



## EUROPE: *United Kingdom*

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### ECONOMIC CLIMATE

Like most regions of the world, the wellness industry has been impacted negatively by the economic crisis and unfortunately there have been a number of establishments that have gone out of business as a result. However, despite the difficult economic climate, there have been a few areas of the industry, which have generally performed well, namely: gyms, value priced spas, and hotel spas.

Many gyms and fitness centers saw a significant increase in usage and memberships following the economic crisis. Gym operators consistently reported that in the economic slow-down, consumers have renewed their focus on their own health and wellbeing. And while, operators have found it difficult to increase membership fees during this period the increase in gym usage and ancillary revenues has sustained many businesses in this area.

The other area of growth has been the spas and salons that are value-priced. Consistently, these operators have reported double-digit year-on-year growth during this period as consumers have maintained their usage of spa and salon services but shifted to lower priced providers. Some of these operators have relied on headline discounts to drive new customers, but the most successful have focused on creating compelling value-added packages for the mass-market consumer.

The biggest beneficiaries of the financial crisis appear to have been the domestic hotel spas and resorts. The decline in the value of sterling has meant that many consumers have chosen to spend their holidays inside the UK and those hotels and resorts which have a credible spa offering are particularly attractive for either a short break or a family holiday. One national spa resort operator reported an astonishing 96% occupancy rate for the year. Destination and city hotels are learning to better package rooms with services and treatments and hotel spa managers are becoming the darlings of the hotel as general managers are finding that the spa can be an effective tool in selling room nights.

### STATISTICS

Despite the encouraging signs that the wellness industry is weathering the economic crisis relatively well, there remains the long-standing concern that the industry is viewed as an unnecessary luxury by too many. The 2010 National Health and Fitness Omnibus Survey by Leisure-net solutions, an ongoing study of 1,600 UK consumers, reported that 61% felt that “spa treatments are a special treat that should be done every now and then”. This is a concern as it suggests that the spa industry can do more to become front and center of the consumer’s wellness regime rather than an occasional luxury.

## INNOVATION

The online collective buying and private sale phenomenon, which has taken the US by storm through websites like Groupon and Gilt Groupe, has rapidly become a major force in the UK market. There have been more than 20 companies in the UK that have launched in this area. The sites tend to offer a range of lifestyle related deals including restaurants, bars, events and spas.

The exact mechanisms for these sites vary, but essentially they all provide a platform for businesses to reach new customers through a discounted offering (sometimes with a minimum number of people needing to purchase to activate the offer), to a targeted group of customers, for a short period of time (typically a day). The social networking and viral aspects of these sites combined with the discount and the short sale period mean that these sites can generate tremendous amounts of business and new customers for even the smallest of businesses.

Wahanda was an early mover in the space with a focus on wellness, and we are already beginning to see consolidation with many of the websites either closing down or merging, however, a few winners will certainly emerge in each market and they appear destined to become an important marketing channel for spa operators who are willing to discount to drive incremental business.

Of course, the discount model is not right for every spa or salon operator, however, it is rapidly becoming clear that the emergence of the Internet as a “social buying” medium will have a powerful impact on everyone in the wellness industry and how we market.

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### SUBMITTED BY:

Lopo Champalimaud  
CEO  
Wahanda  
London, U.K

+44 777 935 3574  
lopo@wahanda.com  
<http://www.wahanda.com>

