

**Exploring the Spa Market
In Vancouver, British Columbia**

by

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ABSTRACT

The purpose of this research project is to explore the current spa industry in Vancouver, through the collection and analysis of both primary and secondary data. The information obtained in this research will contribute to Grouse Mountain Resorts Ltd.'s decision-making process around extension of its business line through the implementation of a spa at the top of the mountain. The author concludes with recommendations for further qualitative and quantitative research.

EXCECUTIVE SUMMARY

Grouse Mountain Resorts Ltd., in Vancouver, British Columbia, is contemplating the possibility of extending its line of services and products offered by implementing a spa on the top of the mountain. In order to contribute with the company in successful decision-making process, this project explores the current spa industry in Vancouver, through the collection and analysis of both primary and secondary data, and gives recommendations on steps to follow in further researching the market.

Day Spas, Hotel or Resort Spas, Destination spas, Medical Spas and Mineral Spas are amongst the most common and basic types of spas. There are currently more than 25 spas in British Columbia, and only Day, Resort and Beauty spas in Vancouver. For the purpose of this project, only the top eight spas in Vancouver, according to Leading Spas of Canada, will be considered: Absolute Spa Group (which includes four different locations), Beverly's The spa on Fourth, La Raffinage Spirit Spa, SpaEthos and Spa Utopia and Salon. Products and services offered, by these spas, as well as the prices, are very much alike.

In order for Grouse Mountain Resorts Ltd. to maintain a competitive advantage, important facts and industry trends should be considered. For example, resorts and hotels that have spas have a higher average daily rate than those without such amenities. Eco-spas, environmental-friendly spas, and spas catering men and couples are becoming very popular. Also, consumers rather go to a local spa, where good quality serve and reasonable prices are offered.

The above-mentioned arguments, and the fact that the 2010 Winter Olympic Games will stimulate interest in Vancouver, are some of the reasons why Grouse Mountain Resorts Ltd. should consider extending its line of business in order to maintain its competitive advantage, while contributing to increasing the image and reputability of the city of Vancouver. This project recommends further research, both qualitative and quantitative, in order to define the possible target market and proper marketing strategy that should be applied throughout the implementation process of a spa at the top of the mountain.

DEDICATION

To my families, back home and in Vancouver (Lugo/Leon and McGuinness/McNeils) and friends (Liv, Jay, Alicia, Cam and the Rodriguez family); thank you for always being supportive and for all the encouraging words that I needed to hear every once in a while.

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TABLE OF CONTENTS

Approval	ii
Abstract	iii
Excecutive summary	iv
Dedication	vi
Acknowledgements	vii
Table of Contents.....	viii
List of Tables and Figures	ix
1 Introduction	1
1.1 Motivation behind the Project	1
1.2 Objective of the Project.....	3
2 Methodology: Secondary Research	5
2.1 Spas	5
2.1.1 Types of Spas	5
2.1.2 Spas in Vancouver.....	6
2.1.3 Spa Services and Products	8
2.1.4 Global Trends.....	11
2.2 Grouse Mountain Resorts Ltd.....	15
2.3 Business Line Extension: Grouse Mountain Resorts Ltd.....	18
2.4 Vancouver 2010 Winter Olympics.....	19
3 Methodology: Primary Research	23
3.1 Primary Research.....	23
3.1.1 Qualitative Research.....	23
3.1.2 Interviews.....	24
4 Results	26
4.1 Interviewee I: Ann.....	26
4.2 Interviewee II: Tara.....	28
4.3 Interviewee III: Ron.....	29
5 Conlusions and Recommendations for Grouse Mountain Resorts Ltd.....	31
6 Limitations and Future Directions	34
Appendix 1 - Popular Spa Treatments	36
Appendix 2 – Interview Guideline	38
Reference List.....	39

LIST OF TABLES AND FIGURES

Table 1:	Spas in Vancouver.....	7
Figure 1	Market Origins of General Admission Tickets	16
Figure 2	Canadian Market Origin of General Admission Tickets.....	17

1 INTRODUCTION

1.1 Motivation behind the Project

Grouse Mountain is known as one of the most famous and successful attractions in Vancouver for locals and tourists. Since the early 1900's the people of Vancouver chose this mountain as their favourite local hiking and skiing place. During those years, most of the roads did not exist and the hike to the top of the mountain was a challenge. As the years went by, rope tows and chairlifts were built, making the trip easier and enjoyable to more people. The world's first double chair lift was built at Grouse Mountain in 1949, followed by the 45 passenger Skyride in 1965.

In 1976, the McLaughlin family purchased the controlling interest of Grouse Mountain Resorts Ltd. Since then, the family has invested over \$25 million in renovating and creating new services and products, such as the 100 passenger Skyride and the Theatre in the Sky, in order to satisfy their customers.

A combination of activities such as skiing, snowshoeing, hiking, skating, sleigh riding and dining amongst others are offered on the mountain. Grouse Mountain also supports and promotes its refuge for endangered wildlife and British Columbia's famous First Nation's culture and art. Nature, well-being and entertainment describe the positioning of the brand.

Constant changing demands and trends have encouraged the company to search for new and innovative opportunities to expand products and services offered. Grouse

Mountain Resorts Ltd. is interested in introducing a spa and in offering all the services that customer's usually expect from this type of facility.

The history of spas is rich and antique, having its beginnings in ancient civilizations, such as the Egyptian, Mesopotamian, Minoans, and Greek civilization. The origin of the word "spa" comes from the Latin phrase "Sanus Per Aquam", which means healthy by or through water. Originally, spas were natural hot springs, which were believed to have healing waters. Romans used these "healing waters" to "cure" their soldiers after combat. Eventually, these baths became public baths and their main objective became that of socializing. Other activities were included, such as exercising before entering the baths; with this the first gymnasiums, "palaestrae", were created (The Spa Association 2005).

During the 18th and 19th centuries, spas were very popular in England, and it became a practice for spas to be staffed by medical professionals. Likewise, the original concept of "Sanus per Aquam" was altered, and other services and products were included in order to assure the entertaining and socializing aspect of spas; restaurants, casinos, and accommodations for entertainment, such as symphonies or racetracks were added. Interestingly, most of these spas were built in isolated mountain towns and provided visitors with magnificent mountain views. At the same time, in the North American continent, Native Americans included hot spring therapies in their routines; they believed that the water's minerals and components had healing and curative properties.

Trends migrated west, as the years went by, and important changes occurred which resulted in what are known today as spas. In this day and age, spas have become

more popular than ever. “The number of spa locations has experienced an average annual growth of 20% over the past eight years, creating a \$10 billion industry that attracts nearly 45 million U.S visitors per year.”¹ Different products and services are offered in order to create unique and sustainable competitive advantages. Mark Lomanno, President of Smith Travel Research, found that resorts and hotels that have spas have an average daily rate (ADR) of \$228.07 versus an ADR of \$154.42 for those without such facilities (Lodging Hospitality).

