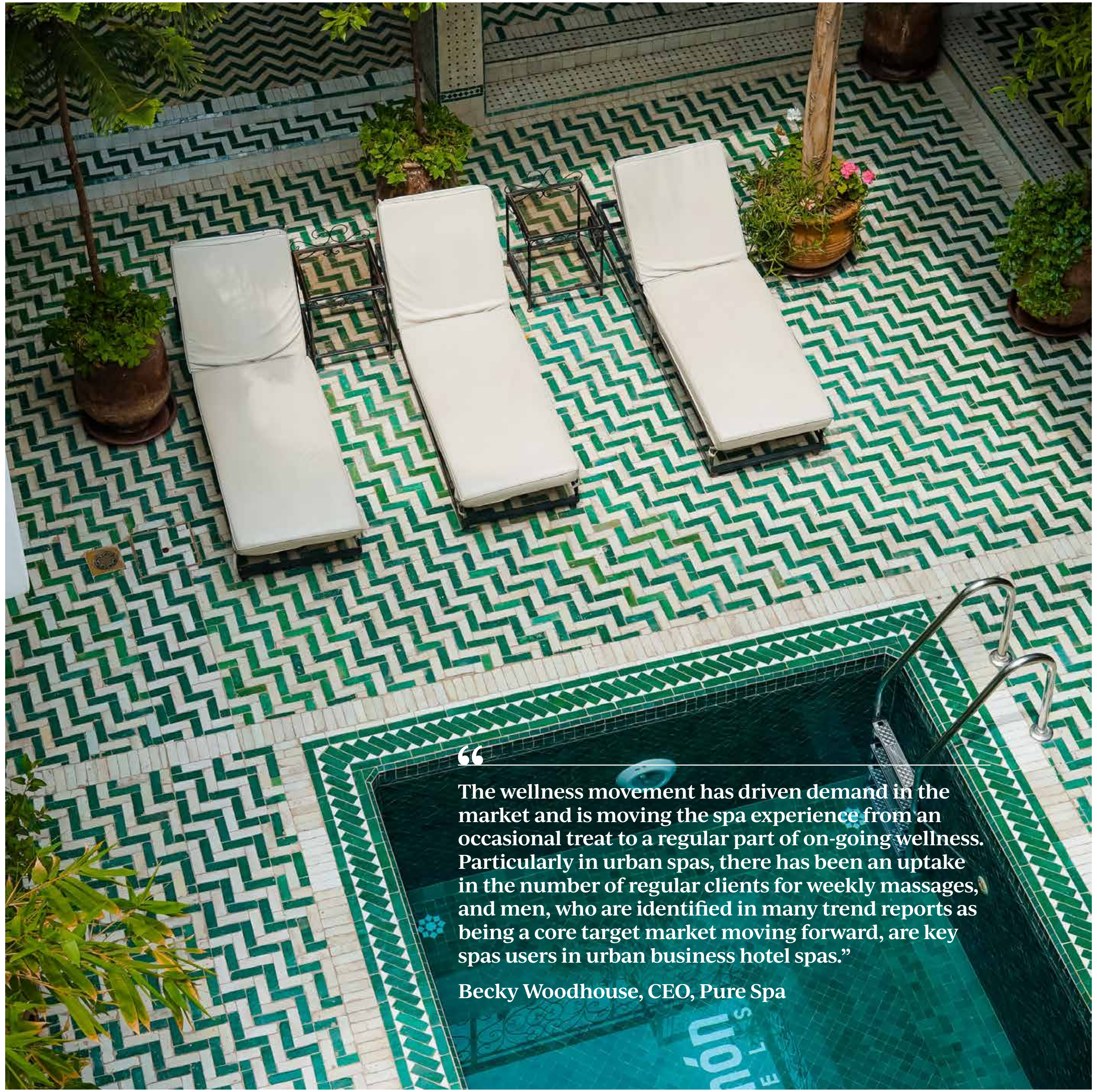
Source: GWI

Wellness travellers spend more per trip than the average tourist, and this holds true for both domestic and international travellers.

In 2017, inbound wellness tourists to the UK on average spent $1,535 per trip, 54% more than the typical international tourist ($883).

The premium for domestic wellness tourists is similar; at $405 per trip they spend 55% more than the typical domestic tourist ($229).

In the UK, a 2017 survey showed that 8% of the UK population had visited a spa – an increase from only 2% in 2014 (GWI), with wellness trips in the UK increasing by 6.1% during the same time period.



