

# The Correlation between the Characteristics of Spas and Its Performance in Bali

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## The Correlation between the Characteristics of Spas and Its Performance in Bali

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### Abstract

The spa growth in Kuta Selatan alone is 40% per year (Darmawijaya, 2010) and 20% in Indonesia till 2013 (Siregar, 2014). This tremendous growth indicated that their performances were good. Conversely, the previous reseach revealed that the spa occupancy rate was as low as 18% with the average treatment rate per hours was Rp 67.000. This findings showed that the number of spa businesses in Bali were saturated. In order to know whether the number of spas were saturated in year 2016 onward, this research played its significance. The objectives of this research were to identify the correlation between the characteristics and the performance of spas in Bali. To achieve these objectives, this research made use questionnaires to collect the data from 100 respondents which were purposively sampled. Since the density of spas were in Gianyar and Badung Regency, these two regencies were choosen as research sites. Out of 253 spas in Gianyar and 529 Spas in Badung, 100 spas were used as samples in which 70% were day spas and 30% were hotel/resort spas. The analysis method applied for this research was descriptive statistical analysis. The results showed that among six characteristics namely the category of spa; treatment price per hour; spa capacity; ratio between spa capacity and number of employees; employees' education; and profession sertification; only the characteristic of treatment price per hour had significant positive relationship toward the performance, Revenue Per Available Treatment Hours (RevPATH). It had 0.88 coeficient correlation and 77% coefficient determination. It meant that 77% of the RevPATH caused by the treatment price per hours and 33% caused by other factors. Spa categories: day spas or hotel/resort had very weak relationship to RevPATH with r value 0.18 and r<sup>2</sup>3%. Other characteristics: ratio spa capacity to number of employees and employees' qualification/certified had r and r<sup>2</sup> value respectively 0.26 and 7%; 0.09 and 1%. Surprisingly, Spa capacity and employee educational background had negative correlation to RevPATH with the same r and r<sup>2</sup> value, -0.18 and 3%. The implications of these findings are government needs to carefully issue new spa licence since the number of spa seems to be saturated and observes all spas to find out their performance and practices. Moreover, government should review the effectiveness of profession certification as this characteristic had no significant correlation to the RevPATH. The spa operators need to market the spa more intensively so as to increase the spa occupancy rate. Spa revenue management should be used as a tool to generate revenue in low hours sales in order to sell right treatments to the right customers at the right time. Spa training on upselling and product knowledge were urgently recommended to generate more sales and to increase occupancy rate. The spa educational institutions needed to focus more on treatments to produce tangible result and marketing ability to yield profits. The competencies delivered by spa educational institutions should be linked and matched with spa industry requirements.

**Keyword:** spa, spa characteristics, spa performance, correlation

### Introduction

The spa growth in Indonesia was tremendous in the last 10 years that achieved 20%. Bali as the centre of spa business in Indonesia had some awards as Asian Spa City of the Year and the Best Spa Tourism Destination in the World. Conversely, the previous reseach revealed that the spa occupancy rate was as low as 18% with the average treatment rate per hours was Rp 67.000. This findings showed that the number of spa businesses in Bali were saturated. In order to know whether the number of spas were saturated in year 2016 onward, this research played its significance. The objectives of this research were to identify the correlation between the characteristics of spas and its performance in Bali. The findings of the research were very helpful for the practitioners to plan actions to

improve the spa performances in regard to increase the RevPATH. This is also significant to the local government to evaluate the existing spas so that regulations employed are relevant to the spa industry. This research has its limitation as only to investigate two most populated spas regencies in Bali, Badung and Gianyar.

### Literature Review

Characteristic is a special quality that make thing different from others (Merriam-Webster Dictionary). The characteristics of spa business investigated in this research were spa category, spa business hours, treatment price, spa capacity, employees certification and employees educational background. The spa performances investigated in this research were average spa revenue per day, spa occupancy rate and Revenue per Available Treatments Hours (RevPATH).