1.2 Objective of the Project

In Vancouver, British Columbia, Grouse Mountain Resorts Ltd. is interested in researching the local spa market in order to determine current trends and decide if it would be feasible for the company to implement a spa at the top of the mountain. For this reason, only Vancouverite spa-goers were considered for the primary research.

In order to help Grouse Mountain Resorts Ltd in the decision-making process, the main purpose of this project is to explore the current local spa industry, and to determine existing opportunities for the company to position itself successfully in the market. The following objectives will be pursued:

- To identify spa’s positions and trends in the international local market, specifically in Vancouver.
- To explore local consumers’ perceptions and expectations regarding services and products offered in spas in Vancouver.

¹ Sternthal, Erin F., Spa Sensation: As spas proliferate, so do agent sales opportunities, Travel Agent, May 2004, Vol. 316 Issue 11, p48, 4p

- To determine market opportunities considering local customers needs and wants.

This research is based on the collection and analysis of both secondary data and primary data. In order to identify spa's positions and trends in the international and local market, secondary data is obtained through updated publications related to the industry. Local consumers' perceptions and expectations regarding services and products offered in spas in Vancouver, are obtained through informal interviews done to three spa goers, which belonged to different gender and age categories. This research is the first of many to follow, in order for the company to make a well-informed decision, considering the financial implications involved in this specific business line extension. This project concludes by recommending future research steps.

2 METHODOLOGY: SECONDARY RESEARCH

In order for Grouse Mountains Resorts Ltd. to make a well-informed decision, it is important to understand the spa industry (background, types of spas, common products and services offered and trends), the spa market in Vancouver, the processes and consequences involved in business line extensions, and the impacts that the Vancouver 2010 Winter Olympics might have in the industry. This section covers important facts that will guide the company towards making the right decisions.

2.1 Spas

2.1.1 Types of Spas

Spas are generally designed to cleanse, heal, and enhance overall well being. Services, products offered, and location define the existing types of spas. The most common and basic types of spas are Day Spas (also known as Beauty Spas), Hotel or Resort Spas, Destination spas, Medical Spas, and Mineral Spas.

Leading Spas of Canada defines day spas as “spas offering four or more categories of professionally administered spa services to clients on a day-use basis”². They are also known as local spas offering hourly services (International Spa Association, 2004). Some day spas include salon hair care and makeup, and as a result are called beauty spas.

² Leading Spas of Canada Directory (2005) *The Finest Healing Spa Experience in the World*, Retrieved June3, 2005 from <http://www.leadingspasofcanada.com/>

Resort/Hotel spas, as the word describes them, are spas within a resort or hotel property. They are designed to combine a variety of recreational or professional activities with replenishing spa activities. There may also be a fitness or wellness element. However, these services may also be offered to local guests on a daily or hourly basis; in this sense these spas may also be considered day spas. Likewise, services offered are very similar to those offered by day spas.

On the other hand, lifestyle improvement, health enhancement and self-renewal are the main focus for destination spas. These spas usually offer professionally administered spa services, physical fitness, educational programs, on-site accommodations and exclusive spa cuisine. In-door and out-door activities such as walking, hiking, canoeing, yoga and pilates, are very common amongst these spas.

Medical spas focus on wellness and preventive healthcare or cosmetic and aesthetic procedures, performed by medical physicians and spa professionals. According to the International Medical Spa Association, a medical spa possesses full-time, on-site medical supervision. These spas offer services such as botox, chemical peels, medical microdermabrasion and laser hair removal.

Mineral spas, on the other hand, offer on-site sources of natural minerals. Thermal or seawater is usually used in hydrotherapy treatments. Services offered by most day spas are also included.

2.1.2 Spas in Vancouver

For the purpose of this research, the author considers the list of best spas in Vancouver, according to Leading Spas of Canada. This association points out that the

spa industry is one of today's fastest growing sectors; in North America, it has virtually doubled its size between 2000 and 2003, with some 12,000 spas. The spa industry is adapting and changing, considering that baby boomers are avoiding the aging process, and because their stressed, well-educated offspring are more active and wellness oriented than previous generations. The International Spa Association estimates that there are 2,100 spas in Canada. In British Columbia there are over 25 spas. Leading Spas of Canada lists eight spas, as the best in Vancouver, four belonging to the day spa category and four belonging to the resort/hotel spa category (See Table 2.1).

Table 1: Spas in Vancouver

Spa	Category	Location
Absolute Spa Group	Day	Vancouver International Airport
Beverly's the Spa on Fourth	Day	2185 West 4 th Avenue
La Raffinage Spirit Spa	Day	521 West Georgia Street
SpaEthos	Day	2200 West 4 th Avenue
Spa Utopia and Salon	Hotel/Day	Pan Pacific Hotel, Vancouver
Absolute Spa Group	Hotel/Day	Fairmont Hotel - Vancouver International Airport
Absolute Spa Group	Hotel/Day	Century Plaza Hotel
Absolute Spa Group	Hotel/Day	Hotel Vancouver

Source: Leading Spas of Vancouver

Day spas in Vancouver include Absolute Spa Group (at the Vancouver International Airport), Beverly's The spa on Fourth, La Raffinage Spirit Spa and SpaEthos. Resort spas, on the other hand, are Absolute Spa Group (Century Hotel, Hotel

Vancouver, and The Fairmont at Vancouver International Airport), and the Spa Utopia and Salon (Pan Pacific Hotel). The fact that these last spas are located in hotels places them into the resort spa category; however, services and products are offered on an hourly or daily basis. In this sense, these spas can also be considered as day spas.

Interestingly, there are no destination, wellness, mineral or medical spas in Vancouver. This is an opportunity and an untapped market for businesses in Vancouver that wish to extend their lines of business.

2.1.3 Spa Services and Products

In general, the most common services and products offered by spas include facial and skin care treatments, massages, body wraps, masks, scrubs, hair removal, and other healing specialties that vary amongst spas. These commonly offered services could be very different depending on the spa and its positioning strategy. Also, there are some treatments that seem to be more popular than others (See Appendix 1).

The Absolute Spa Group owns four spas in Vancouver. The Absolute Spa at Vancouver International Airport (YVR), “Non-stop spa service”, located at both international and domestic flight gates, the Absolute Spa at the Fairmont Hotel at the Vancouver Airport, the Absolute Spa at the Hotel Vancouver, and the Absolute Spa at the Century Plaza Hotel. Common services and products offered by the three spas located in hotels include facial care, hand/nail care, foot care/pedicures, registered massage therapy, healing specialties, body treatments, polishes, body wraps and masks, hydrotherapy and bath treatments, hair and scalp therapy, finishing touches (hair removal), professional

make-up and other specialties that differentiate them from their competitors, such as the chocolate and honey citrus bathes.

Prices vary according to the location of the spa. Absolute Spas at the Fairmont Hotel at the Vancouver International Airport and at the Hotel Vancouver are approximately 13% higher than the prices offered at the Absolute Spa at the Century Plaza Hotel. Likewise, certain products are only offered by specific spas; the Absolute Spa at the Hotel Vancouver is the only spa in Canada to offer its “For Men Only” products. These products include the Y-Spa Facial, professional hand care, King Foot care, Thalasso back facial, finishing back wax and sport massage.