“The wellness movement has driven demand in the market and is moving the spa experience from an occasional treat to a regular part of on-going wellness. Particularly in urban spas, there has been an uptake in the number of regular clients for weekly massages, and men, who are identified in many trend reports as being a core target market moving forward, are key spas users in urban business hotel spas.”

Becky Woodhouse, CEO, Pure Spa


Delivering spas and wellness

“Spas started off as an amenity and it became formulaic: pool, sauna, gym etc. When you look at this department from an accounting and operations perspective, few paid attention to profitability in the past and many still don’t now. In our experience of taking over under-performing spas, key issues can be poor design and failure to pay attention to the revenue generating elements or the labour cost required to operate. In some cases, the lack of knowledge of the specificity of spa operations from hotel management can cause a disjointed service. Embracing wellness as an overarching concept from inception is important. For a spa to be successful you can’t devolve the spa from the hotel - it has to be symbiotic working together to create a seamless experience for the guest and a more effective operation for the owner and operator.”

Kasha Shillington, CEO, Resense Spas

Facilities

Consider the spa design and concept from the outset

- The design and operation of a spa needs to be adaptable to futureproof for any growth, and avoid the need for costly retrofitting and the underutilisation of space. Rooms that can be multifunctional or adapted as demands and requirements change is the most important way to ensure the physical space delivers on revenue and keeps costs and maintenance to a minimum;
- Modern spa designs prioritise natural light, moving spas to above ground, often with private outdoor space or spa gardens, embracing the hotel view (if it has one) and providing social spaces to meet and engage with others;

Consider the appropriate facilities

- The type of spa a hotel should have and the level of facilities depends entirely on the target market and what they will expect from their 'spa journey';

How big?

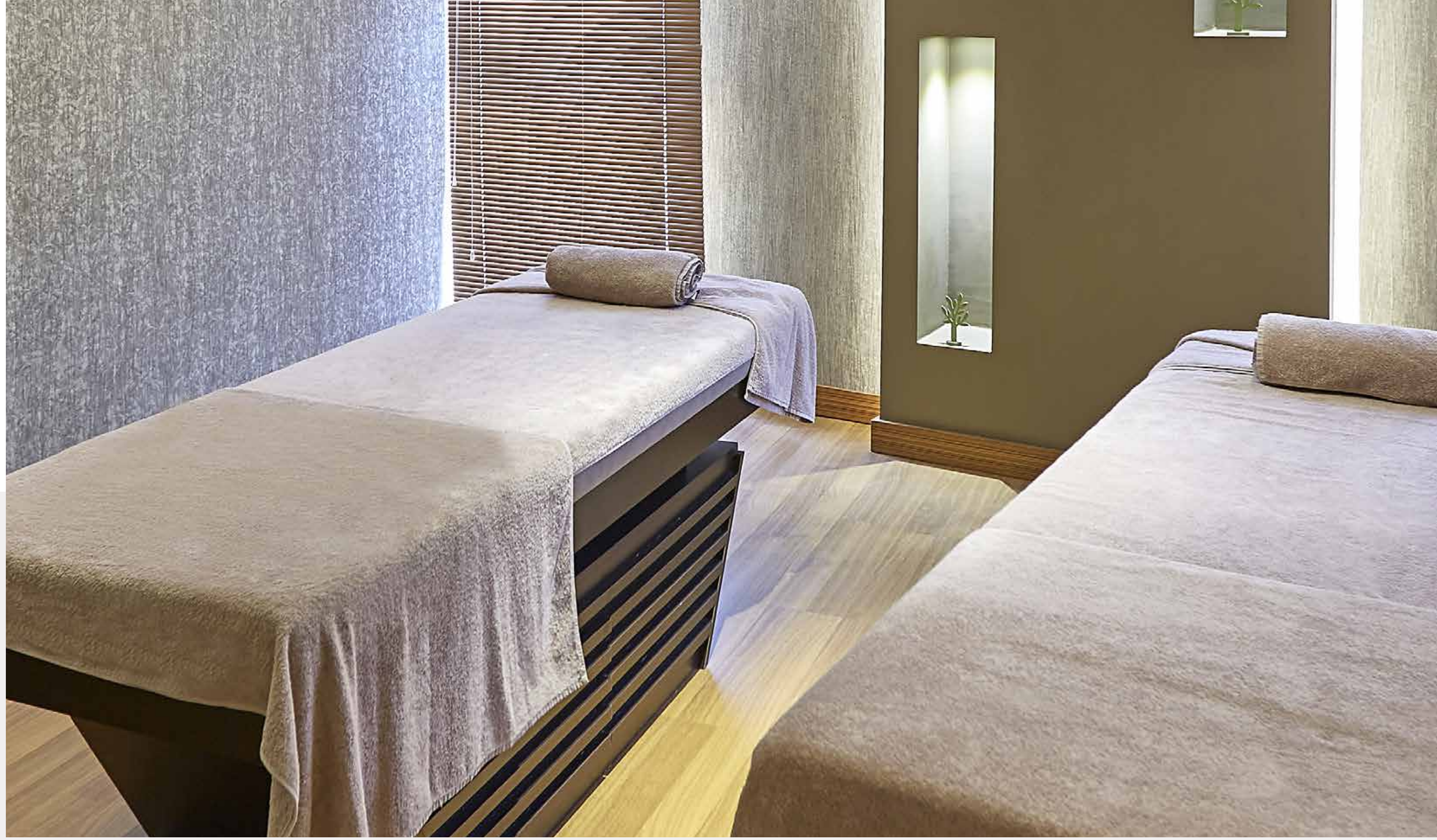
- A good rule of thumb is to build a big enough spa for the peak of your market demand based on a market share analysis, but with adaptable spaces should the market change;

