

# Wellness and Hospitality Resilience in Economic Uncertainty - Part I

July 23, 2018 / By Mia A. Mackman



This article reviews important keynotes to protect wellness and hospitality investments after a decade of significant market and industry change. The recent U.S. tax cuts in 2018, have given many households and companies, a sense of relief from taxation with an improved economic outlook and sense of stability. This has ignited a swell in travel, business, and consumer spending. This article reveals how recalibrating investment outlines, management and strategic planning can increase the life-cycle and sustainability of the business, and how

to prepare for the increasing speed of change in the years to come.

## Lessons from 2008

The global impact of the Great Recession between 2007-2008 was extensive and significantly touched the lives of millions of people.<sup>[1]</sup> In the hospitality industry, customary modes to manage the toll of the recession were often layoffs, budgetary cutbacks and business closures. We witnessed a widespread halt in spending, a slowdown in new development and an upsurge of mergers and acquisitions. These changes also greatly impacted executive management roles, compensation structures, and significantly changed the way people worked, traveled and planned ahead.

Despite today's social and political turbulence, a decade later, the economy appears to have significantly improved. Hospitality and tourism are growing, and wellness-travel is yielding powerful returns. New investments and real estate developments are underway worldwide and there is an upswing in hotel, resort and mixed-use real estate development to meet increasing demands. Airbnb launched in 2008 and continues to thrive and expand its platform with local experiences, business travel, meetings and groups and more, further evolving today's travel dynamics.<sup>[2]</sup> Hospitality in general, looks dramatically different today, then it did ten years ago.

As markets appear to be trending strong on the surface, what are some of the lessons we can learn from the recession of 2008? First, economic change can be an insidious curve. There are always layers of uncertainty and fluctuations looming in new growth and overstated trends. Second, when times are tough, the number one thing people continue to seek is *relief*. Personal health, quality of life and *feeling good*, matter more to people than ever before. Three, being innovative and resourceful can convert to true advantages. Being able to adapt and have the dexterity to surf the waves of change are invaluable business skills.

## Economic Uncertainty and Program Diversity

The measure "Economic Policy Uncertainty" EPU<sup>[3]</sup> has been explored by a team of three people to understand the cross sections of "causes and consequences" related to economic-policy uncertainty and how these potentially impact the financial circumstances and management of different markets in the world's economy. This methodology includes human research as well as raw computerized data to create macroeconomic index types. As new markets emerge from smaller subsets, and public policies and tax laws change, these projections show the range of uncertainty over time. Figure 1 below highlights 20-years of the Global EPU index.

Monthly Global Economic Policy Uncertainty Index



### Summary

This article reviews important keynotes to protect wellness and hospitality investments after a decade of significant market and industry change.

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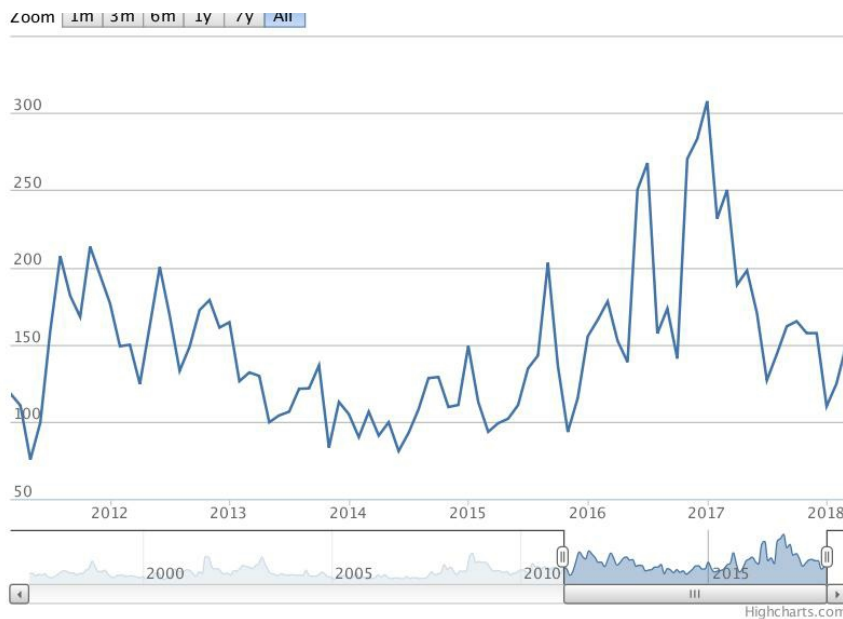
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Source: Economic Policy Uncertainty

As with any investment, it's important to have diversity. Leveraging the unique selling points of a hotel or resort can enhance perceived value and motivate guest engagement. It's important to differentiate property amenities, services, and pricing models in ways that increase operational flexibility. For spas it's critical to have a well-balanced range of traditional treatments, add-ons, automated services and retail to effectively develop and deploy multiple revenue streams. I shared specifics about this in a previous article where I revealed a new operation hybrid model based on a trio of services incorporating "automation and technology" <sup>[4]</sup>

These offerings should be based on the concept and theme of the facility and fit appropriately with the property type and its location. For example, customary spa treatments alone such as massage and aesthetics aren't enough to generate increasing profitability. These services should be accompanied with beauty services for hair and nails, medical-grade spa treatments and/or wellness offerings, naturopathic, spiritual or innovative lifestyle programs to enhance the depth and balance of spa and wellness performance. This approach presents compound income streams to establish effective performance safeguards, which should be tracked and reviewed regularly for both fiscal percentages and growth.

