

Does the trend for wellness mean the spa market will replicate the fitness sector? Danny Fryer reports

Time to take the plunge?

Spas used to be either an exotic pastime for an elitist crowd or somewhere for the elderly or sick to relax and recuperate. Times, however, have changed. A plethora of developments are bubbling away in the United Kingdom, bringing mass-market appeal to the spa sector.

Gathering pace

The UK spa market is growing with a number of high-profile spa projects either already opened or on the drawing board as the trend towards wellness – the holistic approach to health, fitness and well-being – gathers pace over more traditional fitness-only concepts.

But the market here is still way behind mainland Europe, much of which has an extensive spa culture. However, industry observers say we are not that much behind the United States, where the spa sector has exploded. Mintel research shows that, last year, the US health club industry was worth an estimated \$13.5bn, while the US spa industry was worth an estimated \$14.0bn.

If we are following US trends, then the growth potential for the spa market here seems significant.

Figures for the spa sector here are limited. *Health Benefits*, the first report into the spa market, published last year by the then English Tourism Council (now part of Visit Britain) says that 2.6% of the UK adult population (1.2 million people) take spa breaks and that the sector could double in size over the next few years, from its current worth of £1.4bn to £2.8bn. The report also says that there are currently around 1,050 day spas in the UK and 910 fitness clubs with spa facilities.

The Leisure Database Company's *State of the Industry Report 2003* survey says that there are 1,943 private sector clubs and 3,697 public sector leisure centres in the UK. The study also says that membership of UK public and private sector health clubs is now 5.84 million, and that the percentage of the population who use clubs here is now around 10%. This penetration level compares to 13.5% in the US, indicating not only further growth opportunities in the currently troubled health and fitness sector in the UK, but presumably in the much less developed spa market, too.

Unlike the fitness club market, spas have not caught the eye of the private equity firms – yet. David Giampaolo, the chief executive of Pi Capital says: "Several companies are interested in fitness, which can transcend into the spa sector, but I don't know of anyone who is interested in spas per se. Although several companies, such as Cinven and their peers, are probably keeping a close eye on the market."

However, Bridgepoint Capital recently acquired 60% of Molton Brown, the bathing products firm which has diversified into spa operation, for £28m. Bridgepoint first invested £750,000 in the company in 1994.

James Murray at Bridgepoint says: "We think

now is the time to support the brand further – it now has significant critical mass to sustain growth in the UK through its own stores."

Murray says Bridgepoint saw the most potential from the retail sales side of the business but says the brand is "strong and developable" and that further spa developments may be considered.

Molton Brown currently operates two spas in the UK – a travel spa for British Airways customers at Heathrow Airport and a day spa at Bluewater shopping centre near Dartford, Kent. It runs another travel spa at JFK Airport in the US and a hotel spa at Hotel Saint Barth Isle de France. The company says it is too early to say which of the three different formats – travel, day or hotel spa – is most successful, but it does have plans for further travel spas.

Rob Gregory, who helped establish the Elixia fitness chain in Europe and is now working with Simon Woodroffe of Yo! Sushi fame on a UK spa project, believes the very nature of spas could give them more long-term development potential than traditional health and fitness.

"The difference between health clubs and spas is that spas are fun and health clubs are painful. For most people, it is pretty boring going to the gym," he says.

All of this begs the question – why has the spa market not yet realised its potential? After all, it is not as if the UK has never had a spa culture.

The Romans brought spas, bathhouses and their ilk with them thousands of years ago and destination spa resorts were commonplace in Victorian England. In fact, England once had 220 spa towns. Now it has 10 and while these still attracted 1.3 million people in 1999, according to *Health Benefits*, none currently operate as spas (however, there are plans afoot for this to change – see box on major projects).

Tabitha Stapely, founder and director of online spa directory, SPAaah! says the reason for the rise and fall of the original spas was money: "Historically, you will find that only when a society reaches a peak of wealth, do we have the time or the inclination to look at ways of improving the quality of our lives."

The current interest in spas could, therefore, be partly due to today's generally higher levels of disposable income. But there are also other factors driving the sector's growth.

"It's a global trend, not just a UK demographic change," says Susan Harmsworth, founder and creator of spa consultancy ESPA. "People's lives are so stressed these days, so time poor, and they want escapism."

Tanya and Allan Wheway, who at one time owned the famous Champneys health resort in Tring, Hertfordshire now own a spa consultancy business, Wheway Lifestyle International. They are trying to bring their Alanya spa concept, already operating in Spain, to London. Tanya Wheway believes a combination of things have contributed to the recent growth of interest in

spas, including increasing consumer access to and interest in the Far East, borne out by the growing popularity of treatments from this part of the world. She also says that the guilt that she witnessed in women indulging in a bit of pampering when she first worked at Champneys has now all but disappeared, with most spa customers seeing relaxation as a need and some of the treatments as essential maintenance.