Where's the pool?

- The presence of a pool can help deliver guests into the spa, as they often come across it whilst looking for the pool. In London and other global cities there is less likely to be the expectation of a pool as part of a spa offering, and so can be a good saving to do without. However, if a hotel already has one, it rarely makes sense to remove it;
- Hotel spas should ensure they have their own street entrance for visibility to non-hotel guests;
- Open at the right time: urban spas catering for city workers need to stretch hours to provide pre-post and lunchtime treatments;

Treat me right

- In some instances the full wet offer (pool, sauna, steam rooms etc.) is developed but without treatment rooms. This removes the ability to upsell treatments and directly draw revenues from the department;
- Similarly, not building enough treatment rooms into the design can be a costly omission: larger groups will require multiple treatments at a time and providing enough facilities enables the spa to operate multiple groups on the core spas days of Saturday and Sunday;
- A good consideration here is the use of double treatment rooms, which can be used to streamline group visits as well as for couple.



Capital expenditure

Using a range of metrics and costs captured from real projects over the past five years, we have benchmarked cost impacts on spa developments. These are averages, and do not take into account local market characteristics.

Typical space allocation for hotel leisure facilities / spas ('hard wellness'):

★★★ Mid-Market
1-1.25 m² per bedroom

★★★★★ Luxury
1-1.5 m² per bedroom

Fit-out costs (£ per m²):

Dry leisure*
£980 - £1,390

Wet leisure*
£2,030 - £2,764

Source: Avison Young
*Wet leisure refers to any health club facilities with a swimming pool, dry leisure is without a swimming pool

Operational structures

	Hotel Managed	Hotel Management Contract	Spa / wellness Management Company	Fully Outsourced (lease)
Operator	Hotel	Management Company	Spa Management Company	Spa Company
Returns	Operating Profit	Operating profit after management fee	Operating profit after management fee	Rents
Advantages	• Easier for hotel management to control quality; • No conflicts with other stakeholders; Have the opportunity to create a holistic product; • Better synergy with customers (guests have priority, seamless billing, PMS integration); • Able to maximise revenues for each department.	• Hotel can focus on other departments; • Easier to manage conflicts as retain vested interest.	• Specialist in spa operations; • Provides support for the spa team; • Ability to maximise revenues and profitability.	• No input or experience required for hotelier; • Can bring an additional brand to the hotel; • Responsible for staff insurance, PI Insurance, etc.
Disadvantages	• Additional investment in staff training; • Hotels not traditionally equipped to offer top service and management of spas - can lead to poor reputation for the whole property; • Management teams generally lack experience of managing spas which can lead to lack of support and reduced profitability.	• Less control over spa decisions; • Lower financial returns; • May not have spa experience; • Check management fees do not include spa revenue.	• No incentive to drive other hotel revenues;	• Can be costly to reverse and no control over competency of management; • Conflicts could arise from different priorities; • Disconnect for guests between hotel and spa.
Hotel control over operation	High, but not prime expertise	High, but not prime expertise	Low, but higher quality	None, but high quality: prime focus on spa delivery

Whilst there is no 'one size fits all' approach to choosing your operating model, it is important to consider the in-house skill set of your management team in addition to your aspirations for what you want the spa to do for the hotel. Is it to generate extra income and EBITDA? Or is it to attract additional hotel guests based on the enhanced facilities?

Spa and wellness operations and business models

As with hotel operations, there are similar options available to managing a spa: in-house, via a third party management company, or fully out-sourced to a spa company with their own brand. The larger the wellness operation, the more crucial it is to have an experienced team, in house or outsourced.

