

## Possibilities of Thai spa Success in German Market

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**Abstract :** Spa and massage have become healthcare activities that attracted much of attention, with Thailand being one of the most renowned providers because of its excellence in treatment and high service quality. However, there are not many Thai spa owners who accept the challenge of setting up their business abroad. For this reason, this research analyses the spa market and investigates the possibility of Thai spa success in German market. Primary and secondary research is extensively conducted to gather data and information related to spa, market trends, competition and relevant economic factors. Subsequently, business models are applied to provide a basic business approach. Result from this study has indicated many strengths and opportunities of Thai spa success in German market.

**Keywords :** Thai spa, German Economy, Business Approach

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## 1. Introduction

Spa is a treatment that associated with wellness and healing. It has been around for a thousand years and has become extensively popular. Obviously, the spa industry has been strong and growing in presence all around the world. In 2007, the total size of global spa economy was estimated at \$255 billion and generated more than 1.2 million jobs (The Business, 2009). The world's five largest countries in terms of revenue are United States, Japan, Germany, France and Italy. Together, these countries accounted for over 55% of industry revenues globally (SRI, 2008).

Initially, spa business was set up in Thailand in 1992 by "The spa" at Koh Samui, an island off the east coast of Thailand. Thus far, Thai spa business is very popular and well recognized across the world in providing a perfect blend between Thai wisdom and modern technology. Furthermore, Thailand's tropical climate and biodiversity allows its people to exploit these vast natural resources to create unique medical remedies, beauty care and health-supplemented products unavailable elsewhere.

At present, Thai spa has expanded and contributed massively to national income. In 2011, there are approximately 1,436 spa locations that have been registered and certificated by the Minister of Health (DTN, 2010). According to Intelligent Spa (2009), there were about 3.3 million people using spa services in Thailand, consisting of 2.6 million foreigners and 0.7 million Thais. Additionally, spa generated roughly \$268 million in revenue and offered 10,600 jobs to the nation.

Despite this massive contribution, Thai spa has gained less attention from both government and private sectors. As a matter of fact, there are not many Thai spa owners who accept the challenge of setting up their business abroad due to lack of proper support, funds and information. For this reason, this research is conducted to investigate possible opportunities in Germany. In effect, the finding can be used as a guideline for Thai spa owners in setting up their business.

## 2. Materials and Methods

In order to develop an analysis for this study, primary and secondary research is conducted comprehensively. Extensive literature review of major reports, data, studies, and qualitative assessments related to spa, market trends, competition and relevant economic factors are firstly conducted. By doing so, it helps to develop good understanding in regard to the research subject. Furthermore, the best location for establishing Thai spa can be identified by means of benchmarking. To gather primary data, qualitative research is carried out by telephone interview. This method allows the respondents to answer freely. The sample group are limited to five Thai spa owners in Germany because they are in position of knowing about the organisation as well as the market. The spa owners were queried about their views on spa business in Germany, marketing strategy, service, and price as well as their strength and weakness. The finding can further be applied to business models such as Ansoff's model, Market segmentation, Competitor and rivalry analysis, SWOT-Analysis and Marketing Mix, which might be fundamental for Thai spa owners to make a correct decision.

### 3. Result and Discussion

After conducting both primary and secondary research extensively, collected information is applied to business models. Subsequently, the following business approach is identified.

#### 3.1. Internal Elements

##### 3.1.1. Ansoff's model

Ansoff's model offers investors with strategic choices to achieve their objectives.

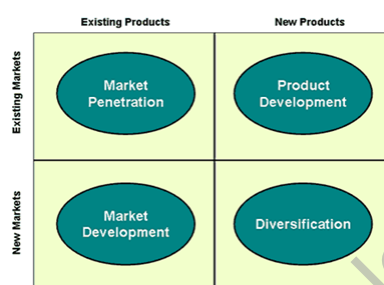


Figure 1: Ansoff's model (source: tutor2u)

Launching Thai spa into German market is considered as "Market Development" (Figure 1). This means that the company is trying to capture new potential customers in the new markets with current products/service. There are actions that need to be taken into consideration in order to build a new customer group, for instances, differentiating price policies to attract different customers or creating new market segments, focusing promotion to enlarge its reputation (sponsorships, advertising, exhibition etc.), and creating marketing alliances such as pricing or promotion collaborations.