Spa is health through water. The main ingredient of spa business is water. It is not only the therapy and spa products use water but also all guest experiences related to water: from the main entrance, garden, walling, spa decoration, spa treatment room, spa refreshment, and many more. This is true since the spa services is dedicated to human in which more than 70% consists of water. This approach enables the spa to deliver a more holistic treatment in order to give a tangible benefits to all its customers.

Reviewing the performance of spa industry in the past few years, Indonesian's government governs the spa industry by issuing two regulations: spa services standard and spa business standard. The first is issued by the ministry of health which is more technical related to the basic requirements of spa business and the later one is from the ministry of tourism which is related to business wise: products, services, and management (Ministry of Health Decree number 8 year 2014, Spa Health Services and Ministry of Tourism and Creative Economy number 24 year 2014, Spa Business Standard). These regulations aim at standardizing the requirements of spa business and improving their performances as the competitions become fair.

Spa Benchmarking is one of the "hottest" topics in the spa and hospitality industries. It is a relatively new discipline; therefore, it is filled with challenges and opportunities (Singer, 2016). The benchmarking enables spa business to learn proven best practices and compare its business performance to industry or single business. Spa Intelligent Spa (2008:5) states that benchmarking is very beneficial to spa operators to understand their position in the industry, make use as data to make any decisions, and modify strategies to fit with internal conditions.

The characteristics of spa investigated were Spa category; spa business hours; average treatment price per hour; spa capacity; ratio spa capacity to number of spa employees; and spa human resource (Intelligent Spa, 2008). Spa category is day spa and resort spa. The average spa business hours are number of hours spa opens for business. Average treatment price per hour is the ratio between the total sales and number of treatment hours sold. Ratio spa capacity to number of spa employees is intended to measure the responsibility of each employee to handle number of treatment hours. At last, the spa human resources are the employees' educational background and their spa competency certification rate. Spa capacity is the maximum spa treatment hours potentially can be sold per hour.

The spa performance is measured by RevPATH. As mentioned earlier, RevPATH stands for Revenue Per Available Treatment Hours. This is the result of the multiplication between spa occupancy rate and average treatment price per hour. This measure signifies the ability of the spa management to yield revenue per treatment hour available. Spa occupancy rate is the result of the ratio of treatment hours sold to number of treatment hours available multiplied by 100%.

### Research Method

This research was conducted in two regencies in Bali, namely Badung Regency and Gianyar Regency. These two regencies were among the most populous spas regions in Bali. There were two variables investigated in this research: the characteristics of spa in Bali and the spa performance in Bali. The indicators of the first variables were spa category; average treatment price per hour; spa capacity; ratio spa capacity to number of spa employees; number of certified spa employees; and spa employees' educational background. The indicators of the later were spa RevPATH.

The population of spas in Badung and Gianyar Regency were 782. The sample used from the population were 100 spa, which was purposively sampled: 70 day spas and 30 resort/hotel spas. Data were collected by using a variety of modes which are documentation, interview, observation, and questionnaire.

The data were analyzed by using correlation analysis to get the value of “r” and “r<sup>2</sup>”. The first value determines the degree of correlation between the characteristics of spas and its performance in Bali and the second value determines the contribution rate of the characteristics of spas to spa performance in Bali.

**Findings and Discussion**

Spa Guide (2016) figured that the number of spa in Bali was 998. Detail figure is shown in Table 1.

The first spa characteristic was spa category as shown in Figure 1. In this research, spa was categorized into day spa and resort/hotel spa. The ratio between these two categories were 70 to 30 which was proportional to its empirical numbers.