Be wary of double fees

If your hotel is under a third party hotel management agreement, fees are generally charged as a base fee (percentage of total revenue) and an incentive fee (percentage of adjusted Gross Operating Profit). If your management company does not have spa expertise, then consider negotiating the contract to exclude spa revenue and profit from these fees - you do not want to pay if there is no support or expertise provided.

However, having separate operations can present conflicts, specifically around packages and revenue allocation so this needs to be carefully considered when choosing the right operating model for your hotel.

Third party agents

Working with other partners and online agencies such as Red Letter Days, Treatwell, Spaseekers, etc., enables convenience to customers, but mainly drives full-price treatments rather than being a discount channel as this presents reputational risk. Many can charge 15-20% booking commission. This rarely delivers meaningful additional spend.

Delivering results

Spas are increasingly delivering results both in terms of revenue and profitability. Using our in house data sources we have reviewed the performance of over twenty hotels with spa facilities, these include both rural and urban spas as well as some destination spas. Key findings:

- We see total spa revenue at an average of 10% of total revenue; this is much higher for destination spas (up to 60%, when the hotel is less than 50 bedrooms) and some rural spas with urban spas generally achieving 3-4% of total revenue;
- Total revenue per treatment room across all types of hotel spas ranges from £60,000 up to £210,000, those achieving the highest revenue per treatment room tend to be hotel spas rather than destination spas, and have a lower number of treatment rooms. It is key to have the correct number of rooms to ensure that peaks can be accommodated without having a significant number of unoccupied treatment rooms during low demand;
- As with most departments, payroll is a significant cost to a spa with most treatments being very labour intensive. This results in relatively high staff costs and our database shows an average of 39.7% payroll as a percentage of spa revenues. The hotel spas show the highest payroll percentage with destination spas as low as 25%; We would expect this is due to a higher therapist utilisation (proportion of working day therapists are giving treatments) in destination spas;
- The range of treatments will impact on therapist utilisation and payroll costs with treatments such as Rasul mud rooms requiring minimal therapist time while massages are very labour intensive;
- Profit as a percentage of revenue averages at 40%, ranging from 18% at an urban spa up to 60% at a destination spa. It is a reasonable assumption that if the design and the offering are correct for its market, then any hotel with a spa could realistically achieve 30-35% profit conversion for a department, albeit excluding unallocated expenses that fall outside the department including administration and utilities;.