Harmsworth, at ESPA says that men's growing interest in their health and appearance is also helping drive investment in spas. She says that men account for about 40% of business at the spas her company is involved in.

Hotel spas and health resorts

Another key factor for the current direction of the spa market is competition in the hotel market, according to Stapely at SPAaah!

"One of the most telling signs has been the usurpation of the golf course. For many years, it was the single most important marketing facility for a hotel to offer its guests. Now it is a spa," she says. "Hotels have spent millions on adding and updating their spa facilities to keep in line with market demand over the last decade."

And aside from being a marketing tool, a spa can be a useful source of extra revenue for a hotel. The Sheraton Grand Hotel and Spa in Edinburgh, for instance, reported weekend leisure business up by 20% the first year after opening its One Spa in September 2001.

It is a trend that looks set to continue. A spokesperson for the company says: "We are predicting that individual leisure business is due to increase by a further 10% overall from 2002 to 2003."

And this could be boosted by the spa's recent double win at the British Beauty Awards.

Harmsworth at ESPA says hotels and spas are very complementary, providing facilities for a captive market and enabling costs to be spread – for example laundry bills for the spa will not be a big issue for a hotel, which would already be handling laundry.

With the long-term trends for hotel use in the UK looking healthy, despite the well-documented recent global and national tourism issues, the opportunities for hotel-based spas look good. In fact, the global problems have encouraged a lot of hotel operators here to turn their attention to the domestic leisure breaks market, as Gregory from Yo! Points out.

"There's a drive towards short breaks and mini-holidays," he says. "These appeal to a lot of people who want a long weekend, to rest and get away from it all and to come back relaxed."

The same logic can be applied to the spa town revival projects, like the Thermae Bath project in Bath, which have the added attraction of history on their side. Such schemes, and the hotel spa trend, will go some way to pushing the market to the levels predicted in the ETC's spa tourism report.

Opinion is divided, however, over the longer term growth potential for destination spas, – the standalone health resorts that are often seen as the preserve of the rich and famous.

Tanya Wheway is one who feels this part of the market is saturated: "There's been virtually no growth in the destination spas in the last 10 years," she claims.

Cost and planning issues for building something like Champneys obviously limit opportunities for new projects of this kind, even though recent moves to broaden their market with more affordable packages have made them more popular. Most of the new spa projects, therefore, tend to be alongside hotels or smaller standalone day spa concepts.

This top end of the market has, however, been subject to consolidation in recent times. The Purdew family is now the leader in this part of the sector, after its acquisition of the Champneys Group just over a year ago. The deal, reported to be around £25m, was funded by a Middle Eastern consortium and added the famous Champneys resort to the Purdews' existing portfolio of four UK health resorts. The purchase also included two Champneys clubs in London and one in Brussels.

Stephen Purdew says future plans for the brand will concentrate on resorts rather than clubs. Plans include rebranding the Inglewood site as Champneys and acquiring sites for the brand in the North West of England, Scotland, the Caribbean and New York.

"We want to acquire the North West site within the next few months and the Scottish site sometime within the next 18 months," he says.

Each 100,000 square foot site will cost around £25m to develop and will include 100 bedrooms with 200 beds, a 25-metre pool, spa areas and gymnasiums.

Day spas and fitness clubs

The large-scale spa development opportunities may be few and far between and while hotels will certainly play a big part in the expansion of the market, it is perhaps the health and fitness arena and the smaller, standalone day spa market which offers the most potential, partly because the set-up costs are much lower.

There are many similarities between the UK spa sector now and the UK health and fitness industry of the 90s – it is very fragmented and there are plenty of opportunities for a large operator to come in and gain critical mass in the market with a branded chain. Whitbread is keen to test this theory and has announced plans to trial a spa chain. The project has come from Whitbread head office rather than from its David Lloyd Leisure health club division, which has given it valuable experience to build from.