##### 3.1.2. Market segmentation

Germany is a big country with diverse ethics; hence, its market becomes very complex to start business. By segmenting market, Thai spa can be more specific on better satisfying potential customers. Based on information gathered from this study, Thai spa business should focus on demographic and psychographic criteria. First and foremost, Thai spa should focus on the A and B class people with income above \$ 20,000 per year because spa services are quite expensive. Secondly, they should focus on aging population who ages above 65 which accounted for 20.3% of total population in Germany. Thirdly, Thai spa should consider professionals, hardworking people, successful career men, business people and athletes as potential customers. As Thai spa is all about well-being and balance of body and mind, for this reason, Thai spa should target people who concern about their happiness, for example, people who are aggressive, anxious, short tempered, low self-esteem and yearning for peacefulness.

### 3.1.3. Selecting suppliers

Most of spa appliances, likes Bubble baths, Spa bed and Foot chair, should be purchased in Germany in order to avoid unnecessary cost such as transport cost and custom. However, some products need to be imported directly from Thailand so that building can be decorated in traditional Thai style with Thai atmosphere.

Prior to selecting supplier, Thai spa should specify desirable suppliers' attributes and determine their relative importance. Then they can rate suppliers and identify the most attractive ones. The following main attributes are recommended.

Firstly, product quality should be the most significant attribute for Thai spa as it would signify the quality of product offered to the final customers. Therefore, it is significant that Thai spa can outsource from suppliers who can provide the best spa product, such as freshness and uniqueness. Because Thai spa offers premium services, price need to be assessed. Spa owners should focus on diminishing cost and unnecessary activities. Finding the best products with low cost would be wise. Service reliability of supplier is also important. Thai spa requires several products and items to fulfil customers' satisfaction. For this reason, it is imperative to work closely with reliable suppliers who can provide the right product quality with right prices at the right time. Moreover, high suppliers' flexibility will help Thai spa to avoid any conflict that might occur in the future. Furthermore, it allows Thai spa to negotiate in regard to delivering times, price and payment period. Finally, suppliers' reputation that determines suppliers' performance should never been overlooked. If a supplier has outstanding reputation, it can imply that the supplier has done its job extremely well in the past.

## 3.2. External factors

### 3.2.1. Germany Country Overview

Subject/year	2009	2010	2011	2012
Population (1 million)	82.00	81.80	81.75	82.84
Real GDP growth rate	-5.1	4.2	3.0	0.8
Inflation rate	0.2	1.2	2.5	2.10
Unemployment rate	7.80	8.20	7.20	6.50

**Table 1: General information of Germany**

Germany is a country in west-central Europe. With population of 81,843,743 million, Germany has the largest population in Europe (Eurostat, 2012). It is a home to many immigrants with Turkish as the largest minority in Germany. In addition, there are around 860,000 Asian people living in Germany, most of them are Chinese and Vietnamese. Among this figure, there are 53,952 Thais living in Germany legally, 90% are women.

In terms of economy, German benefits massively from qualified labour force, developed infrastructure and large capital stock. In 2011, the Gross Domestic Product (GDP) in Germany was worth \$3,570.56 billion (Trading Economics, 2012).

German economy is heavily export-oriented. German export accounts for more than one-third of national output; hence, it becomes the second largest exporter in the world. Main export-partners are France (9.52%), United States (6.90%) and the Netherlands (6.34%). Main import-partners are the Netherlands (12.90%), France (7.54%) and China (7.13%). German main export-commodities are machinery, vehicles, electrical machinery, plastic and pharmaceutical products. Germany main import-commodities are mineral fuel and oil, machinery, electrical machinery, vehicles and pharmaceutical products (GTI, 2012).

Regarding investment, Germany is very attractive as the country has become the world's fifth largest economy and continues to be the best in Europe. Moreover, German market is widely open for investments in all business and industry sectors. There is no specific restrictions against foreign companies (German Trade & invest, 2013). Furthermore, Germany is well-known and leads the world in many ways in regards to technologies, such as bio-technology, Nano-technology, IT and high-tech divisions in individual sectors. Additionally, Germany transportation is the best in Europe which plays a vital role in the economy and culture of the nation.

### **3.2.2. Opportunities in Germany**

According to the study of Thai Trade Centre Berlin (2009), there is a great deal of opportunity for Thai spa business. For instance, Germany has a huge number of population who relate to medical care and patients with accounted for more than 4.5 million. This number is likely to increase every year by an average of 30,000-40,000 as a result of increasing size of aging population (65+). The current number of this group is 20.3% of total population in Germany or about 16.70 million. In addition, Germany has turned their attention to healthcare and wellness of its citizens. For this reason, more demand on spa services is available in the market. Secondly, Germany has an excellent healthcare system which protects its people from sickness with good and reliable health assurance. To assure public health, Germany has set up a social security system which has been used for 100 years, such as Health insurance (Krankenversicherung), Unemployment insurance (Arbeitslose Versicherung), Insurance for retired (Rentversicherung), Insurance feed (Pflegeversicherung), and Personal Accident Insurance (Unfallversicherung). It is obligated that all working people who have income between \$540 - \$4,830 must have social security. Thirdly, Germany has spent more than \$314,000 million on health care alone in 2008 or an average of \$3,635 per person annually. This comprised of \$87,200 million for physician operating expenses, \$93,910 million for treatment of convalescent and \$80,500 million for medicine. Finally, the treatment during recovery including cost of spa and wellness accounted for \$93,910 million. That is about 1-1.2 million patients (Thai Trade Centre Berlin, 2009).