Rural Hotel

75-100 BEDROOMS

ADR OVER **£100**

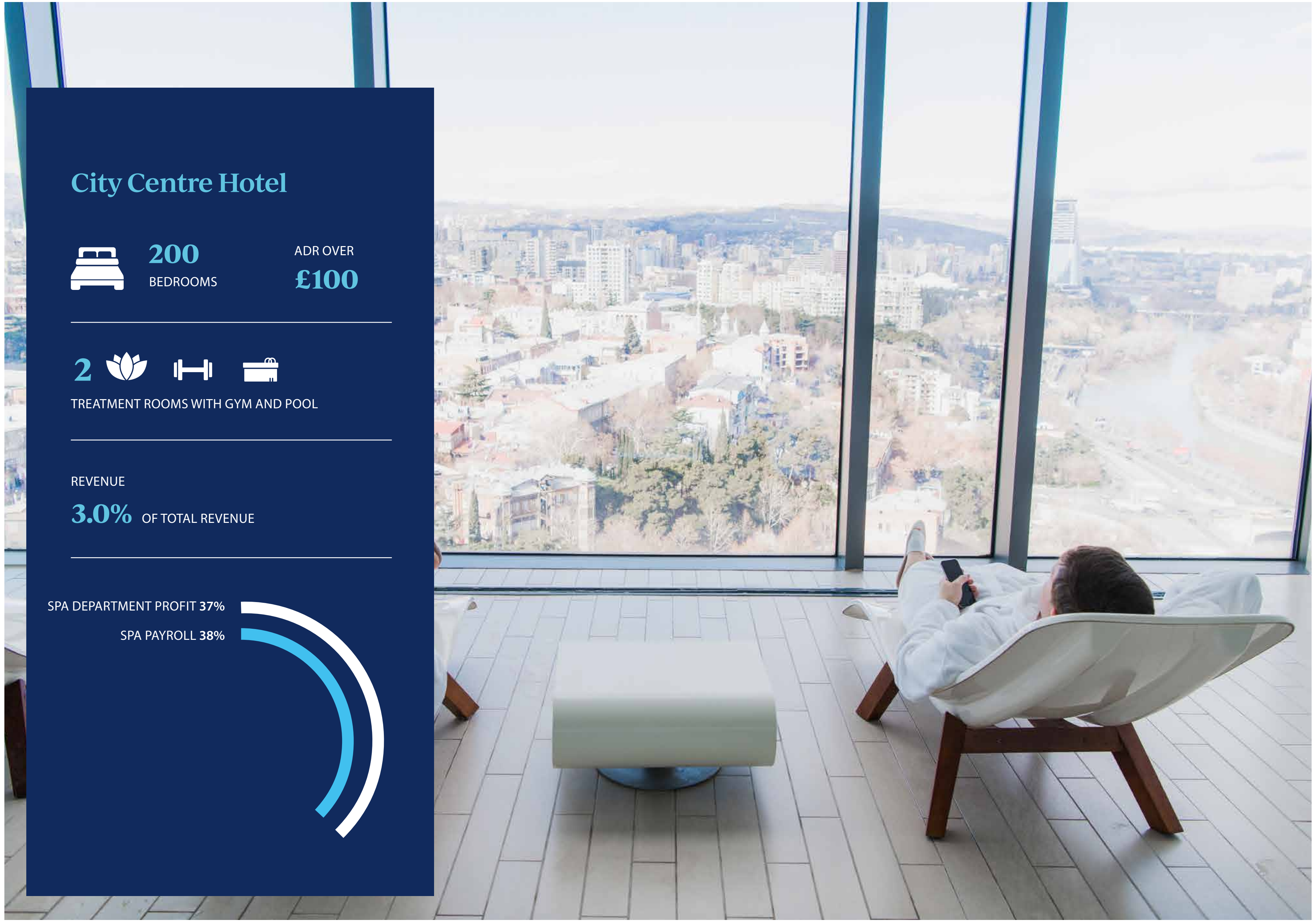
6 TREATMENT ROOMS WITH GYM AND POOL

REVENUE

16.0% OF TOTAL REVENUE

SPA DEPARTMENT PROFIT 60%

SPA PAYROLL 25%



City Centre Hotel

200 BEDROOMS

ADR OVER **£100**

2 TREATMENT ROOMS WITH GYM AND POOL

REVENUE

3.0% OF TOTAL REVENUE

SPA DEPARTMENT PROFIT **37%**

SPA PAYROLL **38%**

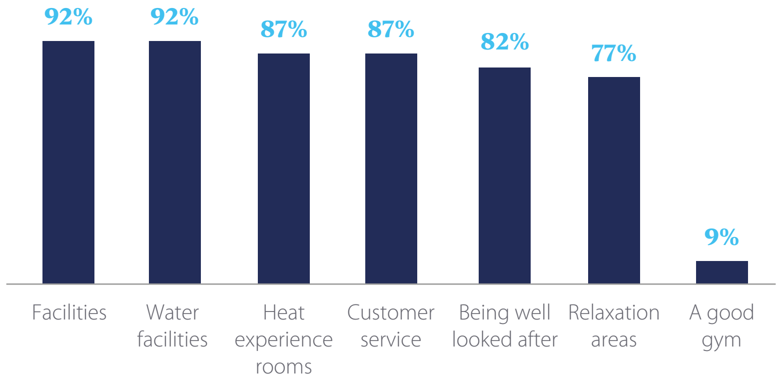
Often the cost side of spas is hidden within the P&L of the hotel, and not identified as a standalone expense. This can make benchmarking costs for utilities in particular troublesome, and is also dependent on the type and scale of facilities at the hotel. However, we would note:

- Linen costs are expected to be around 5% of total leisure club revenue - this can vary greatly depending on the approach taken by the spa. Is there a charge for towels? Are in-house guests expected to use their bedroom towels;
- Commissions in spas, as with other hotel departments can vary greatly depending on if the spa can attract direct business. While heavily discounted offers can attract users in the short term there is some debate over their likelihood to return or buy full priced treatments. Reliance on discount sites will increase commission costs and reduce department profit which could make the spa unsustainable;
- Staffing varies depending on the operating model and the number of treatment rooms. A key measure for a spa is Therapist utilisation. We would expect this to be in the region of 70-85% with peak periods higher. As with all departments, staff scheduling is key to enable business on the books and potential on the day bookings to be serviced.

Future trends in spas and wellness

A survey by the Good Spa Guide, revealed a noted preference for larger wet facilities by those attending a spa day.

The perfect day



Source: Good Spa Guide

Despite changing consumer preferences, the massage remains the most popular experience and constitutes on average 70% of revenues, this was also noted as the preferred treatment for 90% of respondents by the Good Spa Guide's survey.