Ayurvedic treatments (ancient healing practices for body and soul) are only offered at the Fairmont Hotel at the Vancouver International Airport and at the Century Plaza Hotel. Likewise, the latter hotel exclusively offers the four-hour VIP package, as well as the “Group Experience” services and products.

The Absolute Spa at the YVR, on the other hand, caters its products to travellers. Services such as the 747 pedicures for men, the anti-jet lag personalized facial and flight delay packages are available for travellers to enjoy before or after flights. Prices range from \$30 to \$95, and treatment times vary from 20 minutes to 1 hour and 15 minutes.

Beverly’s The Spa on Fourth, claims to be a “French destination” spa, which offers facials, Vichy Thalasso wraps, body treatments, spa packages, relaxation Swedish massage, warm stone massage, salt scrubs, Vichy shower hydrotherapy, micro-dermabrasion, waxing, electrolysis, sunless airbrush tanning, pedicures, manicures, eye and neck treatments, and couples packages. Vichy treatments differentiate this day spa from its competitors; these are relaxation treatments that are done in candle-lit French

Vichy shower rooms. Likewise, the “eye and neck rejuvenation” services seem to be a unique offering. Nonetheless, this treatment is usually offered in regular facials. Prices seem to be higher than those offered by Absolute Spas; however, treatments last longer.

Equally, SpaEthos presents a wide variety of options in each of the main services offered: facials, body treatments and “envelopments” (wraps), hand and foot care, make-up, massage, and combinations of these, are amongst its offerings. SpaEthos also emphasizes or “denotes customized signature treatments created for SpaEthos”. These include the 90-minute massage with Warmstone Back Treatment, Lavender Body Exfoliation, Massage Enhancements (hot oil/scalp massage), Body Cocoon Wrap, Seas Salt and Peppermint Foot Therapy, Spa Pebble Manicure, and Spa Pebble pedicure. Spa cuisine and bridal packages are available as well; however, there are no services offered to men.

Spa Utopia and Salon has five main lines of business: 1) massage, bodywork and hydrotherapy, 2) facial and advanced skin treatments, 3) body wraps, exfoliation and waxing, 4) hand and foot treatments, and 5) salon hair care and makeup. Recently, a naturopathic medicine line was included in order to provide individualized effective and safe natural remedies combined with advanced therapies, to enhance life quality. Professionals specialized in psychology and physiology offer services such as acupuncture, stress management programs, detoxifying programs, consultations on mind-body and physical medicine, and hydrotherapy amongst others.

La Raffinage Spirit Spa offers treatments, such as facials, massages, body wraps, manicures and pedicures. It offers a more holistic approach including energy and cranial treatments, as well as classes and workshops that contribute to calm, strengthen, and

harmonize body and soul. For example, La Raffinage Spirit defines its Spa Zen services as “a spa experience, which increases personal awareness of physical, emotional, mental, and spiritual levels. The vibration of the energy fields of the ‘triad bodies’ is expanded to offer an opportunity to enjoy the highest level of integrated spa therapies”.³ Packages, events and retreats are also part of La Raffinage Spirit Spa’s menu.

As previously mentioned, different spas position their services and products differently; uniqueness is a very difficult to achieve in this competitive industry. Therefore, it is important to constantly follow behaviours in consumers that may indicate future trends.

2.1.4 Global Trends

In order for a business to remain successful and maintain a competitive advantage, it is crucial to satisfy customers by considering, understanding, and foreseeing constant changes in their needs and wants. Consequently, it is very important for managers to be aware of trends and behaviours that may predict these changes.

The concept of spas, and services offered by them has changed throughout the years. Spas no longer offer exclusively natural healing waters, but other services such as ayurvedics, massages, and skin care have been included in their menus (See Appendix 1). Some say spas represent the ultimate pampering experience while others consider them the best relaxation option, for the body, mind and soul. However, services and products offered in spas around the world are very similar, and this why, in order to remain competitive in the industry, it is a key factor for spas to consider consumers’ behaviours and trends.

³ La Raffinage Spirit Spa, retrieved June 15, 2005 from <http://www.laraffinage.com/>

Recent studies conducted by Opinionsite Research indicated strong trends among the spa-going population. An overwhelming 44% of the respondents of the study answered that spas are simply too costly. Fifty five percent of the respondents would prefer to go to a spa with a friend as compared to 35% who said they would prefer to go to a spa alone. Spa-goers are choosing domestic with 73% preferring a day spa close to home as opposed to a destination spa or spa vacation. What brings these spa-goers to the spa and keep them coming back? Quality of service offered was the overwhelming response with 38% listing service quality as the number one reason they would consider a spa and 46% listing service quality as the primary reason they would return to a spa (The Spa Association 2005).

The most significant trend in the spa industry is, without a doubt, catering products and services to the male market. Packaged Facts, a consumer market research firm, reports that the purchase of men's bath and shower products grew to a US\$19.3 million market in 2003, up from US\$2 million in 1999; men's skin care products grew to US\$13.8 million in 2003, up from US\$3.9 million in 2001. These numbers point out the fact that men are now more mindful of their image and health. Also, according to the International Spa Association (ISPA), males represent one third of all spa users. Moreover, international hotel chains such as the Fairmont Hotels & Resorts indicate that 50 % of its spa guests are men. As a result, specialized services and products have been included in many spas around the world. For example, the Pacific Waters Spa at the Hyatt Huntington Beach Resort and Spa in California created the "Hops and Barley Double Play" treatment, which uses grains (typically used for beer) in manicures and pedicures. Another relevant example is the Absolute Spa at the Fairmont Hotel in

Vancouver. This is the first “male-oriented” spa in Canada, and it offers special treatments and products to their male customers.

On the other hand, medical spas are soaring and opening everywhere. Tina Berger, senior vice president of operations for WTS International, a leisure management firm that designs resort spas, says, “As more clients become savvy to the anti-aging products and equipment—a new one assesses the client’s DNA to formulate a skin cream that addresses and corrects specific environmental and genetic skin conditions – these very expensive treatments will become mainstream”.⁴ Likewise, according to Eric Light, president of the International Medical Spa Association, the medical spa industry represents 10 percent of the spa industry and is expected to double in size in the next two years. From a doctor’s perspective, this business has proven to be more manageable and return on investments is tremendous. Interestingly, there is only one medical spa in Canada, the Insitut de Sante in Calgary, Alberta, which also combines the usual services offered by any day or resort spa.

“Group experiences” seem to be on the rise as well. Spas create multi-functional spaces where small group can have treatments while they relax and socialize. This is a great opportunity for families to spend quality time together, while considering health and wellness aspects. Like family spas, teen spas are expected to increase for they will become future loyal customers. Emerging “spa communities” will provide today’s aging baby boomers with their most important lifestyle requirements- health and fitness centered on spa going. Likewise, businesses will use spas to build relationships, motivate

⁴ Johnson, Polly, The Spa Industry Contemplates Its Future. *Fitness Business Pro*, Jan2005, Vol. 21 Issue 1, p30, 1p, 1c

employees, manage employees' health, and conduct corporate meetings (Spa Finder 2005).

