

Analyzing the Attractiveness of Luxury Spa in Thailand

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Abstract

This article proposes to describe and analyze the attractiveness of luxury spa industry among key players of five star spa in Thailand context to indicate the degree of the five competitive forces and suggest the direction for the new players to acknowledge in the recent circumstance appropriately. This study is an academic paper using a case study-based approach which secondary data and case study analysis were mainly adopted. The study analyzed the attractiveness of the industry by means of Porter's Five Forces model. The finding showed that four out of five perspectives implied the decent signs of industry attractiveness while the new players should compare these five competitive forces and evaluate the performance before entering any industries.

Keywords: Luxury Spa, Industry Attractiveness, Five Forces Model

บทคัดย่อ

บทความนี้มีวัตถุประสงค์เพื่ออธิบายและวิเคราะห์ความน่าสนใจของอุตสาหกรรมสปาในระดับหรูในกลุ่มผู้ประกอบการโรงแรมสปาระดับห้าดาวในบริบทของประเทศไทยเพื่อแสดงให้เห็นถึงระดับของแรงกดดัน 5 ด้าน และเสนอแนะแนวทางสำหรับผู้ประกอบการรายใหม่ที่ต้องการเข้าสู่อุตสาหกรรมของธุรกิจสปา ระดับหรูได้อย่างเหมาะสม สำหรับบทความนี้ได้ใช้วิธีการศึกษาเฉพาะกรณีซึ่งนำมาใช้เป็นข้อมูลทุติยภูมิและการวิเคราะห์กรณีศึกษาโดยใช้แบบจำลอง Porter's Five Forces และจากผลการศึกษาพบว่า 4 จาก 5 มุมมองของแรงผลักดันนั้นสะท้อนถึงสัญญาณที่ดีของความน่าสนใจของอุตสาหกรรมสปาในระดับหรู อย่างไรก็ตามผู้ประกอบการรายใหม่ควรทำการเปรียบเทียบแรงผลักดันการแข่งขันทั้งห้าประการเพื่อประเมินถึงความสามารถในการแข่งขันก่อนการเข้าสู่อุตสาหกรรม

คำสำคัญ : สปาในระดับหรู ความน่าสนใจในอุตสาหกรรม แรงกดดัน 5 ประการ

Introduction

Spa has recently been considered as the main driver to stimulate the wellness trends. It contributes \$3.7 trillion to wellness industry because the new era of wellness business is based on the silence of the hotel, retreats and spas in 2018 (Global Wellness Summit, 2017). Similarly, the Statistics portal (2015) indicated that the increasing number of total wellness industry revenue in the US could be expected from \$5.6 billion to \$ 11.32 trillion between 2007 to 2021 and see the following upward trends because majority of people have begun to realize how wellness is importance in terms of physical and emotional relieves (see Figure 1). Hence, the global context attempted to explain the lifestyle of people for the current era that concerned about their health can be enhanced the trends of wellness particularly the spa industry.

Fordham (2018) from CNN denoted the ten places of the world's best hotel spas that practiced skills of its therapists as well as abilities and types of treatments to deliver the value of service and capture the guest's satisfaction when they attended including Switzerland, Indonesia, United States, Italy, Puerto Rico, United Kingdom, French Polynesia, Mexico, and Thailand. Majority of ten place of the world's best hotel spas contained the countries in Europe and United State, and generally of these countries were developed countries excepted Thailand and Indonesia which categorized as an advanced emerging and secondary emerging respectively.

