

DAY SPA

1. INTRODUCTION

In the wake of rising prosperity, education levels and awareness, there is increased interest in wellness – the well-being of body and mind. There are sections of population, which aim not merely freedom from disease but an experience of relaxation and lightness. In addition, they aspire for beauty – the skin, hair, muscles, eyes retaining the glow. There is also demand for being pampered in a bodily sense.

These motivations are responsible for the growth of spa industry. A spa is a place devoted to enhancing overall well-being through a variety of professional services that encourage the renewal of mind, body and spirit. These exist traditional knowledge, drawn from selected parts of the world, on which these professional services are based. The customer – profile (prosperous and/or aware), authenticity of traditional knowledge, its contextualizing to contemporary environment and marketing/promotion have elevated spa to the mainstream of modern lifestyle services.

The spa concept is amenable to being contextualized and hence there are various types of spa; as explained below.

- ✓ **Destination spa:** These are projects which attract customers from distant places and the customer is expected to spend a few days/weeks. They offer an intense and extended wellness programme, which itself is the main attraction.
- ✓ **Resort Spa:** These are set up at vacation spots and the offering is flexible – few hours to few days. But the customer pursues his vacation interests while going through spa therapy every day or once in a while.
- ✓ **Hotel-based Spa:** These are a variation of resort spas but recognize that the customer would spend a few hours rather than extended time. The hotel may be located at a vacation spot or in a business city.

- ✓ **Day Spa:** These are stand-alone spas. The offerings, however, are variable. A beautysaloon focused on facial, skin, hair and nail treatment may, in addition, offer spa therapy. In contrast, it may concentrate primarily on spa and beauty treatment services, in this case, would be limited.

2. PROJECT PROPOSAL

It is proposed to set up a day spa; a facility where the customer would choose a therapy or a bouquet of therapies lasting, say, one or two or three hours. In theory, a spa may offer treatments pertaining to face, nail, waxing/threading, hair, body, makeup, massage. It is intended to limit the offering mainly to body and massage. A spa, sometimes operates in healthcare space – managing diabetes, blood pressure, arthritis, etc. The proposed spa, however, will restrict its claims to wellness; it will not make any curative claims, its claims about ailment prevention will be generic (rather than specific) and low-key.

A spa has an option of being dry or wet; the latter offers hydrotherapies. The proposed spa will be a wet spa. In terms of menu, it will be a multi-tradition spa, drawing from Indian Ayurveda, Swedish massage, Chinese treatment and contemporary therapies. It will have steam bath and sauna bath facility to promote wellness.

In addition to offering spa treatments, it will also sell, on a retail basis, selected spa products.

3. DESIRABLE PROMOTER BACKGROUND

The success determinants in this business are customer-volume, customer satisfaction and revenue realization per customer. These, in turn are driven by demographic profile of the area, spa-location, design and ambience of the spa and customer-experience. The promoter should have at least preliminary knowledge/skill concerning spa-therapies so that he/she can judge the therapist skill. Likewise, flair for design and interior will be an advantage. The ability to promote the spa is essential.

4. INDUSTRY OUTLOOK AND TREND

The global spa services market is expected to reach a size of \$154.6 billion by 2022.

Spa services refer to facial, body massage, body treatment and other services provided under expert administration that revitalizes body and mind.

The market is driven by rise in disposable income, hectic and stressful lifestyle, growth of aspirational (need to follow what the affluent do) demand and the expansion of age-groups for such services (the senior citizens and teenagers who, some decades ago, would not have mattered much are now significant market segments).

The entry of spa professionals, who possess excellent expertise, is also impacting the demand for spa services favorably. There are experienced and accomplished foreign-origin therapists working in India spas, who are also contributing to enhanced customer response. However, the industry, sometimes, suffers from unsavory image, increasing the cost of operation of genuine spas on account of legal compliances/oversight. On the whole, the outlook for spa industry growth is positive.

5. MARKET POTENTIAL

The market for spa flows largely from high disposable income households. Besides net worth and education, exposure to lifestyle products/services drives the demand for spa service. Within the concept of wellness, there is a measure of ailment prevention and hence interest in healthcare, though in a limited way, also contributes to demand for spa. The spas attract both women and men, though women customers outnumber men customers in India.