Deborah Smith of Smith Club and Spa Specialists believes that it will be very important to address the spiritual needs of spa goers and says that “spa programs might focus on the common theme of spiritual transformation programs such as being truly present to the moment in order to realize a deeper, truer treasure that lies within, outside the bounds of ego.” People will go to destination and resort spas to achieve personal goals such as quitting smoking, achieving mindfulness or spiritual awareness, improving sexual health or detoxifying.

Another interesting trend addresses the spa's environmental style. Lynn Curry, senior director of accounts of Natural Resources Spa Consulting Inc. believes that “bringing the outside in with natural light and outdoor features such as water, foliage and wildlife (bird or butterfly sanctuaries) to give guests a sense of getting back to nature is high on the trends list.” These spas are expected to be known as eco-adventure spas, the great outdoors with pampering spa services. Similarly, unique and unusual settings and locations will create a significant competitive advantage considering the increasing number of spas worldwide. Examples include the underwater spa treatment rooms offered by Per Aquum Resorts and Spas in England, and the Wieliczka salt mine located in Poland, where customers have the chance to descend 153 metres by lift into a spa chamber inside the old mine.

Other trends expected to intensify in the next ten years include hospice spas (spas as part of a hospital environments), environmentally friendly spas, and spas that offer

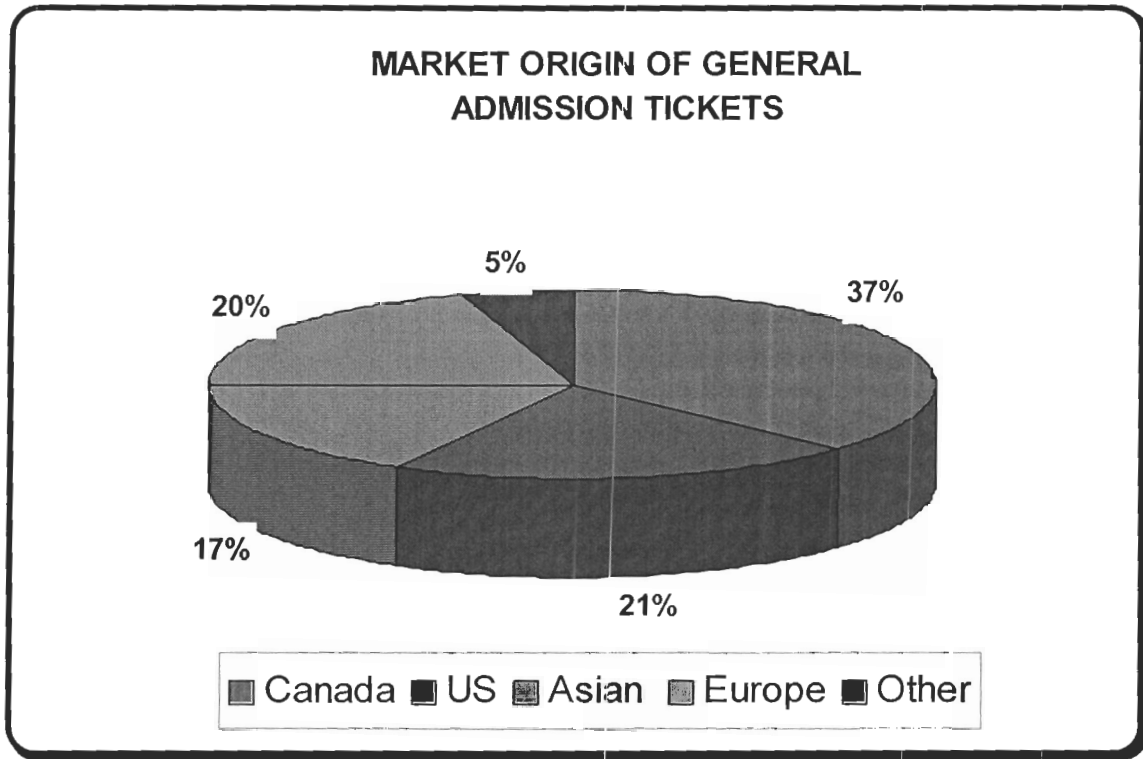
ancient therapies and products. Hydrotherapy, ease of purchase, and experience for time-sensitive spa goers, are also important trends.

2.2 Grouse Mountain Resorts Ltd.

Grouse Mountain hosts 1.1 million guests per year, 60% during the green season (summer) and 40% during the white season (winter). Grouse Mountain Resorts Ltd. has six main lines of business: general admission, winter activities, summer activities, food and beverage, retail, and educational.

General admission includes the day pass or Skyride lift to the top of the mountain. Visitors are able to enjoy one of the most beautiful views of Vancouver as well as other services such as featured films in the “Theatre in the Sky”, the Lumberjack Show, and sleigh rides. General admission sales are mostly targeted at tourists. Annual membership passes are targeted to locals (there are approximately 40,000 all season pass holders). The geographical market origin of the general admission tickets is distributed as follows: 37% Canada, 21% US, 20% Europe, 17% Asia, and 5% other (See Figure 2.1).

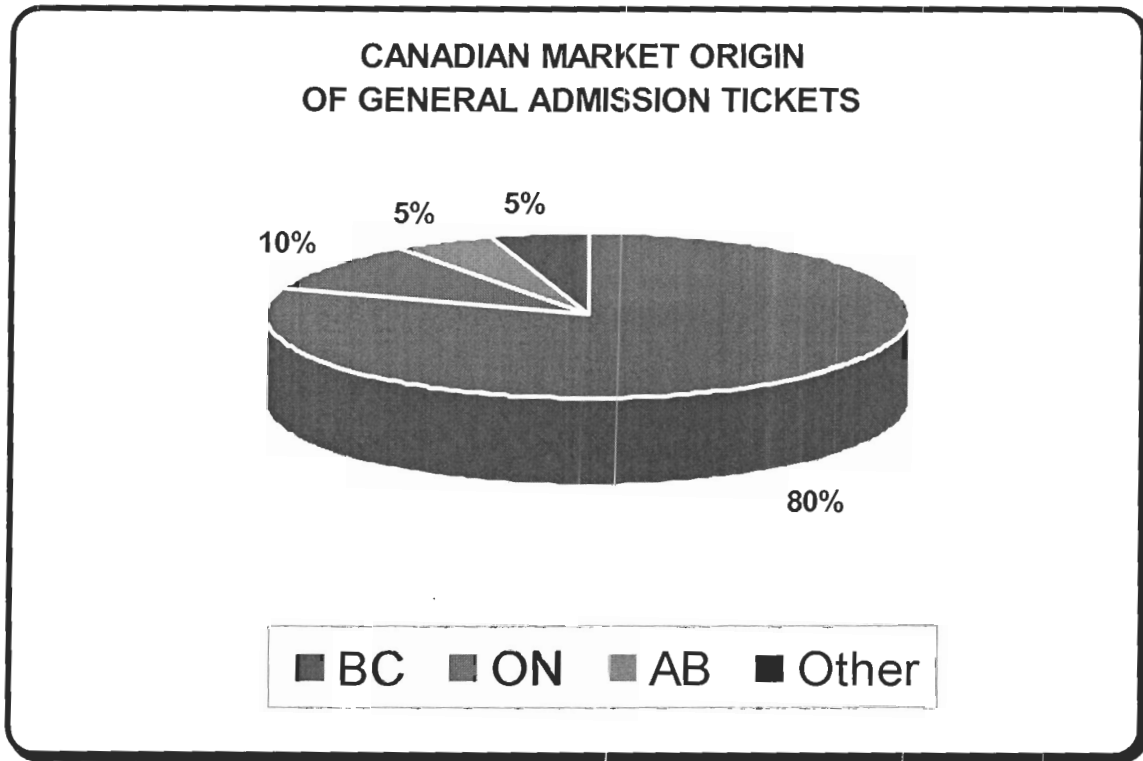
Figure 1 Market Origins of General Admission Tickets



Source: Grouse Mountain Resorts Ltd.