Wellness is ageless

Despite shifting demographics we remain quite similar: Millennials it turns out, don't really want different treatments to their parents. What is true is that no matter how old you are, you want to look and/or feel younger. Anti-aging is the trend of the moment, and whilst driven by an older demographic, the younger demographic are using anti-aging techniques already as a preventative measure.

Spas are moving up

Natural light encourages the use of spas and gyms as well as improving the experience of guests; ground-floors and rooftops are becoming increasingly normal space for the spa. Only in locations where space is limited (prime cities) and daylight areas are at a real premium, will spas occupy the basement, although these are likely to see a radical redesign in the coming years.

Gyms and relaxation areas converge

Less money is being spent on quickly redundant and expensive equipment in favour of ensuring spaces are versatile, such as studios suitable for classes as well as individual training or meditation groups. Equipment is valued more if it can easily be stored or used for a range of activities. This considered approach enables spa developers to future-proof their space, and reduce the likelihood of being stuck in maintenance or rental contracts when the latest equipment becomes outdated.

Hotel Medi-spa

The medi-spa market is increasing apace and is the domain of some of the world's most exclusive hotel spas: Bad Ragaz, Chiva Som, Lanserhof, Canyon Ranch, Spa Vitoria, Clinique La Prairie. At the lower end of the market, urban spas report increased demand for Botox, fillers and acne therapy. Facial procedures account for one third of global market revenue in this sector ($11,063m in 2017).

Online wellness influencers

Instagram is becoming the largest advertising platform for hoteliers and spa operators to engage directly with their market as well as a booking channel for breaks and treatments, with specific spa platforms (e.g., Timely) available to operators. 'Influencers' are also hosting their own retreats and becoming their own segment of wellness tourism. These range from visualisation classes to ashrams and silent retreats, the latter increasingly popular with Silicon Valley CEOs.

Healthy hotels go mainstream

The last few years has seen the emphasis on boutique hotels shift to lifestyle hotels. The next evolution will be the health hotel. IHG launched Even Hotels in 2012 in the USA and now has ten properties under the brand. Some Marriott hotels provide a wellness app and 'wellness bedrooms' that feature vitamin C infused showers. Key healthy hotel trends to look out for include:

- Air-conditioning and temperature control
- Aromatherapy
- Specially designed mattresses often featuring memory foam to aid sleep
- Blackout blinds and mood lighting
- Vitamin showers
- Health food in the mini bar
- In-room exercise equipment
- In-room activities to promote mental rest – meditation rooms, colouring exercise books.