There are two major streams of customers-residents and tourists. However, it is the hotel/resort/destination spas which attract tourists. The day spa, proposed by us, will run mainly on the strength of local residents. The day spa can also become a "franchisee spa. Aura That, The Four Fountain, O2 Spa, Seven seas, Moksha and Red Door are the well-known franchisors. However, franchise will mean a high-end spa and hence for a day spa, aiming at mid-market, franchise may not be an attractive option.

For a day-spa, individual or walk-in customers are the mainstay. But there is excellent scope for membership. The member gets a discounted price. The spa gets a business assurance under the membership plan. There is potential for tie-up with companies, particularly. IT, financial services, aviation, hospitality. These companies will sponsor employees for treatment. Likewise, kitty party groups, wealthy senior citizen groups, members of high-profile recreation clubs, residents of posh housing colonies can be targeted to generate business.

The customer-perception of actual spa-experience matters considerable because a happy experience generates repeat business.

The high disposable income families are concentrated in metro cities and boom cities of India. This implies that there would be scope for establishing a spa in, say, top 100 cities in India, keeping in view the existing level of competition.

There are reportedly 3000 spas in India. The annual business is estimated at Rs.4000 crores.

The location of a day spa is critical. It will be so located that affluent sections find it convenient to access it. Likewise, it will be in the neighborhood of outlets, which sell/render lifestyle products/services.

6. PROPOSED SIZE OF THE PROJECT

The spa will be spread over an area of 1200 sq.ft. There will be four spa rooms of varied size, totaling a built up area of 800 sq.ft. There will be two shower rooms, a pantry, toilet (unisex), a lounge, a beverage bar and reception area. The reception, lounge and beverage bar admeasuring 400 sq.ft. will be integrated. Such integrated area will also include display of products for retail sale. The spa will be in a position to treat four customers simultaneously. It will also offer water-based therapies.

7. MANUFACTURING PROCESS

This is a service sector project and hence the following is pertinent.

TECHNICAL REQUIREMENT

These are selection of offerings, menu design, space design, décor, common area development, aroma, music (optional) and above all therapist-selection/skill level. There are body scrubs, massage and packs which the spa offers. These have been drawn from such streams of traditional knowledge as Indian (Ayurveda), Chinese, Thai, Swedish, etc. For instance, Abhayaga therapy-mild, complete body massage with lukewarm medicated oil, Dravasvda herbal bath (healing water made from boiled herbs and leaves poured over the body) and Pizzichilli (stream of healing hot herbal oil poured over the body) are examples of Ayurveda therapies. Swedish massage, hot stone massage, aroma therapy and Dead Sea Mud Packs are non-Indian examples. There are in vogue such therapies as coffee scrub with

Balinese or Swedish massage, tropical coconut-cream cum-cashew nut scrubs and apple/rose petal/sugar body scrub followed by Balinese massage and pumpkin body wrap.

The customer-demand, prevailing fashions and therapist knowledge will drive the menu.

The treatment duration drives price-realization. We have assumed a duration of 90 minutes. Given accent on relaxation, the spa will not offer any treatment less than 60 minutes.

OPERATIONAL REQUIREMENT

The spa-menu, therapist-skill and spa-ambience are the main requirements. The menu will consist of core-offerings plus such offerings which may not remain available permanently. This is needed because customers, occasionally, would crave for new treatments. The therapist-skill forms the mainstay of spa-experience. It will be essential to gather feedback which, among other things, sheds light on therapist competency. The spa should also seek help (periodic training) from a more accomplished therapist who will help therapists improve their skills. The spa-ambience is critical. The atmosphere should induce relaxation and encourage the customer to spend longer time.

The water-supply, steam-supply, drainage, drying, air-conditioning, water-heating, towel-supply, shower and such other systems will be maintained in top-grade mode because even minor slippages on these counts detracts from a happy customer experience .

8. MANPOWER REQUIREMENT

The manpower quality is crucial for this project. The spa-therapists should possess hands-on knowledge, be well-groomed and customer-friendly. The customers develop an affinity with a given therapist and hence excessive human resource turnover can hurt the business. The northeast, Kerala and Karnataka are fertile areas for sourcing spa therapists.