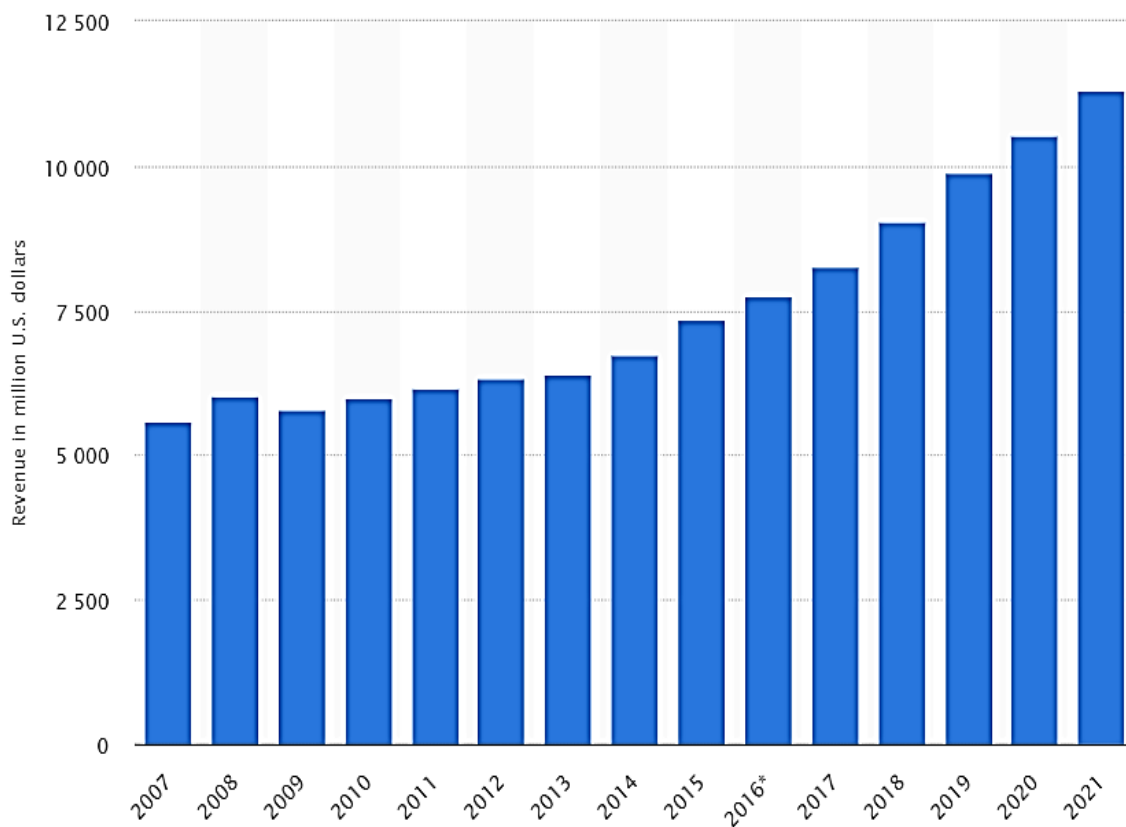


Figure 1 Total corporate wellness service industry revenue in the United States from 2007 to 2021 (in million U.S. dollars) (The Statistics Portal, 2015).

Interestingly, World Spa Awards (2017) considered Thailand and Indonesia to recognize in terms of the best hotel spa, resort spa, and wellness retreat in 2017, Thailand received 10 prizes for best hotel spa, 9 prizes for resort spa, and 8 prizes for wellness retreat, while Indonesia acknowledged 7 prizes for best hotel spa, 9 prizes for resort spa, and 8 prizes for wellness retreat. Although, Thailand and Indonesia together well-recognized by World Spa Awards (2018), Thailand's economy is better than Indonesia based on classification of FTSE (2018) as well as its resources, this can imply that Thailand can have a better chance to develop country faster than Indonesia, and Thailand held the 10 prizes for best hotel when compared to Indonesia which received only 7 prizes for best hotel spa (FTSE Russell, 2018).

Thailand obtained 16th of top 20th spa market in 2015 which contained 2,304 spas, 70,897 spa employment, and generated the revenues amount \$1,007.0 million because the strength of Thailand based on utilizing and integrating among nature, herb, food, Thai traditional medicine and tourism-friendly environment which were completely appropriated with the spa industry and the trend of wellness tourism (Global Wellness Summit, 2017; Economic

Intelligence Center, 2017) (**See Table 1**). Accordingly, Thailand had recognized as the one of best destination that guest or traveler tended to visit and get the unique experience of service based on fully resources which encouraged the spa industry on the recent trend of guest or traveler, nevertheless, how attractiveness of spa industry can be pulled national and international firms to invest and compete still blur to explain academically and logically, especially, the analyzing the strategy of key players of spa industry in Thailand context.

