

Breakout Session: Spas in Hotels: How to Decide the Right Ownership/Management Arrangement

Monday, May 21st

11:45PM – 1:00PM

Lexington Suite

Scribe: Fransisco Cunha

Moderator: **Andrew Gibson**, Group Director of Spa, Mandarin Oriental Hotel Group, Hong Kong

Panelists:

Heather Blankinship, Group Spa Manager, Sir Rocco Forte & Family Luxury Hotels, Germany

Jeff Matthews, President & COO, Mandara Spa, Bali

Anne McCall Wilson, Vice President of Spas, Fairmont Raffles Hotels International, Inc., Canada

Ahmos Netanel, Founder & CEO, Lucrative Wellness, California

Contributors:

Douglas Chambers, Principal, Blu Spas Inc., California

Jan Freitag, Vice President, Global Development; Smith Travel Research, Tennessee

AG: Introduced the panel and spoke about being original and maintaining individuality in spa business. Core values in the spa industry should imply being original and profitable.

The question: “Bring the experts or do it by yourself?” stayed in the air as the guests introduced themselves.

JM: Introduced Mandara Spa and spoke about Steiner Leisure Ltd. Said that Steiner Leisure Ltd invests with long-term contracts and revenue sharing.

AMW: Is responsible for all Spas under management within the Fairmont and Raffles hotel companies. Spa brands help to define the hotel experience and are therefore the epitome of the Hotel and Spa brands. Spas also have to attract their costumers, and strive to maximize its contribution to EBITDA.

The core competencies should be: design, operate, and fascinate.

Brands and management companies must drive performance as well.

HB: Spoke about the present and future of Rocco Forte Spas. We will be defining an Urban Spa brand as well as a Resort Spa brand. We are merged internally with consulting. We are also connected to the term eco-chic.

AN: Decision making funnel should be:

Should we have a Spa? → Why? What are the objectives? → Internal driving forces → External pressures → Core competency → Self-management, outsourced or hybrid → Your ideal Spa is the key answer.

Success of the SPA business is uncertain as 50% of business projects are canceled.

AMW spoke about the core values communication methodology using a 4-hour presentation to every employee. The importance of a school for Spa directors was also mentioned as essential for the industry moving forward.

About economical structures, Jeff explained that there are different models to negotiate in different places (Asia and M.E.) - in Asia we give away more to the revenue of hotel and in Middle East the average contract is taking 9% of the bottom line.

Question – How to negotiate?

JM: Usually takes about one and a half years of negotiation. Market the guest to Hotel and Restaurant and then to Spa. “Put the money where the worth is.”

But also have a commitment to improve the place. If the investor realizes that if he could put the money and be profitable, he will do it.

HB: The set up of the spa is key. You must run things internally (training, staff, etc.) And your GM should have an understanding of therapists and their challenges.

AMW: The core elements of the spa are: Members, SPA operators, Administration, and Training. All these should work together.

Jamie Warring from Six Senses – Referred to the different structures of spas among the different locations: Asia, Europe, US.

AG: Let’s speak about the importance of the CEO in the company for many aspects: development, operations, retail/marketing, and finance.

In Mandarin Oriental – system of centralized report – everyday reports has proved to be most helpful, for example.

HB: It is difficult to find qualified therapists nowadays, and this is an important challenge.

AMW: Contracts don’t have a long term commitment; usually there is a 5-year horizon in hotels.

JM: Our company usually establishes contracts for more than ten years. Anything less than two years is not a good business.

AG: The contract depends on results and about the relation between both parts.

AN: Spas are profitable, but there must be split costs from hotels and spas in terms of marketing, staff, design, etc. You should “build a company, not a department”.

JM: There’s a relation between spas and hotels. People don’t leave a hotel to have treatments in another spa. Hotels must be convinced with numbers and with the experience.

In Japan, 97% of costumers come from outside the hotel. Spa-goers depend on location and culture.

Summary:

The main discussion theme was about Ownership Vs Management. Both parties protected their businesses. The consulting companies referred to the fact that when not all the knowledge is in the hotel, then arises the need to outsource.

The discussion also centered around staffing, recruiting, and differences between Hotels and Spas in different locations.