Table 1

Number of Spas di Bali

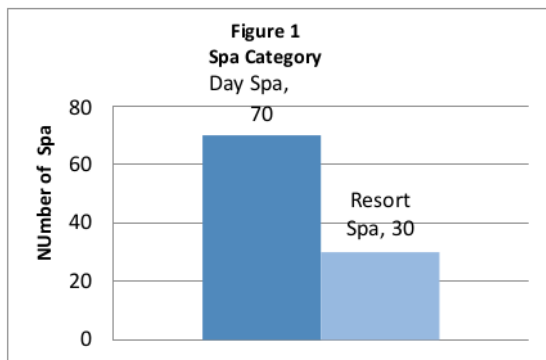
No	Regency/Municipality	Total
1	Badung	529
2	Gianyar	253
3	Denpasar	92
4	Buleleng	43
5	Karangasem	38
6	Tabanan	22
7	Klungkung	12
8	Negara	5
9	Bangli	4
<b>Total</b>		<b>998</b>

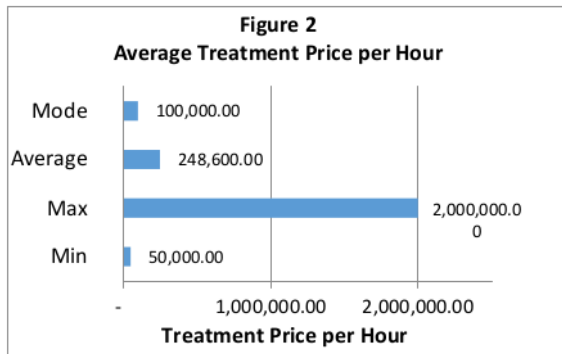
Source: www.balispaguide.com

The day spa was purposively sampled from the small to big spa capacity. The later type of spawasstratified from one star to five star hotel or resortclassification.

The second spa characteristic, as shown in Figure 2, is average spa treatment price per hour. The price was higher than the previous research findings from IDR 220.000 (Darmawijaya, 2010) to IDR 248.600. The minimum, maximum, average and mode of spa

treatment price per hour were respectively IDR 50.000; IDR 2.000.000; IDR 248.600; and IDR 100.000 as shown in Figure 2.





The third spa characteristic is spa capacity per hour is shown in Figure 3. The capacity was measured by the number of treatment hours per hour. Average number of treatment hours per hour was 14.5 hours. It means that in average the spas had eight massage tables or a combination of massage tables, manicure/pedicure chairs and shampoo chairs. This figure revealed that small day spas and resort spas had between two to six treatment rooms. The maximum numbers were 63 hours. This was applicable for big day spa for catering one or two big buses passengers at once.

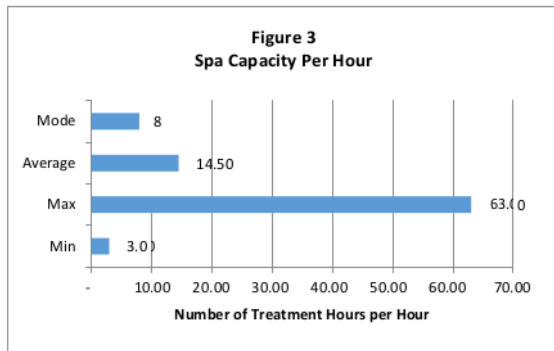


Figure 4 shows the fourth characteristic of spa, the ratio of spa capacity to number of spa employees. The minimum, maximum, average and mode of number of daily treatment hour per day were respectively 4.38; 18.67; 11.53; and 15 hours. This big ratio did not reflect the productivity of spa but rather to provide a variety of spa treatments, since the spa occupancy rate was only about 18%.

