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Health & Wellness Market Reports **Bangkok**

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Update on Bangkok's Luxury Spa Industry

In 2015, Bangkok realized year-over-year growth in its tourism industry. In 2016, the Ministry of Tourism and Sports reported that Bangkok's tourism industry grew by 10.9% in 2015, primarily attributing the growth to the increased number of international arrivals to the capital city. In 2015 and according to the Ministry of Tourism and Sports, a total of 20.87 million foreigners visited Bangkok (15% growth), while their spending grew by 35.4%. This trend continued into the first quarter of 2016; Bangkok, in quarter 1, recorded 9.5% more international visitors than in the same period in 2015. Bangkok hotels are benefiting from more international arrivals, occupancy in Bangkok in the first quarter was 82.9%, 2.86% higher than Q1 2015. Given the increase in international arrivals and higher hotel occupancies, Horwath HTL Health and Wellness set out to determine if Bangkok's luxury spa facilities are also "cashing in."

Overview of Bangkok Luxury Spas

For the purposes of our analysis, we divided Bangkok's luxury Hotel and Day spa marketplace into three (3) different categories including Downtown, Riverside, and Suburban Spas (a "Spa Category"). Each class of spa; captures a different type of consumer, operates differently, and is more or less prone to swings in Thailand's and regional economical performance. Spa directors and spa managers at a variety of spas within the Spa Categories were interviewed to explore the current spa landscape in Bangkok and to determine if spas, in the capital city, are cashing in.

Guest Profiles of Bangkok Luxury Spas

Consumer types can be divided into four (4) categories including foreign leisure visitors, foreign business visitors, facility members, and residents.

Bangkok Luxury Hotel Spa Guests

As international arrivals historically account for more than 60% of Bangkok's total arrivals (TAT Intelligence Center, 2016), hotel spas cater towards a plethora of foreign guests. European and American guests once dominated the reservation schedule in Hotel spas; however, currently, hotel spas are recording higher spa usage from Asian visitors.

American and European guests still dominate bookings at Riverside Spas and Suburban Spas located near Suvarnabhumi International Airport, accounting for 95% of total internal spa guests, referred to as those staying at the hotel. Meanwhile, and primarily due to the growth in the number of arrivals from China; up by more than 26% in 2015 (TAT, 2015), the percentage of Chinese spa guests at Downtown and Suburban Spas (other than by the international airport) currently account for 50% of total internal spa guests.

On average, between 70% and 90% of total spa guests are staying at the hotel where the spa is located. External guests, defined as nonresidential visitors to spa facilities, typically account for 10% to 30% of total spa guests, and these guests are Thai nationals or foreign expats living in Bangkok. Due to the large number of easily accessible day spas in Bangkok, hotel spas capture lower levels of external guests than hotel spas in other capital cities in Asia and The Middle East.

Leisure guests historically account for 70% to 80% of total internal spa guests. Due to the nature of the hotel properties, Riverside Spas capture more leisure spa guests, whereas, Downtown and Suburban Spas capture a higher percentage of business spa guests. Bangkok's MICE market is improving (4.5% growth in MICE arrivals in 2015), and this segment, as it continues to grow (pending no external events in the city that deter and hinder MICE bookings) will offer additional business opportunities for Bangkok spas.

According to interviews, 70% to 75% of internal leisure spa guests at Riverside, Downtown, and Suburban hotels' leisure guests prefer oil, aromatic, and Swedish massage, while 40% to 50% of internal business spa guests at Riverside and Downtown Spas prefer particular treatments for relieving their work stress (e.g., Stress Release Massage and Aromatic Release).



The average treatment time for leisure spa guests, across all of the hotel spas that were interviewed, is currently 90-minutes, 30-minutes longer than the average treatment time of business spa guests.

It is interesting to note that Thai massage and Thai foot massage treatments are not a popular treatment type for Riverside, Downtown, and Suburban Hotel Spa guests.

Bangkok Luxury Day Spa Guests

Day spas in Downtown Bangkok typically capture 60% to 90% foreign guests, whereas Day Spas in Suburban Bangkok typically capture only 10% to 20% foreign guests. Among the Day Spas in Downtown Bangkok that were interviewed, Chinese consumers currently account for 60% of total guests. Suburban Day Spas tend to capture a higher proportion of Thai residents than Day Spas in other parts of Bangkok, 90% of their guests are Thai.

