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Spas & Hospitality: Compatible, Marketable & Profitable

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Spas can be profitable if created the right way

Building, marketing and operating a spa is really not that different than building, marketing and operating a hotel or resort. You have to ask the right questions, hire the right people and deliver the promise so that you have a marketable and profitable business venture that meets the needs and interests of the investor, operator and guest. There are typically several business centers within the hotel/resort, each of which is intended to complement one another in order to enhance the guest experience while also being profit center. When a spa is properly planned, marketed and managed, it seamlessly co-exists within and enhances the lodging property.

If you are considering building a spa or are interested in achieving a higher performance standard from your existing spa, you need to treat the spa as you would any other venue: there needs to be a focus on accountability and profitability. While the word "spa" carries a certain mystique, there is no reason not to carefully scrutinize the spa as a business venture. There are too many developers, investors, lodging operators, asset managers and appraisers who get intimidated by the thought of developing, marketing, operating or understanding the financial realities of a spa.

When people embark into new ventures, they typically create a frame of reference that allows them to think logically and rely on similar experiences so they minimize the risks and maximize the opportunities. As in any new venture, it is important to gather reliable information from people you trust and have a thorough understanding of the business so that you can make an educated decision. The following are some of the very basic premises that you need to understand regarding a new or existing spa venture:

- Commission a detailed market and feasibility study by people who know both the spa and the hospitality industries
- Ask enough questions from your consultants and colleagues regarding the challenges and potential
- Make sure you have a realistic development and pre-opening budget and a detailed five year pro forma
- Create a comprehensive, pro-active marketing plan that addresses your internal and external market segments
- Integrate the spa into the hotel/resort as another profitable department
- Hold the spa director accountable for operating a financially solid business

As a spa consultant for over 25 years to resort-based spas all over the world, my company has provided technical and advisory services for almost \$700 million of spa development. Our clients have some of the most profitable spas in the lodging industry, and the hotel/resort has attained some of the highest benchmarks in the lodging industry as measured by companies such as STR, PKF, etc.

To have a successful spa, everyone on the hotel development, marketing and operations team needs to realize that the spa is another "team member" as is retail, F&B, golf, marina, ski, etc. Every team member has a role to play and his/her skills need to complement those of the other team members. The team works and grows together, and they support and rely on one another. While they all have different roles and responsibilities, their individual contributions and skills assure that the whole is greater than the sum of the parts. The success of any team is about selecting, training, communicating and working together to achieve the goals of the owners (hotel developers, operators, asset managers) and to delight the fans (the guests).



Dr. Judy Singer

The following are some of the coaching hints that we have consistently shared with our clients. As you read this, you can easily see how spas and hotels/resorts need work together in order to maximize their synergistic potential:

DEVELOPMENT

- You do not want to be in the spa business
- The only reason you should build a spa is because it will enhance your “core” business whether it be selling rooms and/or real estate
- You need to have a good location within the hotel/resort and enough space to provide an experience
- Understand your competition then do something different from and better than them so that you identify and meet an untapped need
- It costs a lot of money to build a spa, but it costs even more to operate it on a day-to-day basis especially if it was ill-conceived or flawed from the beginning

MARKETING

- The spa needs to be market-driven...build it because your guests want it and will use it
- The local day guests from the community are an excellent market segment for yield management
- Be on-trend rather than trendy...it's not so much what you do as it is how, why and for whom
- Be authentic, genuine, caring and professional in every interaction and message

OPERATIONS

- Provide the ultimate in service and not just gimmicky services
- If you expect the spa to be a tangible and intangible asset, you should operate it in-house
- Successful spas are all about the relationship between the staff and the guests: while this is also the key to a successful hotel/resort, it is even more important in the spa
- The staff are the heart and soul of your business . . . invest in and retain them
- Provide business workshops and mentoring to the spa management team so they know how to hire, market and manage a multi-million dollar business

MEASURE & MONITOR

- Spas should be profitable business venues in and of themselves as well as marketing and financial assets to the “core” business
- Just as in the hotel industry, there are some key performance metrics that you need to gather, understand and use to make sound business decisions:
 - Hotel Capture Rate
 - Average Treatment Rate
 - Treatment Room Utilization
 - Therapist Productivity
 - Revenue Per Available Treatment Room
 - Revenue Per Guest
 - Revenue Per Square Foot
 - Revenue Per Occupied Hotel Room
 - Number of Services per Guest
 - Retail Sales as a Percentage of Treatment Revenue
 - Market Segmentation for Percentage of Male versus Female Guests

SOCIAL VERSUS GROUP GUESTS

- NOTE: In the Spring of 2009, HFD will launch HFD Reports: The SPA Report: Performance * Profitability * Benchmarking. This is a web-based, real-time software program to measure and monitor performance and profitability and provide reliable benchmarks to the global spa industry. This is intended to be the definitive tool for collecting and reporting spa data with confidentiality and integrity.
- Spas will need to be more accountable because asset managers, investors and hotel/resort operators want more and better benchmarking information so they can see how their spa(s) is/are performing compared to others in their chain/collection and to the competitive set

SUMMARY

Spas are an important component of a hotel/resort. Do not underestimate their contribution to the guest experience and financial

potential of your property. Spas are about giving personalized service, enhancing the vacation and meeting experience, and providing an enjoyable venue that helps people look and feel better. While almost every four- and five-star hotel/resort needs to have a spa in order to be competitive, the key is to create a spa concept, facility and experience that is

market-driven and trend-sensitive. There needs to be a clearly defined value-proposition so that guests will see the benefit of spending time and money in the spa. With the abundance of spas already in the marketplace, you cannot be another "me too" spa. Once you have a spa, focus on it being a viable business. Measure and monitor your individual performance and how your spa compares to others within your chain or collection and within your competitive set. Spas are not a passing trend – they will always have a certain market appeal. From a business perspective, spas will need to be more focused on being economically viable businesses that profit centers in and of themselves while also contributing to the profitability of the lodging venture. Owners, operators and asset managers will have little tolerance for spas that are "lazy assets."

Judith L. Singer, Ed.D., ISHC, is the President & Co-Owner of Pompano Beach, Florida-based Health Fitness Dynamics, Inc. (HFD) (www.hfdspa.com) an internationally recognized spa consulting company that specializes in the planning, marketing and management support services of spas for fine hotels and resorts, day spas and mixed-use developments. HFD is also actively involved in conducting economic and consumer spa research. Since its inception in 1983, HFD has been the consulting firm to over \$650 million of completed spa projects. A partial list of clients includes: The Umstead, Rosewood Mayakoba, Canyon Ranch in the Berkshires, Little Dix Bay, Four Seasons Hulalai, Miraval, Malliouhana, Cranwell, Pinehurst, The Homestead, The Greenbrier, Bacara, Silverado and the Delano,. Dr. Singer is also the past chairperson of The International Society of Hospitality Consultants (www.ISHC.com) and was on the ISPA Committee for the inaugural edition of the Uniform System of Financial Reporting for Spas. As we go into our 25th year as spa consultants, HFD will be focusing more of its experience and expertise on helping existing spas to be more profitable via management advisory services. Dr. Singer can be contacted at 954-942-0049 or judysinger@hfdspa.com

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