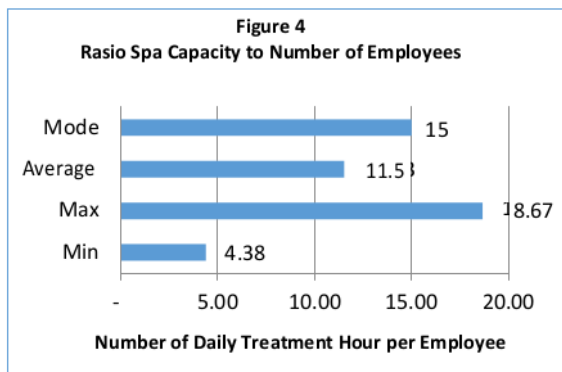
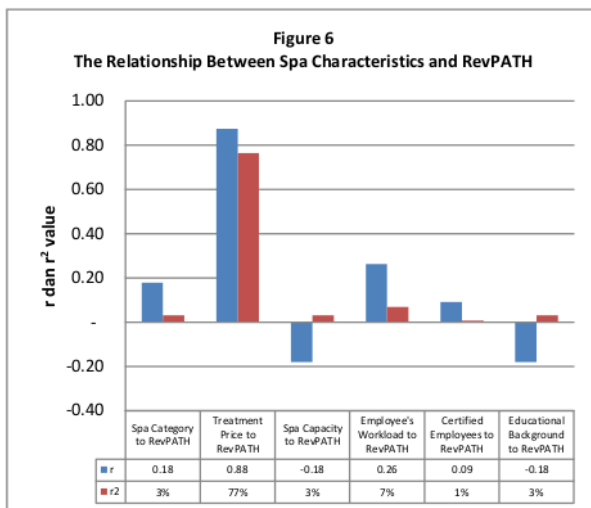
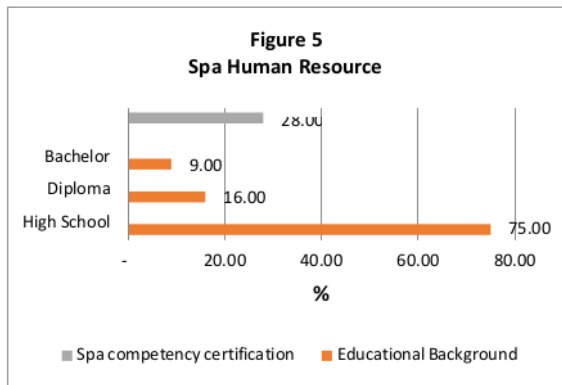


Figure 5 shows the fifth and sixth characteristics of spa: certified spa employees and their educational background. It was only 28% of spa employees had spa competency certification, which was far below the requirements of Ministry of Tourism Decree number 19 year 2016. It is mandatory for tourism workforce to have competency certification. The 28% competency certification was mostly funded by the government, central and local. The awareness of private party and employees to have a self-funded certification was low.

Most of the spa employees had high school educational background, then followed by diploma and bachelor which was 75%, 16% and 9%. This was caused by few number of spa higher schools and people perception that it was not necessary to take much time to be professional in spa. In fact, spa knowledge is multidiscipline that should be learnt comprehensively and take time, for sure.

Figure 6 tells that there are six characteristics of spa that each has a specific correlation to Spa RevPATH. The analysis focused on the value of “r” and “r<sup>2</sup>” of the correlation between the characteristic of spa and the RevPATH. The value of “r” indicated the degree of correlation and the value of “r<sup>2</sup>” indicates the contribution of spa characteristics to the RevPATH.



The first correlation was between spa category and RevPATH. The value of “r” was 0.18 that indicated positive weak correlation. This meant that different category of spa, day or resort/hotel spa had very weak correlation to RevPATH. This finding was supported by the value of “r<sup>2</sup>” which was 7%, indicated that the contribution of spa category was only 7% to the Spa RevPATH. Other 93% of the Spa RevPATH was contributed by other factors. Resort spas have to review their ability to capture the in-house guests. This very potential customers should be

addressed intensively by offering special price, packages and cross selling as well. This demand management should be done collaboratively among all departments in hotels/resorts. Day spa should be very strong in online promotion as to capture guests visiting the destination and hotels' guests as well. Day spa should make use their strength to offer more value for money spa treatments.

The second correlation was between treatment price and RevPATH. The value of "r" was 0.88 that indicated positive strong correlation. This meant that different spa treatment price, low or high had very strong positive correlation to RevPATH. This finding was supported by the value of "r<sup>2</sup>" which was 77%, indicated that the contribution of spa treatment price was 77% to the Spa RevPATH. Other 23% of the Spa RevPATH was contributed by other factors. The higher the spa treatment, the higher its ability to yield higher RevPATH. This also indicated that spa with low or high treatment price had the same ability to maintain their spa occupancy rate and average treatment price.