Of the percentage of Canadians that buy general admission tickets, 80% are from British Columbia, 10% from Ontario, 5% from Alberta and 5% from other provinces (See Figure 2.2).

Figure 2 Canadian Market Origin of General Admission Tickets



Source: Grouse Mountain Resorts Ltd.

Winter activities include skiing, snowboarding, freestyle terrain parks, snowshoeing, ice-skating, sleigh rides and the well-known and respected snow school, targeted to both children and adults. During the month of December, “The Peak of Christmas” offers other activities related to these festivities. Alternatively, summer activities include the Lumberjack Show, eco-walks, trail running, hiking (the popular Grouse Grind is hiked more than 100,000 times per year), bird watching and paragliding.

Grouse Mountain also offers other ways of entertainment on the Peak Chalet, including dining and shopping. Guests can choose to dine or have a snack at The Observatory, The Altitudes Bistro, Lupins Ca  , The Grouse Grind coffee bar or at the Rusty Rail while enjoying a breathtaking view of the city of Vancouver. Weddings and corporate events may also be arranged on the mountain. Also, guests can shop for unique

products elaborated by local artisans, which represent British Columbia's recognized native art, at the Spirit Gallery gift shop. On the other hand, if guests are looking for outdoor gear, they can choose from a wide variety of brands at the Outfitters store, including the Grouse Grind brand of clothing and accessories.

Finally, the last line of business includes Grouse Mountain's recognized educational programs, which are usually targeted to children ranging from grades 1 to 12. These include wildlife educational programs, Phyla of the Grouse Mountain Ecosystem, Hiwus Feasthouse (First Nation's educational program), skiing and snowboarding lessons, Science of Snow and other mountain adventures, such as ice skating and snowshoe tour.

2.3 Business Line Extension: Grouse Mountain Resorts Ltd.

Grouse Mountain Resorts Ltd. is contemplating the possibility of extending its line of business by adding a spa at the top of the mountain. It is important to remember that companies usually introduce an extension by using an established product's name, in this case Grouse Mountain, to launch a new, different product category (Giddens 2002). Some of the benefits that Grouse Mountain could achieve by extending its line of business include gaining more potential customers, offering customers more variety, and increasing profits.

However, the company must consider the threats involved; there is a potential for failure, and there may be a possible intra-firm competition, better known as cannibalisation, a negative impact of the company's new product on the sales performance of its existing related products. For example, a customer may decide not to

ski and instead go to the spa, affecting profitability of the skiing line of business. In addition, if the extension fails, customers' attitudes towards other services and products offered by Grouse Mountain may be damaged.

The following questions should be answered in order to make a reasonable decision regarding line extensions (Giddens 2002):

- Can Grouse Mountain develop a product extension with characteristics that clearly differentiate it from other existing lines of business?
- Are these characteristics believable and needed?
- Does the company have the necessary resources to develop a differentiated product?
- Will net combined sales of the established line of businesses and the spa be greater than sales of the established line alone?
- Will the cost of product development and promotion be covered by the sales of the new spa?
- Is there already a high level of diversity in the local spa market?

In order to optimise the influence of the Grouse Mountain brand, an extension has to make sense, be part of a long-term plan, and reflect core images and messages of the brand.

2.4 Vancouver 2010 Winter Olympics

In the year 1988, the Canadian Olympic Committee selected Vancouver-Whistler as Canada's candidate for the 2010 Winter Olympics, based on previous experience as host of the 1976 Summer Games in Montreal and the 1988 Winter Games in Calgary.

The Vancouver-Whistler 2010 Bid Corporation was formed in 1999, with a budget of \$34 million and the support of more than 70 companies, corporations and organizations (Tourism Industry Association of Canada, Canadian Sport Tourism Alliance, 2004). On July 2, 2003, the International Olympic Committee chose Vancouver as the host city, and Whistler sharing the events.

One of the roles of the International Olympic Committee (IOC) is to help organizers identify potential legacies and maximize benefits; and one of the key legacies that will result from the Games is the economic impact that will result from visitors, officials and athletes attending the Games, and the media covering them. Likewise, “the Games generally stimulate interest in advertisement awareness of the host country, and the enhancements to host a city (e.g. beautification programs, improved access and transportation) can make it a more attractive destination for tourist and convention planners”⁵.

Cases relevant to Vancouver 2010 Winter Olympics include the Sydney 2000 Olympics as a recent tourism-successful example. According to the Australian Tourism Committee (ATC), there was an increase of 11% in visitor arrivals in 2000; 1.6 million additional visitors, spending \$3.5 billion (US), and greater likelihood of visiting Australia as a result of the Games (88% of Games’ visitors are likely to return in the future).

Another example of successful outcomes of Olympic games is the 1988 Winter Olympics hosted in Calgary. During the Olympic year, the number of visitors grew by 12%. This figure continued to grow on an average annual rate of 3.25%. Facilities built

⁵ Tourism Industry Association of Canada, Canadian Sport Tourism Alliance: “2010 Olympics – A Call to Action for the Canadian Tourism Industry” July 2004

for the Games have been expanded and improved, contributing to the increase of international visitors. Also, attendance at the Calgary Stampede has increased 20% since 1988.

In 2002, Intervistas Consulting Inc. prepared a study on the expected impact of the Vancouver 2010 Olympics for British Columbia's Minister of State. The study estimated the direct GDP impact could range from \$2 billion to \$4.5 billion, while the number of person-years of employment would range from 45,000 to 99,000. Also, organizers estimate the 2010 Games will draw 6,000 athletes and officials, 10,000 media representatives, and 35,000 overnight visitors to Vancouver and Whistler. Similarly, Olympic-included visitation for the period 2008-2013 could range from 35,000 to 80,000 people. Direct and indirect economic impacts are estimated between \$920 million and \$2 billion, with employment impacts ranging from 22,000 to 77,000 person-years. However, the report states that benefits will not materialize automatically. They must be earned by a focused, adequately funded and skilfully executed marketing campaign.