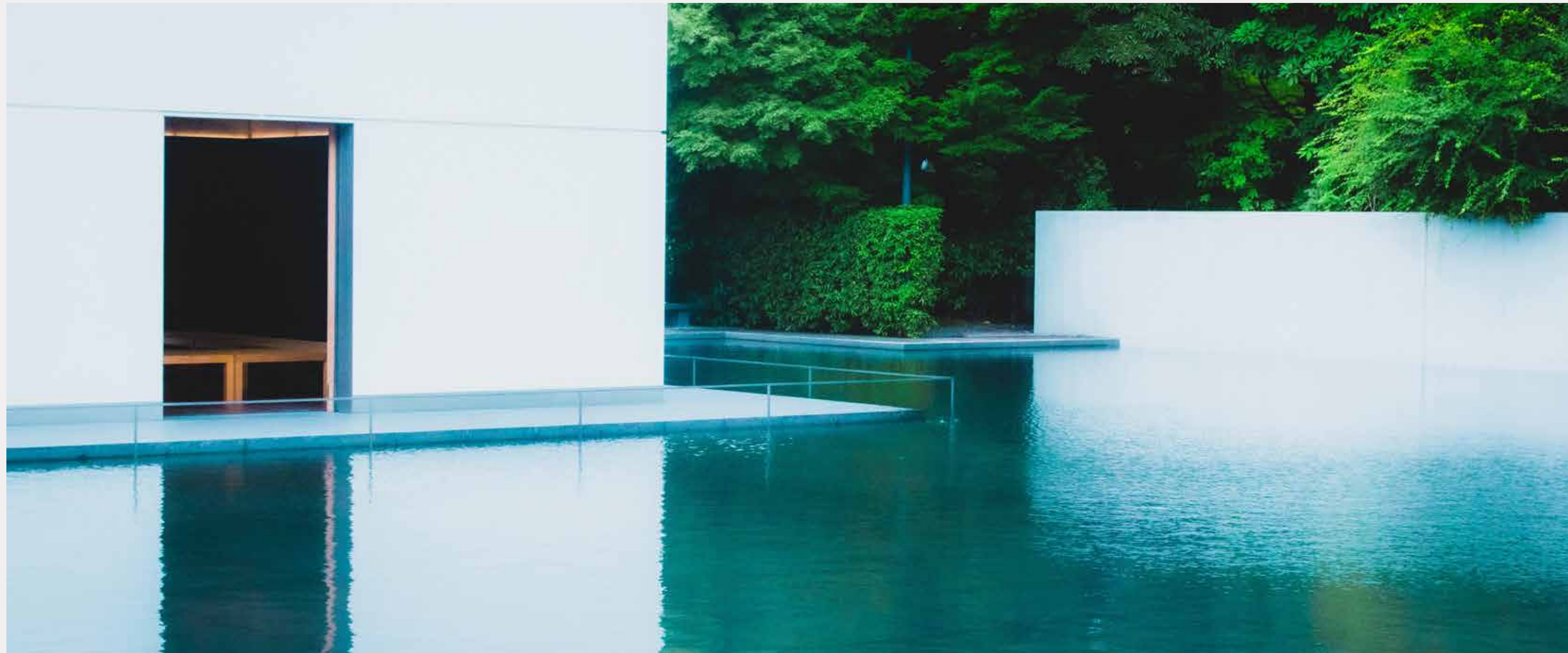
Climate conscious

With sustainable build requirements in place in a number of local authority planning criteria, as well as institutional investors 'greening' their funds, initiatives to tackle climate change are spreading. Developments that do not engage with this agenda could find themselves facing a smaller future investment pool.

Water conservation will be a key issue for spas, especially those with wet facilities, to ensure they are not wasteful. New technology is enabling hotels to capture water from on-site rivers and lakes to use within the property, dramatically reducing costs. Furthermore, prospective owner-operators may begin to demand more sustainable buildings, as is being seen in other sectors where tenants are refusing to pay the 'double bill' of energy inefficient buildings

"If we look at the data and the consumer trends, it is clear that technology, especially social media has helped propel the wellness industry: everybody wants to look better, feel better, and live better. We are more conscious of what we eat and how we exercise. Globally, more people have disposable income to travel and take care of themselves than ever before. A few years ago, data insights talked about 'wellness being a luxury', now we see this has become mainstream. This will, in turn, propel people to live more sustainably, as it is the same type of guest who says "I'm interested in looking after myself, BUT I don't want to do that at the expense of the planet"

Kasha Shillington, CEO, Resense Spas



New generations and tribes

Local flavour is not always the best policy

Whilst we have seen the rise of hotel brands making an effort to showcase the property's neighbourhood to reflect an 'authentic' rather than generic experience, some spas advocate taking the opposite approach. This is to reflect the customs and needs of their target market, rather than trying to sell them something new or different. This has been seen particularly in the Indian Ocean with hotels and spas that primarily attract East Asian customers, providing spas based around Chinese Medicine.

Men are becoming a mainstream segment

Men are increasingly attracted to spas as they become more health-focussed through the Wellness movement. This market is increasingly an important target for the urban spa hotel, where there is a captive audience of business travellers. In some city hotel spas the business split is now almost 50/50 men and women. The rise of blended travel is seeing business travellers adding extra leisure days to their trip, presenting a further opportunity to target this group.

Over 60s will dominate the market for the next few years, but Gen Y & Z will be the principal users by 2030

In Europe, the over 60s are the most active and influential spa consumers as they have more leisure time and purchasing power than other age groups. They account for over half of all spa goers; however their treatments of choice are changing from pampering to pain relief.

Millennials have become the first cohort in the US where more of their number use spas than do not. Gens X and Y constitute the largest consumer groups for luxury purchases.

This underlines the strong growth in the market over the last few years, but also an important note on what's to come: whilst the over 60s will remain the core user group for the coming years, principally seeking traditional spa experiences but with a focus on anti-aging and healthcare to help them live better for longer, by the end of the next decade, the principal spenders will be today's youth.

	2020		2030	
	Age range	%	Age range	%
Silent Generation	75-95	9	85-105	3
Baby Boomers	56-74	21	66-84	18
Gen X	40-55	21	50-65	20
Gen Y Millenials	24-39	21	34-49	20
Gen Z	8-23	19	18-33	19
Gen Alpha	0-7	9	2-17	18

Source: ONS and Avison Young

Wellness hotels of the future: A vision in 10 years

Wellness initiatives will become a core component of hotels and will be delivered across all departments. Public spaces with hotels will continue to become multi-functional with blurred living/eating/relaxing/working areas.