Table 1 Top Ten Spa Industry in Asia-Pacific, 2015

Country	Number of Spas	Spa Revenues (US\$ millions)	Spa Employment
China	12,595	\$7,094.3	288,368
Japan	7,069	\$5,079.8	115,515
South Korea	2,966	\$1,482.7	38,971
India	4,734	\$1,461.8	55,862
Thailand	2,304	\$1,007.0	70,897
Indonesia	2,070	\$922.9	60,682
Australia	1,162	\$791.5	12,208
Hong Kong	739	\$677.0	12,431
Taiwan	886	\$499.7	11,789
Singapore	740	\$452.4	8,287

(Global Wellness Summit, 2017)

Objective

This article propose to describe and analyze the attractiveness of luxury spa industry among key players in Thailand context to indicate the degree of the five competitive forces and suggest the direction for the new players to acknowledge in the recent circumstance appropriately.

Determinants of Industry Attractiveness

Porter (1985a) proposed the concept of competitive advantage based on creating and sustaining superior performance to explain and analyze the determinants of industry attractiveness and generic competitive strategies as the core concept of competitive advantage. Besides, the assumption of determinants of industry attractiveness based on five competitive forces included (1) the entry of new competitors, (2) the threat of substitutes,

(3) the bargaining power of buyers, (4) the bargaining power of supplies, and (5) the rivalry among the existing competitors (Porter & Gibbs, 2001) (see Figure 2). Furthermore, Porter (1985a) and (1985b) provided the core issue when describe and analyze the industry attractiveness including:

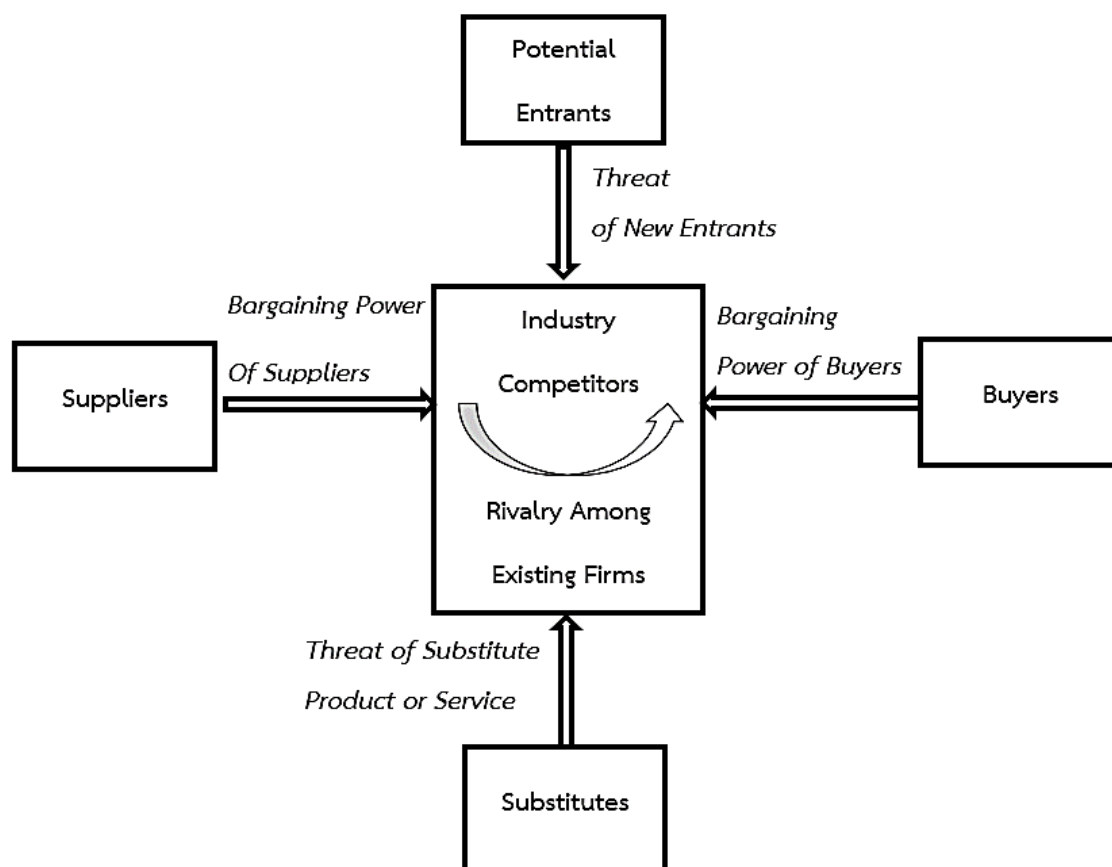


Figure 2 The Five Competitive Forces that Determine Industry Profitability Porter (1985a cited in Porter & Gibbs, 2001)

Potential entrants should be considered the entry barriers such as a capital requirements, access to necessary inputs, and brand identity:

Substitutes should be concerned the threat of substitute product or service for instance, relative price performance of substitutes, switching costs, and buyer propensity to substitute;

Buyers should be focused the bargaining power of buyers based on buyer power issue in terms of bargaining leverage and price sensitivity such as Buyer information or Decision marker's incentives;

Suppliers should be centered the bargaining power of suppliers issue for instance, the importance of inputs on cost or differentiation and volume to supplier; and

Industry competitors should be considered rivalry among existing firms such as industry growth, product differences, brand identity, or diversity of competitors. Therefore, the five competitive forces as an essential tools to explain and analyze the determinants of industry attractiveness or profitability in several context academically and empirically. For instance, Porter & Gibbs (2001) investigated the impact of internet towards the five competitive forces to describe and analyze how the internet influences industry structure, and result found that the internet had impact towards the five competitive forces in the positive and negative effect to imply the bird eyes view of industry attractiveness. Similarly, Hernández-Espallardo, & Delgado-Ballester (2009) studied the competitive forces as the moderator variables between two set of variables included market orientation and degree of production innovation, degree of product innovation, and degree of production and open system performance, and result found that 218 small and medium manufacturers should be considered the degree of five competitive forces because it can be changed the impact between exogenous and endogenous variables. Besides, Ruangriyapakdee (2014) and Watcharodomprasert (2015) utilized the five competitive forces to explain the profitability of low cost airlines and trading science materials in Thailand context, the result found that this concept can be explained these phenomenon logically to imply and suggest the business to prepare their resources appropriated with the recent competition environment.

Hence, the five competitive forces can be described and analyzed the circumstance not only theoretical aspect but also practical aspect in Thailand and other context in various types of business, this concept will lead to describe and analyze the determinants of industry attractiveness of luxury spa industry in Thailand, EDTguide (2016) indicated the top ten as five stars spa that guest and travelers must be visited because among of these brand can be identified as a luxury spa (see Table 2).

Determinants of Industry Attractiveness of Luxury Spa Industry in Thailand

This section utilized the five competitive forces of Porter (1985a cited in Porter & Gibbs, 2001) to explain and industry attractiveness of luxury spa industry in Thailand based on the ten key players perspective including:

1. Potential entrants (Threat of new entrants): Brand identity is the main issue to contribute a high barrier of entry among the luxury spa industry because this factor can be represented what and how business expected to deliver the service to guest. Obviously,

majority of top ten spa in Thailand had grounded by brand of hotel to enhance the confidence level of guest through brand image of hotel and send the message of high value services to guest. Thus, a high barrier of entry can be contributed the advantage for top ten spa in Thailand because it can be reduced the number of new players.