## Management and Staffing Challenges

In 2008, many hotels underwent management and staffing overhauls to comply with budgetary cutbacks. This left numerous Spa Directors and department managers unable to delegate to secondary management or supervisors. Albeit strong spa and wellness market growth, many of these roles have not been reintroduced to cultivate stronger yields. There are copious ways to protect the budget without cutting back on the people you need.

Investing in training, team building, and morale can return three-fold into the business. Having an adequate and committed staff can be an invaluable asset to business growth. While it's important to effectively budget payroll costs, investments made in developing an energetic and successful team can produce long-term and worthwhile results. When the winds of change start blowing, having a dedicated and steadfast team to get through it together can impart unrivaled focus to achieve hearty and earnest business goals.

## Investments and Strategic Planning

There's no question the hospitality industry is evolving and will continue to change significantly in the years to come. These changes raise a series of major considerations as to how financial operating models and fiscal framework relate to and benefit these new categories of growth. In order to pivot investment strategies with diligence and foresight, it's essential to examine long-standing and perhaps outmoded methods used to track

performance and relevancy.

When guarding spa and wellness assets, identifying market changes with well-timed accuracy can help integrate defensive planning. However, before introducing provisions to take action, it's crucial to diagnose performance proportions and existing operating levels to effectively analyze the standing life-cycle of the business. Once the foundation is set, identifying central performance markers can help establish a sequence of metrics to warn against burgeoning challenges and increase stability.

## Expanding Reach and Revenue

The global demand for new wellness integrations and healthy lifestyle components have provoked a widespread shift in thinking, attitudes and new preferences. Whereas, most spa treatments are viewed as personal-choice cash services, revenue from high-demand wellness services can come from insurance, memberships or payment plans. Offering a mix of spa and wellness services can deliver well-organized returns on investment and significantly increase revenue.

Another way to increase earnings is to introduce new membership structures. Instead of providing an exclusive spa and wellness philosophy, choosing to create a dynamic inclusive membership can reach a wider audience of people. Local or community-based memberships can help offset seasonal lows, increase referral program functions as well as inspire new social activities for meetings and groups. For example, introducing memberships to local companies, organizations, women's groups, or prevention focused medical facilities can cultivate a rewarding and sustainable blend of new clients and customers.

## Wellness Tourism Facets

The evolution we have witnessed in guest profiles and travel preferences emphasizes the momentum tied to wellness travel. As shown in figure 2, the Global Wellness Institute features a combination of retreats, healthy and organic spa cuisine, fitness, meditation and life coaching as a part of 2015 wellness spending. Tapping into these various wellness-focused areas presents a myriad of hotel, spa and wellness advantages.



Source: Global Wellness Institute, Global Wellness Economy Monitor, January 2017



Source: Global Wellness Institute

A primary example of this is organic gardens and agricultural assets. They are an excellent way to invest in sustainable, in-house, health conscious resources at the property. These don't often require a lot of space and they can be a modest investment. However, they convey the importance of well-being, healthy food and complement value across multiple departments i.e. food and beverage programs, spa rituals and treatments, in-room amenities and more.

The company Six Senses is one example. I recently stayed at the Six Senses property in Douro Valley, Portugal

where they incorporate their organic garden and vineyard in a number of experiential ways throughout the property. They have an Earth Lab for cooking and canning classes and an Alchemy Bar in the spa. Using their own natural resources, they have created extensive programs to add-value and enhance the quality of stay. In a recent article, "Whole food, soul food" they shared some of the company's compelling "farm-to-fork" ideals.<sup>[5]</sup>

## Purpose and Preparedness

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As automation creeps into all aspects of business from setting reservations and appointments, to semi-automated spa treatments and fully-automated virtual and neurological wellness services; deliberately expanding hospitality and wellness with more purpose can have its rewards. Keeping up with new developments and industry news, can be valuable insight.

It always feels better to be ahead of the curve, then behind it. Taking proactive measures to moderate risks, evaluate program performance and construct a calculated plan can have untold advantages. Unexpected changes in business cycles, seasonal successions, and occupancy averages can be met with innovative solutions when you're aware of potential challenges. It's well worth the time to line up routine standards, tracking systems and platform proficiencies.

## Final Thoughts

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In the years to come, having sustainable partnerships, localized resources, timely analysis cycles and effective management will play key parts in upholding opportunities for growth. Well-balanced programming with a mix of services can support flexibility and expand revenue. Moreover, this is a time of rapid change. The steps you take to examine the performance of business today, can simplify important choices and resiliency in the future.

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<sup>[1]</sup> <https://www.thebalance.com/the-great-recession-of-2008-explanation-with-dates-4056832>

<sup>[2]</sup> <https://buyingbusinesstravel.com/news/2028710-airbnb-targets-event-planners>

<sup>[3]</sup> <http://www.policyuncertainty.com/index.html>

<sup>[4]</sup> [https://www.hotelexecutive.com/business\\_review/5497/reorganizing-spa-operations-to-leverage-automation-and-technology](https://www.hotelexecutive.com/business_review/5497/reorganizing-spa-operations-to-leverage-automation-and-technology)

<sup>[5]</sup> <http://newsletter.sixsenses.com/whole-food-soul-food/>

### About Mia A. Mackman



Mia A. Mackman, HVS Managing Director of Spa and Wellness Consulting, leads the spa and wellness aspects of our consulting engagements, encompassing market studies, feasibility studies, strategic planning, valuation, and forecasting. Mia has predicted leading shifts in the transition of the spa and wellness market since 2004. Known for her agility, leadership, and intuitive insight, she works with global investment companies, property developers, hospitality organizations, industry groups, and global think-tanks. She is recognized for her success predicting and identifying future value propositions. to navigate, adapt, and excel in a fast-changing market. Contact Mia at (928) 284-8503 or [email protected]