Hotels where the product and market support the development of a spa would miss an opportunity if they did not consider this as a part of their offering. The spa and leisure areas will evolve into active areas for engagement and socialising as well as treatments. Food and beverage provision will merge into these areas and provide for nutritional diets as well as indulgence.

Bedrooms will enable resting, as well as private exercise. The influence of spas will continue to be realised in bathrooms through lighting and product choices.

The desire for real results through physiotherapy, low impact medical and beauty procedures will become more prevalent, probably with a number of medi-spa brands entering this space and partnering with spa companies or hotel brands.

Meetings and events will become rooted in wellness and offer focus-boosting menus and social activities will promote team building and productivity.

All departments will need to provide environmentally conscious products and reduce waste. Contemporary design will frame views and plant life. Natural light will be prioritised in communal areas, including the spa, although bedrooms are likely to become smaller and 'ambient' where natural light proves a premium.

Booking channels will move almost exclusively online and through new social media business platforms. Less consumer loyalty and preference for 'on-the-go' treatments will reduce direct bookings. Commission will therefore be chargeable on most transactions.

Shared concepts and ideas will be digital and it will be the choice of individuals to engage with highly personalised content and services. Hotels will need to provide this digital space for guests.

The result will be a more connected, but streamlined wellness offer. Services and products will be 'tried and tested' in order to be trusted. Spaces will enable guests to choose social or quiet environments within which to work or relax.

> "We must 'future-proof' our spa designs. Some large developments can take years to come to fruition and with wellness growing so rapidly, we are designing spas now that will only open in 3-5 years time and then need to be current for at least 10 years onwards. This is a challenge – predicting how guests will wish to participate in wellness in 15 years' time. As a result, we need be investing more in market research upfront and ensuring flexibility in the spas we design for future hotel or property assets"
>
> **Kasha Shillington, CEO, Resense Spas**

+5 YEARS

- Healing, use of cannabidiol
- Greater range of medical procedures
- Sensory experiences
- Reconnection and spa socialising
- Food health and detox
- Anti-aging treatments
- Personalised spa treatments
- Bio-hacking / express treatments
- Sustainability in build and products

+10 YEARS

- Prevention plans
- Full medical / physical / beauty offer
- Clear evidence base for treatments
- Blended stay / work / play areas
- Zero-impact lifestyles
- Anti-aging treatments
- Personalised trips
- Long-term care routines
- Simplified spa design, natural beauty

KEY MARKET RESPONSES

- Specialist expertise: physiotherapy, beauty
- Simplified design: flexible spaces
- Knowledgeable staff, rather than a menu
- Partnerships to deliver quality services
- Adaptable food and beverage provision
- Genuine environmental credentials
- Simple and upbeat approach to service

A better approach, not a miracle treatment

Given the fluidity of the concept of wellness, and breadth of the subject matter, measuring (and monetising) wellness is challenging. However, repositioning of dated spas to wellness facilities that people relate to over the next ten years will make this a core offer within hospitality.

Hotels that engage with this trend are in the best position to capitalise on this shift. It offers a modern innovative approach that sets the traditional spa apart from its competitors, or enables it to remain competitive in a crowded market. Furthermore, the total engagement of wellness as a lifestyle, evolves the spa from 'nice to have' to 'essential' as part of the guest experience. Just as we have seen enhancements across in-room technology and higher quality food and beverage offerings to meet changing consumer demands, likewise the spa is metaphorically 'coming out of the basement' and into every aspect of the hotel. From healthy menus and sleep aids to dumbbells in the wardrobe and yoga on the rooftop.

Within the spa this means an environment people actually want to be in - natural light, calming design and unpressured encounters. A dedicated entrance streamlines this experience. The requirements of spa goers too are changing. No longer seeking pure relaxation, it can be about mental revitalisation or physical strengthening, anti-aging or beauty enhancements.

The spa goer too is moving to more regular visits and seeking demonstrable results. Driven by a growing and increasingly travel minded middle-class with ever more stressful lives, their quest for wellness continues apace.

The key trend in wellness tourism and hotel spa development is growth, both from the increasing volume of people seeking mental and physical wellbeing and the movement of global population segments into peak spending brackets. It is imperative that your consultancy partner not only understands these opportunities but can deliver a dynamic service that adds significant value to your project.

Inevitably these trends and technological advances mean that the spas and wellness programmes we plan, design, build and experience will be different. It is our belief that whether you are an investor, developer or operator, the better you know the future, the better you can serve your market.

Should you wish to discuss any details of this research please get in touch.

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