

## GALLEN'S SPA NOTES



### Rent or DIY?

**AOIBHEANN GALLEN**  
weighs up the pros and cons  
of renting or leasing a spa

If you are thinking of entering the spa market one of your first considerations is whether you want to bring an outside operator in, or if you would like to run the business yourself.

The leasing or renting out of a spa works well for the owner if they want to reduce their risk. The American model is to rent an empty shell and have the lease fit out. In Europe this may not work out, as the FF&E should be supplied by the owner.

The problem in general with leased facilities is that there is no accurate way of assessing the fee. Shop floor rental is normally well documented but sold at a premium. It is difficult to assess the spa in the same way. Often the passing traffic in a spa location is very small compared to the passing traffic for a shop. Therefore the location of the facility and the usage of the floor space in revenue generation needs to be looked at. If the owner operates a hotel then he will benefit in room premiums and incremental business from the addition of the spa.

Smith Travel Research has studied luxury hotels in the US and estimates that a luxury hotel with a spa gets an extra \$76 per person per room night in excess of any spend in the spa. The more experienced management companies are aware of this and will factor this into their fees.

Most of the big management companies

in Europe will not take a lease – they will take a percentage of revenue and a sliding performance based percentage of profits. Normally they will do everything they can to reduce their risk – ie all costs will fall on the owner.

The proprietor not only has to think about revenue opportunities but also brand image. Will the operator of the spa enhance or damage the quality of the brand (hotel)? Quality management companies (such as Raison d'etre, E'spa) will do very well and although the owner may not make a lot of money out of the spa they will get significant increase in the room business and marketing value through association with a good operator.

Retail and treatments go into the entire revenue of the spa and if a percentage deal is agreed all revenue should be counted. If the owner is able to do a straight rental on the premises then they are not entitled to any additional performance revenues. Payment of overheads can be negotiable, there is no set structure but I would advise the owner of the spa to have, for example, electricity metered regardless of who pays. Before deciding whether to rent the spa, a lot rests on the location of the business, estimates of annual turnover and the management company. The alternative is of course to get a good and experienced spa director to manage within. ♦

AOIBHEANN GALLEN, founder of Irelandspas, is Ireland's leading independent spa consultant. To find out more about Aoibheann and the services she offers to the industry log on to [www.irelandspas.com](http://www.irelandspas.com) or email her at [agallen@irelandspas.com](mailto:agallen@irelandspas.com).

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