At the 2004 CSTA Sports Events Congress, it was stated that:

“From a tourism point of view, [the Games] can be one of two things, either a ‘16-day wonder’ that boosts our visitor numbers and spending before, during and after the Games, with those benefits confined mostly to B.C.’s Lower Mainland. Or the Games can be an opportunity to ramp up tourism in the wider region and elsewhere in the country for years – and perhaps generations – to come.

If we choose the 16-day-wonder option, we can basically sit on our hands for the next six years and grab the extra tourism receipts in February 2010. But seizing the opportunity to see so much or – sustained, broad-based tourism benefits – requires some careful planning by many partners and it has to start now.

Individual businesses also have a key role to play in the Olympic legacy planning process. They must take a proactive approach and look at their own product development and at what kind of packages they can offer within the legacy context.”⁶

Grouse Mountain Resorts Ltd. has taken a proactive approach by re-evaluating its current line of business, and considering the possibility of including services and products that would result in a more appealing business. At the same time, the 2010 Vancouver Winter Olympics Games are a once in a lifetime opportunity for the company to launch a new, unique and exclusive product that will differentiate itself from competitors, hence creating a significant competitive advantage. The above-explained arguments seem to point out the fact that the best time to implement the spa would be in the year 2010. As a result, the company now has to consider financial and timing aspects in order to be able to pursue its objective.

⁶ CSTA Sport Events Congress, April 30, 2004. Presentation by Randy Williams, President and CEO, Tourism Industry Association of Canada.

3 METHODOLOGY: PRIMARY RESEARCH

The information obtained through secondary research explains the industry's background and its trends. However, information regarding the spa industry in British Columbia, such as demographics and trends, is very limited, almost inexistent. Therefore, in order to determine local consumers' perceptions and expectations regarding services and products offered in spas in Vancouver, this project conducts primary research using quantitative methods.

3.1 Primary Research

3.1.1 Qualitative Research

Qualitative research is a useful first step in exploring consumer brand and product perceptions. This type of research uses techniques that are relatively unstructured measurement approaches in which a wide range of possible consumer responses is permitted (Keller, 2003). Likewise, qualitative research normally looks for patterns of interrelationship between many categories rather than a sharply delineated relationship between a limited set of them (McCracken, 1991). In other words, the purpose of this project is to explore how spa goers feel towards the services and products offered, and about spas in general. The intention is not to pre-establish attitude levels nor to point out specifically what services, products and spas will be considered.

Qualitative research also facilitates the understanding of context, situations and circumstances, and clarifies and identifies problems with a product or consumption

context. When, how often and why customers go to spas, are examples of this. Another important advantage of using qualitative research is that it explores a phenomenon or problem in great detail by obtaining in-depth consumer perspectives; emotions, thoughts, beliefs and motivations are considered in the process.

In this sense, and considering the fact that this project is the first of many steps to follow in future research, qualitative research is used to explore local spa goers' opinions and attitudes towards spas in Vancouver. It is important, however, for Grouse Mountain to follow up with quantitative research, in order to make a sound decision. Quantitative research should include quantified and statistical data, as well as a representative sample of the population.

3.1.2 Interviews

Focus groups, projective techniques, observational methods, and individual in-depth interviews, are some of the most common qualitative research techniques. Interviews are particularly useful for getting the story behind a participant's experiences. The interviewer can pursue in-depth information around the topic (McNamara 1999). Hence, for the purpose of this project, individual in-depth interviews are used to explore local consumer perceptions on spas located in the Vancouver area, as well as in the products and services offered by these spas.

A general interview guide approach is followed in order to ensure that the same general areas of information are collected from each interviewee; however, this approach allows a degree of freedom and adaptability in getting the information from the interviewee. In order to obtain faster interviews, which can be easily analyzed and

compared, standard open-ended questions are asked (see Appendix2). One question is asked at a time and responses are encouraged. Also an attempt is made by the interviewer to remain neutral and to have control of the interviewing process at all times.

Three people are chosen for the interviews, two females, ages 55 and 27, and one male, age 50. A screening question confirms that they have been spa customers at least once.

4 RESULTS

4.1 Interviewee I: Ann

Ann is a 55-year-old married professional (Ph.D.), with two children. She goes to Linda's Urban Spa (1888 West 1st Avenue) once a month to have a pedicure and to wax her eyebrows. She believes that, "we're tough on our feet. They deserve a pedicure every once in while." She considers herself to be devoted to people in the sense that she is loyal to the people that give her massages, pedicures, etc. As a result she gets other services from different places, "Alana at Linda's does my eyebrows. Sherry is my massage therapist (she lives two blocks away), and Lucy, just a block away, does my facials." In this sense, location is important for her.

Ann believes that spa goers are people with money that are interested in their appearance, "but not in a vain way. They are interested in preventing the aging process, maintaining and enhancing their appearance, probably between the ages of 30 and 65, mostly females." She also emphasizes that she does not agree, at all, with some of the services offered in medical spas, like, for example, botox, "it is totally fake. Spas are more of a natural thing for me. It's about relaxing. This is also why I am against a total dependence on spas. At my age, its all about comfort and maintaining the body."

The number one reason why she goes to destination spas is "to get away". Ann has been to the Wickaninnish Inn in Tofino (where she had the Hot Rock Massage – the ultimate experience according to her) and Victoria's Delta Ocean Point Resort and Spa because they are far away and because they have a spa. Expectations on destination spas

include their offerings, specially massages, exfoliations (which she finds fun) and mud baths. She would not include facials for she doesn't find them relaxing. She also likes it when gyms and fitness programs are included.

Also, Anne has been to SpaEthos and the "one spa at the Century" (Absolute Spa); interestingly, she did not know the name. She goes to SpaEthos once a year for a massage and exfoliation, "The steam room smells great, nice robes. They have fireplace, and beautiful floor tiles, beautiful books (I read something that changed my life), cucumber floating on water. Everything just feels so special. If it wasn't so expensive I would go regularly." SpaEthos also carries her husband's products (designer pots). "I wouldn't change anything at SpaEthos. They surprise me with new services and products every time I go."

She has also been to the spa at the Century Plaza Hotel. She feels like they are a little more Italian, mostly because of the paintings on walls; however, she emphasizes that the spa is in a basement, and that even though they try to make a nice environment, "you still feel like you in a basement, nice try." She went to this spa with her husband a couple of years ago and had the "Couples' package". She found it fabulous, but her husband was not very convinced with it. He found it odd and made him feel "decadent".

Ann also comments on the products she had purchased in spas; she had to return them because they were very "strong natural" products. She has a feeling the spas make a lot of money by selling these products.

The most important things for Ann when choosing a spa are the people, price, and location. Although she pointed out that she would drive anywhere if it was like SpaEthos

or “the one at the Century” and she has a gift certificate. Once a year, Ann would be willing to go “the whole nine yards” for spa services.

4.2 Interviewee II: Tara

Tara is a 27 year old, director of a youth centre in Burnaby. She goes to spas every other month for massages (full body), facials, pedicures and paraffin wax. She never buys products because she claims they are too overpriced. According to Tara, middle-class women between the ages of 25 and 65 are most likely to go to spas.