### **3.2.3. Competitor and rivalry analysis**

As soon as Thai spa appears in German market, it will inevitably confront with countless competitors both directly and indirectly. Direct competitors are spa hotels and the like. The most well-known spa hotels in Germany are Brenner's Park Hotel, Bareiss Hotel in the Black Forest and Le Meridien Hotel in Stuttgart. Service prices rank from \$54 to \$340 per service. Resort spa is

another direct competitor that can be found in more than 900 locations in Germany, including mineral and mud spas, climatic health resort and sea-side resort. The famous spa resorts are mostly located in Baden-Baden, Bad Reichenhall, Bad Homburg and Wiesbaden. These spa resorts are quite expensive. Moreover, Thai spa should take indirect competitors into account. For example, there are more than 6,000 fitness studios in Germany that are very popular. In 2008, there are about 5.5 million people using this service. The market value was around \$4,020 million. In addition, there are 30,000 locations that offer aesthetic services in Germany.

Additionally, there are other threats that Thai spa should be aware of, such as potentially new entrants, customers' buying power, suppliers' power and substitute product.

#### **3.2.4. SWOT-Analysis**

This method is used to evaluate strengths, weaknesses, opportunities and threats of business venture.

##### **Strengths**

Thai spa has many strengths that can lead them to success in German market. Firstly, spa is a popular form of relaxation around the world, but only few can offer such a perfect blend of professionalism and individual attention as those in Thailand. Above all, Thailand is very well-known about its excellent hospitality for centuries (DTN, 2010). This is the main reason that put Thai spa services in a class of their own. Secondly, Thai spa does have staff with great expertise which can assure that customers will be treated with experienced and qualified personnel who knows exactly what the customers need. Thirdly, Thailand is extremely fortunate to locate in tropical climate with enormous biodiversity that enable its citizens to draw on this vast natural resource to create unique medicinal remedies, beauty care and health-supplemented products that are unavailable elsewhere. In addition, Thai spa can offer customer with a unique traditional Thai massage. This service is very well-known and well recognized around the world for its quality to reduce pain and ease tension. The benefits enjoyed from traditional Thai massage may include relief from stress, deep relaxation, warmed and stretched muscles, healing energy flow, greater flexibility, increased and focused energy levels, prevention of injury, relief from sore and aching muscles and a feeling of confidence and well-being (Ryan et al, 2003). Furthermore, Thai spa does have a competitive prices comparing to other competitors.

##### **Weaknesses**

Even though Thai spa has many strengths, it does have some weaknesses that can hinder a chance to succeed in Germany. For instance, people often misunderstand and instantly identified all traditional Thai massage to involve sexual activity. Admittedly, there are some locations that use Thai massage to seek short-term opportunity by adding sex to their services. Consequently, many Thai spa locations are affected by this notorious image. Furthermore, Thai people are not able to use English at professional level. During treatment, fluent language skill is needed because, on many occasions, customers with specific questions and requirements

needed to be understood and treated effectively. Moreover, Thailand lacks entrepreneurs who are willing to take a plunge and make investment outside the country.

### **Opportunities**

Firstly, we can notice that demand and interest for wellness is obviously increasing. People begin to concern about their health. For instance, they buy and yearn for food supplements. Secondly, the number of patients is increasing every year by an average of 30,000-40,000 people as a result of increasing number of aging populations (65+). In 2008, Germany has recorded the total expenditure of more than \$314,000 million on health care alone. Thirdly, the demand for overseas products and service begins to rise because it is cheaper while the quality is inseparable. Moreover, there are more people who believe that meditation can generate a good mental health and eventually lead to an excellent balance of life.