Table 2 Top ten of luxury spa

Brand	Hotel	Membership fee or packages (THB) Individual/Couple
Devarana Spa	Dusit Thani	15,000/25,000
SoSPA	SOFITEL	20,000
Elemis Spa*	The St. Regis Bangkok	26,500
The Oasis Spa Bangkok*	-	30,000
Chiva-Som*	Chiva-Som	72,000
Anantara Spa*	ANANTARA	52,368
Banyan Tree Spa*	Banyan Tree	9,900
Shine Spa Suite	Sheraton	n/a
Okura Spa*	The Okura Prestige Bangkok	12,000
TAMMACHART DAY SPA	Novotel Bangkok on Siam Square	4,500

* ELEMIS Spa Therapy Memberships (LPG Face & Body Sculpt: Series of 8 LPG Treatments: Face or Body)

* The Oasis Spa Bangkok (Queen Membership)

* Chiva-Som spa package (Peak season rates, 3 nights, Ocean Deluxe Single)

* Anantara Spa (Price per year)

* Banyan Tree Spa (Full Day Experience 10am to 10pm)

* Okura Spa (Simply Nirvana Ritual, 4 hours)

* TAMMACHART DAY SPA (Body Beautifier, 3 hours)

2. Substitutes (Threat of substitutes of service): Switching cost can be performed as the factor which contained a high degree of threat in terms of substitutes of service because majority of spa presented a high price for membership fee or packages and relative price of other brand are similarly price and spa menu or packages (see Table 2). Therefore, the guest might be required a lot of involvement for switching from recent brand to another brand as well as when a guest considered the brand identity of spa, the loyalty of the brand has been occurred.

3. Buyers (Bargaining power of buyers): Buyer information and profits as the main issue to drive the degree of bargaining power of buyers in a high level because a guest

independently searches and selects the best spa that appropriated and valued to them, and among of guest in the luxury spa have a high power of purchasing. Although, a guest considered the brand identity of spa and loyalty in terms of brand, when a guest perceived another brand is better than the recent one, therefore, switching brand might be emerged if among of luxury spa cannot retained a guest through serving the best service higher than expectation.

4. Suppliers (Bargaining power of suppliers): Differentiation of input has a few impact towards luxury spa because the strength of Thailand as a rich resources in terms of nature and herb which easy to find, then, this issue can be reduced the degree of bargaining power of suppliers among of this industry.

5. Industry competitors (Intensity of rivalry): Industry growth and brand identity as the main determinants to encourage a high degree of luxury spa in terms of competition in Thailand based on reporting Thailand obtained 16th of top 20th spa market in 2015 and received several rewards to guarantee the uniqueness of service of each brand that delivered to a guest or visitor. Therefore, the top ten of luxury spa which supported by brand identity of hotel can be enhanced the degree of intensity of rivalry among the competitor, competition might be promoted the number of revenues among luxury spa industry because several brand attempted to employed the marketing communication towards national and international guest or visitor.

Consequently, considering the determinants of industry attractiveness based on ten luxury spa in Thailand can be summarized that this industry has a high level of attractiveness because this industry has a high barriers of entry, a high degree of threat in terms of substitutes of service, a high growth rate, and a low degree of bargaining power of suppliers, although this industry has a high degree of bargaining power of buyers, nevertheless four of five perspective implied the good sign of industry attractiveness (see Figure 3).

Conclusion and Recommendation

Five competitive forces of Porter (1985a) determinants of industry attractiveness of luxury spa industry four of five perspective implied the decent sign of industry attractiveness, the new players should be leveraged among the five competitive forces and evaluated the performance which aspect is positive or negative towards firms to

prepare the resources that perfectly fit with the recent circumstance. Furthermore, this article still has some gap to fulfill including:

1. This article should be tested and proved statistically and empirically based on Thailand context to deeply understand the recent circumstance in luxury spa industry:

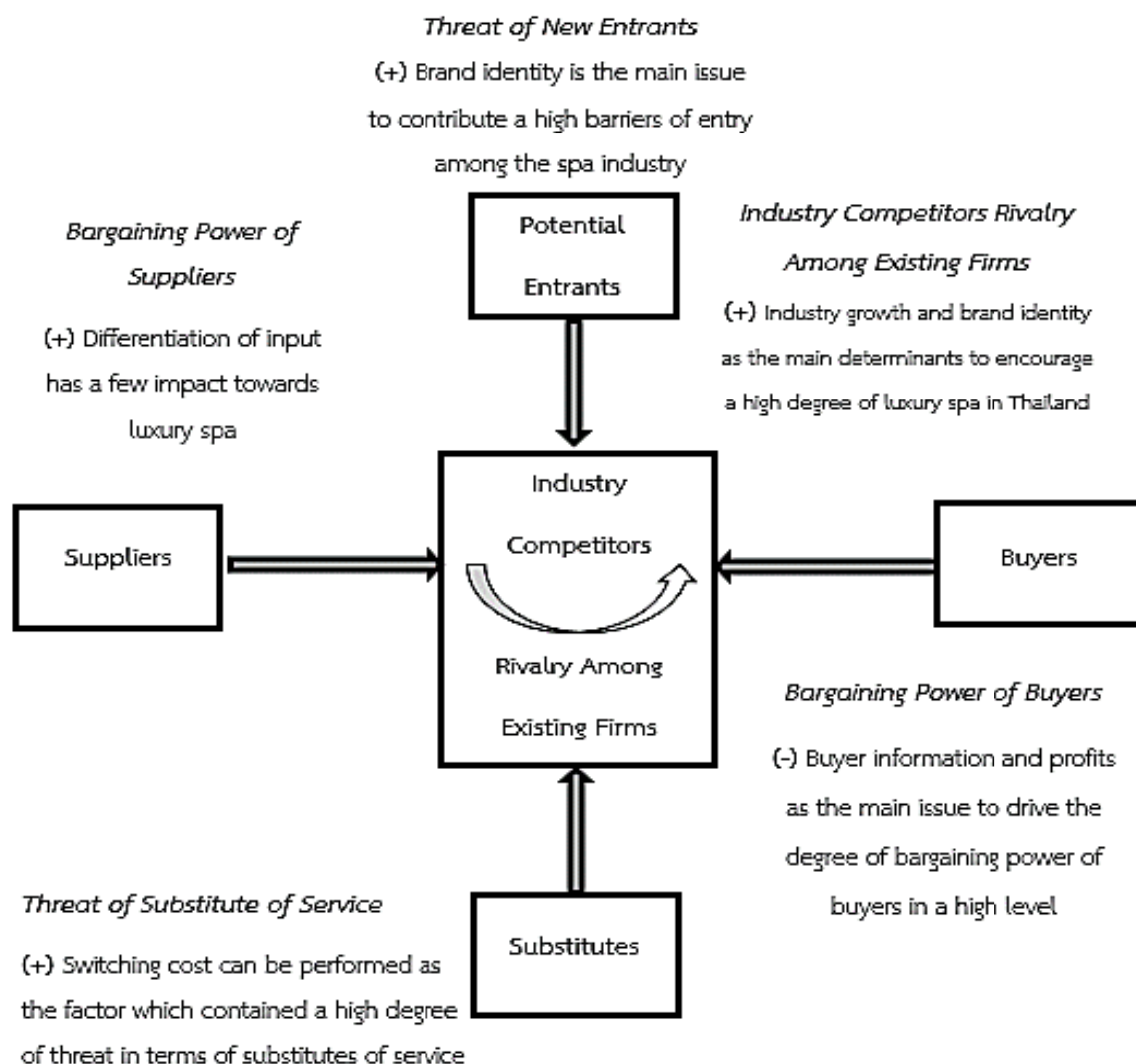


Figure 3 Determinants of industry attractiveness of luxury spa industry in Thailand

2. The generic competitive strategy should be considered because Porter (1985a) claimed that generic competitive strategy as the second step to consider a firm's relative position to determines the performance in terms of above or below the industry average based on three strategy (1) cost leadership, (2) differentiation, (3a) cost focus, and (3b) differentiation focus;

3. Although, five competitive forces determinants of industry attractiveness of luxury spa industry implied the positive sign of industry, when consider the different brand of spa with different segmentation, the result might be changed as well as considering the three generic strategies can be promoted the sustainable competitive advantage of the organization (Porter & Gibbs, 2001).

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