Tara goes to the same spas: Spa Utopia and Salon, Absolute at the Century and another one in Whistler (she did not remember the name). She originally started going to these spas because she had gift certificates but she keeps going back for two main reasons, staff friendliness and atmosphere. The most important reason is staff friendliness; she finds that the staff is always accommodating and tries to make the best out of the experience. Atmosphere is also important; she needs the environment to be tranquil and relaxing (she finds that environment colours have a lot to do with this). Tara has not been to destination spas for vacations; however, she would expect to receive the same quality products and services, especially those meant for relaxation.

One of the things that Tara would change without a doubt, would be the prices, “people can get a very good massage at a mall, or even at home for \$50, but if they go to a spa, they would probably spend more than double.” She believes that lowering the prices would make the services more accessible to everyone, resulting in an increase of regular customers.

On the other hand, location is not an issue for Tara and she expects to receive the same services and quality of service from every spa. Overall, Tara is “super happy” with the spas she has gone to and the experiences that she’s had.

4.3 Interviewee III: Ron

Ron is a 50-year-old married professional with two children. He is originally from Israel, and has been living in Vancouver for over 15 years. Ron has been to a spa once, The Mirage (Granville and 7th); he was given a gift certificate, which included a package. Therefore he was not able to choose the services.

“I showed up to my appointment. A lady explained the process and gave me a locker. She then took me to a steam room, for about 15 minutes. After that, she laid me down on a marble counter, and “rubbed me” with some kind of Moroccan something for 10 to 15 minutes. Then she washed me and gave me bathrobe. I was then moved to a different room where I had a 1 hour massage; finally, I had some tea in a “middle eastern” room”.

Ron finds his experience very professional, relaxing and stress releasing, and he would go again, but he doesn’t know much about the cost. He claims he is not the kind of manicure/pedicure person and that he doesn’t know anybody (men) that is. Ron believes that people that go to spas on a regular basis are high-class customers, or economically well-established customers. He also finds that it would be a good idea for corporations to offer “pampering packages” to their employees as an incentive.

He claims that it might be a social economical issue. “ Where I came from (Israel), men don’t do that – not manly/powerful.... The way I grew up – middle class – if somebody told me that my dad went for a facial, I would get a good laugh.”

Ron also recommends that spas should be within a 15-minute radius drive – “you feel drained, dozy, very relaxed, sleepy.” It’s also better to do it at the end of the day – then go home and sleep – he wouldn’t do it in the middle of the day.

Ron is not the kind of man that would spend \$300 in “recreation” on a regular basis; he might do it every three years or so. Likewise, spas are not an issue whatsoever when picking a hotel or resort. A destination spa, which would include physical activities (canoeing, hiking, skiing, etc.) and spa services for the entire family, would be convenient for him. He describes that it would be nice to have a spa experience, during vacation, after skiing.

“I see it as an indulging experience. I would go to a spa if I had been working on a big project for three months and finally finished it.” It would make a big difference if prices were more accessible; however, that would not mean that he would become a regular spa goer.

5 CONCLUSIONS AND RECOMMENDATIONS FOR GROUSE MOUNTAIN RESORTS LTD.

Grouse Mountain Resorts Ltd. is contemplating the possibility of implementing a spa on the mountain. Although there is always risk involved in business development processes, it seems reasonable, considering the arguments and facts presented throughout this project, for Grouse Mountain Resorts Ltd. to pursue the idea of extending its line of business by introducing spa services to its customers. Based on the primary and secondary data obtained through this project, the following can be concluded.

The fact that Grouse Mountain has become a “must see” attraction for tourists in Vancouver will contribute to a revenue increase for the company due to the projected increase in the number of visitors before, during, and after the Vancouver 2010 Winter Olympics, according to Tourism Industry Association of Canada.

An important benefit involved in extending Grouse Mountain’s line of business includes increasing profits through gaining more potential customers (locals and tourists) by offering more diverse products and services. However, threats involved include potential for failure and possible intra-firm competition.

Men over 50 years enjoy the services offered; however, they are resistant to using it on a regular basis. They believe that prices are too high, but they would be likely to purchase packages that include other activities. On the other hand, women over 35 use spas for age preventative and relaxation purposes. Women less than 35 use it for relaxation. These issues should be addressed in the target market definition process.

Both men and women feel that going to spa is for people “with money”. However, this project does not consider high-income earners. This segment should be further researched. All agree that going to spas is pampering and indulging experience.

Location is important for some of the interviewees, especially for regular services (manicure/pedicure, hair removal, etc.); however, they are willing to drive a bit more in order to “get away from it all” and enjoy the experience (massages, exfoliations, baths, etc). In this sense, the uniqueness and exclusivity offered by Grouse Mountain would be a significant motivator.

These conclusions lead to the following recommendations.

Spas in Vancouver are mostly day spas; there is a lack of destination and wellness spas in the city. This is an opportunity for Grouse Mountain Resorts Ltd. to become the first combined destination/wellness/day spa in Vancouver (and in the world).

Interviewees mentioned that relaxation and fun (both individual and family fun) were the main reasons why they would go to a destination spa. This information combined with fact that, as shown on Figure 1, more than 60% of the mountain’s guests are tourists (Canadian and International), suggests the direction that the company should follow in positioning the proposed spa (i.e. products and services offered should focus on relaxation purposes).

Research also suggests that local customers prefer a day spa close to home as opposed to a destination or vacation spa. In this sense, Grouse Mountain’s “local spa, away from it all” will seem attractive to this local market.

A spa on Grouse Mountain would also offer a unique environmental style, in which guests could enjoy the great outdoors and activities (walking, hiking, skiing, etc.) with pampering spa services; positioning the spa as an eco-adventure is also a possibility.

Services and products offered in the spa should include: facial and skin care treatments, massages, body wraps, masks and scrubs massage, body wraps and exfoliation, body baths, etc. However, considering that there are no mineral spas in British Columbia, it would be interesting to consider the possibility of offering on-site sources of natural minerals, for example, thermal or seawater in hydrotherapy treatments. This would create a competitive advantage, difficult to imitate by competitors.

It is also important to keep in mind that Grouse Mountain Resorts Ltd. has always been a supporter of British Columbia's First Nations' culture and art. The First Nation's "theme" could be used for the design of spa (decoration, spa utensils, staff uniforms, etc), as well as for the positioning of each service offered. For example, the Iskut Package would offer a 60-minute relaxing massage and body exfoliation.

Although both primary and secondary research show that spas are perceived to be overpriced, it is important for Grouse Mountain to maintain a brand image of a high value, quality and prestige product.

6 LIMITATIONS AND FUTURE DIRECTIONS

This project explores the local spa market in Vancouver, British Columbia, through primary research by interviewing three local residents. Due to time restrictions, it is not possible to interview other customers that are part of Grouse Mountain Resorts Ltd.'s target market, such as Canadian and international tourists. In this sense, and in order to obtain attitude and intentions of usage information, as well as consumer preferences regarding products and services, further qualitative research is recommended through focus groups. Based on the fact that women of different ages and men differ in preferences regarding spas, and based on the fact that a significant percentage of guests are tourists (more than 60%), the following three focus groups are recommended: one including only women of different age ranges, one including men of different age ranges and homosexuals, and one including both men and women. It is also important to incorporate Canadian and international tourists, in order to better represent the company's current market. This will allow a better understanding of consumers' behaviours, needs, and wants regarding spas and to better define its target market for the proposed extension.