The venture is nine months to a year away and still under wraps – the sites will not, however, include swimming pools – but Dan Waugh, Whitbread corporate affairs manager stresses that its roll out will be dependent on Whitbread's confi-

Major new spa projects

Project Name	Sequoia at The Grove, Chandler's Cross, Hertfordshire
Cost:	Undisclosed
Developer:	Ralph Trustees Ltd/ESPA
Operator:	ESPA
Opening Date:	September 2003
Project Name:	Pennyhill Park (spa at the hotel in Bagshot, Surrey)
Cost:	Undisclosed
Developer:	Spascape/Pennyhill Park (Landolt family)
Operator:	Pennyhill Park
Opening Date:	Autumn 2003
Project Name:	Thermae Bath Spa, Bath, Somerset
Cost:	£7.8m
Developer:	Bath and North East Somerset Council, Millennium Commission, Thermae Development Company (UK)
Operator:	Thermae Bath Spa
Opening Date:	Late 2003
Project Name:	Amida Hampton Racquets and Fitness Spa, Hampton, Middlesex
Cost:	£10m (spa) £20m (overall)
Developer:	Stax Leisure
Operator:	Stax Leisure
Opening Date:	January 2004
Project Name:	Aqua Health Spa at Risley Hall Hotel, Risley, Derbyshire
Cost:	Undisclosed
Developer:	Risley Hall
Operator:	Risley Hall
Opening Date:	November 2004
Project Name:	Buxton Crescent and Spa, Buxton, Derbyshire
Cost:	£15.5m (estimated)
Developer:	None as yet. Brief from High Peaks Borough Council
Operator:	None as yet
Opening Date:	2006

dence in getting a good return on its investment. "Whitbread is quite demanding. An individual business must be capable of pulling in £10m operating profit per year to be viable."

Harmsworth at ESPA, does not believe Whitbread's plans will lead to a rush of branded chains, as happened in the fitness club industry. "I have had, on average, one enquiry per week for the past five years on branded spas and I have yet to see one rolled out," she says.

Boots the Chemist experimented with a high street spa concept, but got burnt. Its Wellbeing Service Centres, which offered health and beauty treatments, ran into trouble during the first year and closed soon after and while the firm's one health club/spa in Greenford, Middlesex still operates, its future is still under review.

But Wheway believes the increasing accessibility and acceptability of spa treatments should be enough of a reason for more operators to take the plunge and attempt a high street spa chain.

To date, no-one else has unveiled similar plans to Whitbread. The spa in a fitness club model, however, is continuing to be rolled out by a number of players, even though there have been a number of recent changes in the market.

The Academy Spa Group sold its Holmes Place operations to concentrate on its own spas. However, the four former Academy sites in Holmes Place were taken over by Serve Health & Beauty and converted to its re-aqua spa brand.

All in all, Serve has 23 re-aqua spas, 18 of which are stand alones, four that were former Academy spas at Holmes Place (Canary Wharf, Kensington, Notting Hill and Epsom), and one which was a Holmes Place new-build (Sunbury-on-Thames).

Suki Kalirai, chairman of Serve Health and Beauty and president of the UK branch of the International Spa Association, says it is not planning further spas at Holmes Place clubs at the moment but that it plans to open a new re-aqua spa every two to three months.

Virgin Active Clubs, meanwhile, takes an integrated approach to spas and fitness. Frank Reed, the Virgin Active chief executive, says this "gives our members a comprehensive package, all under one roof at an affordable price." Out of Virgin's 14 clubs in the UK in operation now, 11 contain spas. More are on the cards.

Stax Leisure is another fan of the integrated club/spa concept. It is following up its award-winning Amida Total Wellbeing in Beckenham, Kent with the £20m, 78,000 square foot Amida Hampton Racquets and Fitness Spa in Twickenham. Negotiations are also underway for further sites.

Tanya Wheway, however, warns that spas and fitness clubs are always happy bedfellows. "When we were at Sanctuary, we put spas into David Lloyd. We do things very well, make the most of our treatments and treatment rooms but we found people wanted cheaper, more mainstream stuff, such as nails, not facials."

Sanctuary pulled out of David Lloyd Leisure a few years ago. A DLL spokesman said it was because Sanctuary's business model – open to the general public, walk in off the street – and the David Lloyd business model – club membership – were incompatible. Now, nearly all of the Whitbread-owned David Lloyd Leisure clubs do have spa facilities, but most are treatment and beauty rooms, as opposed to wet spas. Most of these (35) are operated by Saks, seven are operated in-house and 10 by other franchisees. The company plans to have 100 clubs by 2010 and most will have spas of some description.

While the parallels between the traditional fitness club market and the spa market are obvious, the opportunities are different. For a start, there are so many angles for growth – spas in hotels, fitness clubs, stand alones, spa towns or branded spa chains. And beyond that the niche market opportunities are plentiful – spas can focus on beauty, on relaxation and even specialist medical areas. And all of this is against a background of increasing awareness and participation in the softer side of health and well-being. The UK may not have a spa culture like other parts of the world, but the time could be ripe to invent its own.