The third correlation was between spa capacity to number of employees and RevPATH. The value of "r" was minus 0.18 that indicated negative weak correlation. This meant that different spa capacity, low or high had very weak negative correlation to RevPATH. This finding was supported by the value of "r<sup>2</sup>" which was 3%, indicated that the contribution of spa capacity was 3% to the Spa RevPATH. Other 97% of the Spa RevPATH was contributed by other factors. There were no differences whether the spa was small or big, they had the same ability to yield revenue per available treatment hours. This also indicated that they delivered similar spa treatments that had the same ability to attract guests with the same treatment price.

The fourth correlation was between employee's workload and RevPATH. The value of "r" was minus 0.26 that indicated negative weak correlation. This meant that different spa employees' workload, low or high had very weak negative correlation to RevPATH. This finding was supported by the value of "r<sup>2</sup>" which was 7%, indicated that the contribution of employees' work load was 7% to the Spa RevPATH. Other 93% of the Spa RevPATH was contributed by other factors. Low workload meant that one spa employee served few spa treatment rooms, around four to eight a day. High workload meant that one spa employee served higher number of spa treatment rooms, around nine to eighteen a day. There were no differences whether the workload were low or high, they had the same ability to yield revenue per available treatment hours. This also indicated that they had no differences in delivering quality services to yield higher value for higher treatment prices and revenue.

The fifth correlation was between the certified employees and RevPATH. The value of "r" was 0.09 that indicated very weak positive correlation. This meant that different the rate of certified employees, low or high had very weak positive correlation to RevPATH. This finding was supported by the value of "r<sup>2</sup>" which was 1%, indicated that the contribution of the rate of certified employees was 1% to the Spa RevPATH. Other 99% of the Spa RevPATH was contributed by other factors. This might be caused by the low rate of certified employees or the contribution of the certified employees to generate sales were low as well. Knowledgeable employees might have a significant contribution to upsell the treatments to generate higher revenue. Certification should be an internal driven for all spa managers to facilitate more and more spa therapists to acquire higher knowledge and recognized by certification.

The last, sixth, correlation was between the employees' educational background and RevPATH. The value of "r" was minus 0.18 that indicated very weak negative correlation. This meant that different the rate of certified employees, low or high had very weak negative correlation to RevPATH. This finding was supported by the value of "r<sup>2</sup>" which was 3%, indicated that the contribution of the employees' educational background was 3% to the Spa RevPATH. Other 97% of the Spa RevPATH was contributed by other factors. This characteristic, low educational background, as an input was uncontrollable since the supply of spa workforce was lower than the demand. The only way to overcome this problem was to design training program and learning environment in the workplace. There were no differences between high or low educational background in generating revenue. This was caused by the education is only reflecting the level of generic education not spa education. Or it could be interpreted that higher educational background was not able to absorb the spa competencies used to generate revenue.

### Conclusion and Suggestion

It was concluded that only one among six, average treatment price, which had significant positive correlation to RevPATH. Spa category, ratio spa capacity to number of spa employees, and number of certified spa employees had very weak positive correlation to RevPATH with contribution rate less than 8%. Spa capacity and spa employees' educational background had very weak negative correlation to RevPATH with only 8% contribution rate.

To increase the RevPATH, spa practitioners needed to differentiate their products and services so that their have uniqueness compared to their competitors. On top of that, they had to develop their employees to have a sale mindset to be responsible and accountable for the revenue generated from all of moment of truth they deliver to each and every single customer. Spa educational institution needed to design teaching and learning programs that were linked and matched with the needs and wants of spa goers at the present and years to come. Focus should not only how to do the treatments but more to do with the ability to generate sales. They should educate the students to have an autonomous learning culture as to be able to anticipate the dynamic trends of the spa industry. Government had to monitor the spa services and business standard so that it complies with the rules and regulations. It is time to have quality spas rather than having bigger number of spas with low quality.

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