Consecutively, quantitative research will allow a better understanding of consumers' attitudes towards the proposed spa and will also include a representative sample of the population. Results obtained through the recommended focus groups will contribute with the design of a survey, which should include both closed and open-ended questions. Further research results, both quantitative and qualitative, will be the

foundation for the design and development of a unique marketing strategy that will cater the needs of Grouse Mountain Resorts Ltd,'s target market.

In conclusion, the collected and analysed data in this project and the suggested recommendations will optimistically contribute to the multifarious decision-making process that lies ahead of Grouse Mountain Resorts Ltd. This project forecasts that the company's business extension through the implementation of a spa at the top of the mountain seems to be encouraging. However, it is very important to consider the financial and timing challenges that the company faces before any decision is made.

APPENDIX 1 - POPULAR SPA TREATMENTS

Popular Spa Treatments

Acussage: A combination of acupuncture and massage that focuses on balancing neural and musculoskeletal systems. Often includes other energy therapies such as Reiki.

Acupressure/acupuncture: Fingertip massage frees the body's energy channels, or "meridians" for a relaxing and energizing treatment. Acupuncture uses ultra-fine needles for more specific and chronic ailments.

Aromatherapy: A full body massage using scented oils and light, smoothing movements. Different oils are used for different therapeutic benefits.

Ayurveda: The ancient system of traditional Indian medicine and science that incorporates nutrition, herbal medicine, aromatherapy, massage and meditation.

Balneotherapy: Using a whirlpool bath to restore and revitalize the body, treatments improve circulation, fortify the immune system, and relieve muscular pain.

Botox Therapy: The injection of an animal-based substance relaxed the targeted muscles temporarily. Used in the medical field, Botox is now a popular aesthetic treatment to reduce frown lines and facial wrinkles. Effects last four to six months.

Collagen Therapy: Injection of collagen beneath the skin fills out wrinkles and lines

Kinesiology: A method of muscle testing to diagnose and treat disease, based on the understanding that virtually any diseased area will manifest through "body language", or a specific muscle weakness. By strengthening certain muscles, stimulating meridian points, and diet, kinesiology helps to restore the body's structural,

Crainio-sacral Therapy: A gentle, manual therapy that manipulates the bones in the skull and sacrum to revitalize the body's flow of energy.

Dry Brush and Tone: Dry brushing the skin removes dead skin, impurities, and stimulates circulation. A variety of exfoliating techniques can be used, and are a pre-treatment for mud and seaweed body masks.

Fango Therapy: A highly mud, often mixed with oil and water, is applied over the body as a heat pack to detoxify, soothe muscles and stimulate circulation.

Herbal/Seaweed Wrap: Cotton sheets or strips of cloth, steeped in a variety of aromatic herbs and/or sea enzymes, are wrapped around the body, which is then covered with blankets or towels to prevent the moist heat from escaping. A relaxing treatment to soothe soreness, soften skin, and detoxify the body.

Hot Stone Massage: A massage using smooth, dark, heated stones to relieve stiffness and soreness and restore energy. Also known as La Stone Therapy.

Hydrotherapy: A long time staple in European spas, this relaxing and detoxifying therapy includes underwater jet massage, showers, jet sprays and mineral baths.

Salt Glow: A mixture of salt, oils and water is used to vigorously scrub the body to remove dead skin, clean pores and stimulate circulation.

Shiatsu: A Japanese massage therapy during which practitioners apply rhythmic finger pressure at specific points on the body in order

mental and chemical balance.

Lomi Lomi: Traditional massage from Hawaii, using long, broad strokes and rhythmic rocking.

Microdermabrasio: A facial exfoliation procedure in which the skin is sprayed with ultra-fine crystals of aluminium-oxide or other ingredients to remove the top layer of skin.

Mineral Waters: Originating from natural springs and wells, these waters contain high concentrations of rear or biologically active elements. Known to improve circulation, detoxify the body, and ease ailments such as rheumatism and arthritis.

Mud/Peat Baths: A highly mineralised mud, often mixed with oil or water, is applied to the body as a heat pack to sooth muscles and stimulate circulation.

Phytotherapy: A healing treatment that involves herbs, aromatic essential oils, seaweed, herbal and floral extracts. Phytotherapy is applied through massage, packs or wraps, water and steam therapies, inhalation treatments, and drinking herbal teas.

Reflexiology: A Chinese-based massage of the feet and hands, which includes pressure points to areas said to correspond with organs and tissues throughout the body. Treat a wide rang of ailments.

Reiki: An ancient Tibetan healing system that uses light hand placements on the body to channel healing energies to the recipient. Treats emotional distress, chronic and acute physical problems, as well as improves spiritual focus and clarity.

Source: Leading Spas of Canada

to relieve pain, release and balance blocked energy,

Thai Massage: A manipulation of the body using passive, yoga-like stretching and gentle pressure with the hands and feet among "energy lines" in the body.

Thalassotherapy: A full body exfoliation and detoxifying treatment using nutrient rich marine elements along with other skin conditioning agents.

Traeger: A technique using a gentle, rhythmic shaking of the body to release tension from joints, improves alignment, posture and well-being.

T'ui Na: A Chinese healing therapy of acupressure and massage that releases toxins improves circulation and balances the body's energy flow.

Vichy Shower Massage: Relaxing massage performed under sprinklers to improve the body's circulation. Water is heated to body temperature.

Watsu: A practitioner cradles the client un waist-high water, applying Shiatsu massage and gentle stretches and movements that create flow around the body.

APPENDIX 2 – INTERVIEW GUIDELINE

Good Morning/Afternoon, my name is Mayra Lugo, I am an SFU MBA student working on my final project; I am studying the spa industry in Vancouver. Would you mind answering some questions?

This is an informal, anonymous and confidential interview. Your responses will be used only for this project and you will not be identified with your responses.

1. How often do you go to spas?
2. What spa (s) do you go to?
3. Why do you go to that/those spa (s)?
4. What services or products do you expect when you go to Spa X?
5. What is your overall opinion towards Spa X and the services and products offered by it?
6. Is there another service you would like to find in Spa X?
7. What other spas have you visited (BC or any other part of the world)? If yes... where, which one and why?
8. What are your expectations if you decide to go to a spa located in a reserve or for vacation?
9. What products or services would you like to see being offered at a vacation resort? Why these products or services?
10. Who do you think, goes to spas?
11. Any comments related to current trends?
12. Any other thoughts or comments?
13. Do you have any questions or concerns about my project or this interview?

Age: ____

Gender: M F

Education:

- ___ PhD
- ___ Master
- ___ Bachelor
- ___ High School
- ___ Other

Thank you for your time and have a great day!

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