Luxury Day Spas sell a more diverse selection of spa treatments than Hotel spas. According to interviews, 40% to 50% of foreign guests purchasing treatments at Luxury Day Spas buy Thai Massage and Thai Foot Massage treatments and 30% to 35% try exotic treatments that usually require specialized treatment rooms and/or specialized equipment (Tibetan Sound or Quartz Stone).

At Luxury Day Spas, 70% to 80% of Thai guests prefer to purchase Western massage and facial treatments, such as aromatherapy and oil massage, and hydrating facials. Average treatment times are between 90 and 150 minutes for Thai guests, tending to be longer than other types of consumers.

How Well Do Bangkok Spas Perform?

Riverside, Downtown, and Suburban Hotel Spas, on average, realize between 5% and 10% revenue growth per year. On average, they generate between 3% and 5% of total revenue through the sale of spa retail products. Spas at the upper-end of the luxury range generate between 8% and 10% of total spa revenue through the sale of retail products.

Between 20% and 40% of guests accessing Riverside, Downtown, and Suburban Hotel Spas (including guests not staying at the hotel) visit multiple times. Although Bangkok has a plethora of spas, guests of Hotel Spas, internal and external, tend to demonstrate loyalty.

Although Bangkok has witnessed an increase in foreign visitors, the majority of its Luxury Hotel Spas' guests remain as Western guests, who tend to spend less on spa, and many Hotel Spas are failing to capture spa guests from emerging markets. Hotel Spas, therefore, are not "cashing in" on the increase in foreign arrivals to Bangkok. According to our interviews, Riverside, Downtown, and Suburban Hotel Spas are operating to budget, anywhere between 5% and 8% above last year, similar to the long-term revenue growth trend.

On the contrary, Luxury Day Spas, primarily Downtown Day Spas are "cashing in!" They currently operate anywhere between 15% and 20% above their 2015 performance levels. These day spas are catering more carefully to changes in consumer profiles and offering treatments at lower prices, with similar treatment quality, design, and overall experience.

Conclusion

The gap between Luxury Day Spas and Hotel Spas in Bangkok is narrowing. Luxury Day Spas are improving; as seen by: (1) the quality of their facilities; (2) their overall interior design; and, (3) their service standards. Furthermore, and by actively contacting and working with various tour companies, evidence suggests that targeted marketing to East and North Asian tour groups is being successful and profitable. Luxury Day Spas are demonstrating higher levels of business acumen and flexibility to their markets than Hotel Spas.

As Bangkok's spa market flattens, the winners in both Luxury Day Spas and Hotel Spas, will be those who are more aggressive in their sales and marketing activities. For Hotel Spas to "cash in", Spa Directors must analyze their market and actively work and engage with the Hotel's sales team to drive FIT and group leisure business and MICE business to their spa and have a true understanding of the hotels' changing guest profiles and countries of origin because it is clear to see that spa spending habits vary greatly.

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As a Consultant for Horwath HTL Health and Wellness, Bell is responsible for conducting market research and feasibility for wellness-oriented hospitality and mixed-use development projects. Her specializations include analyzing overall market situation, determining potential competitors and their performance, and recommending appropriate development strategies. Bell holds a Master of Science in Hospitality and Tourism Management from Purdue University, USA. Bell was also a co-author of the academic article "Conceptualizing Transformative Guest Experience at Retreat Centers," published in the International Journal of Hospitality Management (IJHM) and "A Strategy of Duality: New Choreography for the Marriott/Ritz-Carlton Dance," published in the Journal of Hospitality & Tourism Cases (JHTC).



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Matthew Brennan, a Co-Founder and Director of Horwath HTL Health and Wellness, directs the market research team who author the market research and feasibility study's, prepared for spas, wellness centers, bathhouses and wellness-centric hotels and resorts, and leads other administrative functions of the business. Since receiving his BSBA in Finance from The University of Denver in Colorado, USA, Matt has worked in a consulting role in four different continents including Asia, Europe, Africa and North America for private property developers, institutional investors and the world's leading hospitality management companies. Matt co-authored the chapter, "Spa Feasibility – Steps and Processes" included in the first spa management textbook titled Understanding The Global Spa Industry: Spa Management, published by Oxford University Press and routinely contributes to other industry publications. Matt has been in Asia for five years and enjoys golfing during his free time.

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PICTURES:

Spa Suite at Anantara Riverside Bangkok Resort

Spa Suite at Rarinjinda Bangkok Ratchadamri Spa



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