

**By Mindy Terry, President and Founder, Creative Spa Concepts**

## **CREATE A PROFITABLE SPA BY CAPITALIZING ON CONCEPTS**

Building a spa before conducting the proper due diligence is a little like throwing spaghetti up against the wall and hoping it will stick. Once the structure is complete, if the concepts, programming and brand are not right, the fix is not as easy as throwing the pasta back into the pot. You are stuck with it.

In this economy, you don't want to be stuck with something that's not going to show a solid ROI. With the latest numbers from the International SPA Association showing that the number of U.S. spa locations has experienced a five-year average growth of 17 percent, the competition is fierce for the spa-goers' dollar.

What should you do before that first bit of soil is unearthed on a new spa in your hotel or resort? Your homework. Just as you approach your F&B, rooms and meeting space with a great deal of research and due diligence, the spa deserves that same level of attention.

Understanding that you may not have a spa background, the Creative Spa Concepts team serves up a proven outline to follow. Here's a blueprint from our more than 100 collective years in the health and wellness industries:

### **DUE DILIGENCE**

Before creating your concept, you'll want to do some digging. Your likelihood for success increases when you understand your guest and your market. This research will also help you determine the right programming for your spa and identify potential opportunities in the marketplace. Consider the following:

- Hotel Occupancy
- Guest Type
- Consumer Profile of each Guest Type
- Projected Capture Rate
- Competitive/Comparable Properties

To expand your consumer base, consider the potential for "day-use" guests. Look at:

- Local Demographics
- Amount/Proximity of Competition

### Spa Guest Types

Generally, hotel spa guests are placed into the following categories:

- Leisure
- Group; Incentive & Non-incentive
- Business
- Resident / Member
- Local

### Average Capture Rates

Capture rates in the U.S. vary depending on region and guest type:

- Leisure Guests                    10-25%
- Group Guests                    5-15% (higher for incentive, lower for non-incentive)
- Business                         8-10% (average, but sometimes as low as 3-5%)
- Resident/Member                Varies (primary residence vs. secondary, regional behaviors also impact)
- Locals                             Varies (impacted by demographics and market competition)

### **CONCEPT CREATION**

The most successful spas are those built on solid concepts that serve as the foundation for building a brand. As you gain a clear understanding of your guest and ways to differentiate yourself from the competition, your Spa Concept begins to materialize. A concept should not only be unique, inviting and marketable, it *must* be operationally efficient as well.

The most profitable spa businesses are those whose concepts are the combined result of due diligence, creativity, a solid understanding of day-to-day operations, knowledge of spa guest type and varying market behaviors. When crafting your concept, address the following:

- Brand Concept - Conceptualize a brand that not only considers your guest and market, but best marries with your Company's vision, values and philosophies
- Facility & Service Programming - Identify programs and services that will meet the desires of the target market. Ensure your facility's design effectively supports the guest experience you are striving for, while also providing everything needed to run an efficient operation. Know that improper adjacencies, insufficient storage, mechanical, electrical and plumbing (MEP) issues will negatively impact your bottom line once the business is open
- Architectural and Interior Design – In addition to being functional, the facility's design should visually communicate your concept and offer a sensory experience
- Signature Features - Develop features that will serve as the foundation of the overall concept and assist in the branding and recognition of your spa and resort. Signature features may involve specific interior and architectural elements, customized treatments/rituals, guest service strategies and/or a private-label collection of products
- Spa Menu Concept - Your concept should drive the selection of products and corresponding treatments (i.e. Ayurveda, Polynesian Healing Traditions, paramedical services, etc.) for your spa. Early on, create a sample selection of services to ensure that proper equipment is budgeted and planned for

## **MARKETING PLAN**

After you have tackled due diligence and crafted your Spa Concept, it's time to tell your story. Your marketing plan is your roadmap to help you navigate the best routes to take in order to reach your desired destination.

Your marketing plan should include...

- Analysis of your competition's strengths and weaknesses - This analysis will show you where opportunities lie for your company
- Analysis of potential threats in the marketplace - For example, the current economic challenges can actually present opportunities as clients are stressed about finances
- Creating marketing messages/opportunities that speak to the needs of your consumers – Examples include providing a workshop on stress management or helping clients empower themselves by bringing an image consultant into the spa for a session on how the right clothes can help them present a more powerful image while job hunting
- Identifying your target market - You may think that your target market is everyone, though when you put some research into it, you'll most likely discover that it's a very specific niche. Determine your primary and secondary markets and then allocate your marketing dollars accordingly
- Developing strategies - Once you identify your target markets, the next step is to develop both internal and external business strategies that educate consumers and place your spa in a positive spotlight. These include tactics such as newsletters, social media, PR, charity support and community involvement

Never has the need been more important to do your homework and prepare wisely. Move forward and enjoy the rewards of thoughtful and strategic planning.

## **ABOUT THE AUTHOR**

For more than 18 years, Mindy Terry has successfully helped establish and grow some of the world's most notable spas. As the Founder and President of Creative Spa Concepts, Terry leads a team of consultants who represent more than 75 collective years of experience in the wellness and hospitality industries. Creative Spa Concepts stands out from all other spa consulting firms because each consultant has developed, led or been an integral part of guiding spas to national "Top Ten" status including the rankings in *Condé Nast Traveler*, *Luxury SpaFinder* and *Spa* magazines. Read more on [www.creativespaconcepts.com](http://www.creativespaconcepts.com).