We envisage the following manpower requirement

Female therapists	3
Male therapists	2
Housekeeping and assistance for the therapists	2
Guest relation executive	1

Total	8
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The promoter will look after admin, marketing, sourcing, finance and overall management functions.

9. COST OF THE PROJECT

The space will be on rental basis. The project cost is estimated below (Rs. in lacs)

❖ Three month deposit towards rental	3.00
❖ Hard furniture, furnishing, artwork, etc.	15.00
❖ Tables, tubs and equipment for the spa	6.00
❖ Office equipment, drinking water, beverage machine, Shower fixtures, music system, fragrances, etc.	1.00
❖ Preliminary and pre-operative expenses @10% of 1 to 4	2.50
❖ Working Capital Margin	1.50

Total	29.00
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The salaries and stock of spa-consumables will be the major components of working capital margin.

10. WORKING CAPITAL REQUIREMENT

This is estimated at Rs. 1.50 lacs and we do not envisage working capital loan.

11. MEANS OF FINANCE

Given the composition of project cost, we expect a term-loan of Rs.15 lacs, balance will be equity, denoting a debt equity ratio of approximately 1:1 to 1

12. MACHINERIES AND ILLUSTRATIVE LIST OF SUPPLIERS

This is not relevant.

13. PROFITABILITY

Profitability

The key assumptions are as follows:

❖ Available Spa-Stations	4
❖ Working Hours	12
❖ Average Duration of a Spa-treatment	90 minutes
❖ Changeover idle time at a Spa-station from one customer to another	10 minutes
❖ Maximum possible customers/station in a day	7.2
❖ Maximum possible customers for the spa in a day (no.)	28.8
❖ Working days/year	360
❖ Estimated Number of Customers/Day in the second year	12
❖ Average fee per customer (Rs.)	1500
❖ Annual Spa-treatment income (second year)	64.80
❖ Product sale @ 5% of Spa treatment income (net of product-cost)	1.30 lacs

The operating expense (second year) assumptions are as follows:

Manpower	24.00
Spa-consumables @15% of spa-income	9.72
Upkeep, repair, maintenance	3.00
Utilities – electricity, water, steam	2.00
Admin, marketing, promotion, schemes, insurance	4.00

Total	42.72
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Profitability Over Five Years (Rs. in lacs)

Sr.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
1.	Operating income	59.49	66.10	69.41	72.88	76.52
2.	Operating Expense	42.72	42.72	43.57	44.44	45.33
3.	Operating Surplus	16.77	23.38	25.84	28.44	31.19
4.	Interest on Term Loan	1.57	1.37	0.99	0.66	0.33
5.	Depreciation & Amortization	4.35	4.35	4.35	4.35	4.35
6.	Profit Before Tax	10.85	17.72	20.50	23.43	26.51
7.	Tax (30%)	3.26	5.32	6.15	7.03	7.95
8.	Profit after tax	7.59	12.40	14.35	16.40	18.56

We have assumed operating income growth @5% per annum, beginning third year and operating expense hike @2% per annum from third year onward. The operating income during the first year will be 10% lower than second year but operating expense will be identical.

The unit cost of power is taken at Rs. 6. The depreciation is taken at the rate of 15%.

14. IMPLEMENTATION SCHEDULE

It will take six months to set up the spa. Premises acquisition, design and interior and therapist selection are the main steps.

15. BACKWARD AND FORWARD LINKAGES

The project can enter the business of training aspiring spa therapists and add such specialized sections as medical spa.

16. GOVERNMENT CLEARANCE

The project needs to carry out general formalities pertaining to firm establishment, tax registration and shops/establishment registration. The fire safety clearance is the specific requirement. The project should also keep, if needed, the police department informed of its business. Entrepreneur may contact State Pollution Control Board where ever it is applicable.

17. TRAINING CENTRES / COURSES

Udyamimitraportal (link : www.udyamimitra.in) can also be accessed for handholding services viz. application filling / project report preparation, EDP, financial Training, Skill Development, mentoring etc.

Entrepreneurship program helps to run business successfully is also available from Institutes like Entrepreneurship Development Institute of India (EDII) and its affiliates all over India.