### **Threats**

Thai spa should take these factors into account seriously because it can later become a big struggle for doing business in Germany. Firstly, Thai spa should look at global economic closely. As soon as the country confronts with economic crisis, people will spend less money on luxurious product or services. As a result, the business will have to struggle to flourish. Notably, European region are now confronting with economic crisis. Some of their members are now on the edge of collapse such as Greece, Portugal or Spain. This will have a direct impact on German economy. Secondly, the emergence of other superstitions can distract potential customers from using meditation. Each belief has each own spa method to service its customers. For instance, Thailand that is mostly influenced by Buddhism are accustomed to meditation or traditional Thai massage. On the other hand, Japanese spa is mostly influenced by onsens and sentos etc. Thirdly, ethnic diversities will impede Thai spa from success in this market. To know precisely what individual customer needs, a lot of time and money are required. Finally, increasing indirect competitors that now locate all across Germany can force Thai spa to operate in less market share in fierce competition environment.

#### **3.2.5. Marketing Mix**

Marketing mix is a set of marketing tools that firm uses to pursue its marketing objectives in the target market. These tools can be classified into four broad groups called the 4Ps of marketing.

#### **Place**

In order to exploit the market profitably, Thai spa should establish nearby potential customers; namely, businessmen, active people, athletes, tourists and aging people. After conducting city benchmarking, Frankfurt appears to be the most ideal place due mainly to a huge number of potential customers. Moreover, Frankfurt has been Germany's financial centre for centuries and become the largest financial centre in continental Europe. It is a home of a number of major banks and brokerages. Frankfurt is also the seat of the European Central Bank and

the German Federal Bank. Additionally, in 2009, Frankfurt held approximately 42 trade fair events, including over 300 national and international Automobil-Ausstellung, the world's largest motor show, and the Frankfurt Buchmesse, the world's largest book fair, and Musikmesse, the world's largest music fair. This has attracted more than 43,682 exhibitors and approximately 1,678,677 visitors across the world (Messe Frankfurt, 2010). Furthermore, Frankfurt ranks at 10 of the richest city in the world ahead of Berlin in 2012 (City Mayors Economics, 2012). This could signify that people in this city can afford Thai spa services despite its high prices.

### Products

Frankfurt is a multicultural city, a home to people with more than 180 nationalities. For this reason, it is insurmountable task for Thai spa to gratify them all. Nonetheless, Thai spa should focus on its core business and they should offer customers with specific range of services. For instance, it can offer customers with Spa therapy, massage therapy, yoga, sauna, beauty salon, and perhaps meditation. Furthermore, the products used during treatment should undoubtedly have an excellent quality with high standard. In other words, it should always be fresh and effective.

### Price

Establishing Spa business in Frankfurt could mean that a service price will be higher than other city, as a result of higher living condition. Nevertheless, it is still less than other hotel spas in that area. Based on the result collected from Thai spa owners in Germany, some services can be lower between 5-10% based on the result gathered from this study.

### Promotion

Entering the new market with existing products is always difficult without any promotional activities. From the research, it appeared that most Thai spa used brochures. To penetrate German market effectively, promotion needs to be made. Firstly, Thai spa should have a brochure or product catalogue that gives details concerning product functions and information about the company. Contact information, i.e. the address, the telephone numbers and website, and comments from some famous contemporary spa businesses are also included. This brochure should be designed by a professional with solid spa experience. This should be published every two months and deliver to the densest location such as Asian supermarket, food stores and nearby restaurants. Furthermore, the companies should create their own website because the Internet has become the most common way to use in this modern world. An excellent company website should provide rich information about the company, products/services, customer advantages, publicities and so on. Moreover, the website should provide opportunity for making online reservation. Spa magazine, tourist map or local newspapers are other ways to deliver information to the public. As a result, its services can be recognized not only by the local people but also the tourists as well. Participating in some special events such as



Thailand grand festival held yearly at Hauptwache, Frankfurt, also helps. Finally, Thai spa should become partner with other hotels, sport studio or even Thai restaurant. For instance, the customers can pay for one price with a chance to eat at Thai restaurant and use free Thai spa services afterwards etc.

#### 4. Conclusion

During the past few years, Thai spa is one of the fastest growing aspects of Thailand's healthcare industry. As a result, this business has become a huge part of national incomes. There are now more than 750 spas operating in Thailand, increases approximately 202% from 2002 and generates more than €200 million in revenue and more than 10,600 jobs.

Establishing Thai spa in Germany would be an excellent option for Thai spa to firstly expand their market abroad because of increasing number of people who related to medical care and patients, in particular, aging population. Moreover, Germany has spent more than \$314,000 million on health care alone in 2008, in other words, an average of \$3,635 per person each year.

All in all, there are a great opportunities for Thai spa owners to be successful in Germany. However, there should be a real support from the government not only in terms of funding but also reliable information, advices and incentive. International trade fair is also important to promote and deliver the value of original Thai spa to the world. These are the elements that are significantly needed.

#### 5. Acknowledgement

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