Strong demand for tourism in regional Australia has driven growth for the Health and Wellness Spas industry over the past five years, despite difficult economic conditions.

Busy lifestyles have made consumers more willing to spend on health and wellness treatments.

The Health and Wellness Spas industry has recorded robust growth over the past five years. The industry’s expansion is quite remarkable, given that household discretionary income has declined over the same period.

The Australian Retail division, which also relies on discretionary expenditure from households, has struggled under these sluggish economic conditions over the past five years. Declining discretionary income has affected many Australian industries, notably those in the arts, recreation and personal services sector. For example, revenue for the Hairdressing and Beauty Services industry is expected to decline at an annualised 0.2% over the five years through 2019-20. In contrast, the Health and Wellness Spas industry is expected to expand by 3.6% over the same period. The industry’s resilience can be attributed to its growing links with Australia’s burgeoning tourism sector and domestic consumers seeking affordable luxuries amid tough economic conditions for households.

Although real household discretionary income has declined over the past five years, consumers have generally become more willing to spend on their health and appearance. This trend has strengthened...
demand for the Health and Wellness Spas industry’s services. In addition, Australians are living increasingly busy and high-pressure lifestyles, and have sought out industry services as a break from daily stresses. For many, trips to health and wellness spas are an affordable luxury. Consumers have increasingly reduced other discretionary purchases to fund these visits.

Growth in Australia’s tourism sector has also benefited the Health and Wellness Spas industry. Strong growth in inbound international visitors over the past five years has boosted industry demand, particularly among industry participants that provide accommodation alongside wellness services. Furthermore, domestic tourism has grown strongly over the past five years, aided by the weak Australian dollar that has made overseas travel more expensive.

Moreover, travellers are increasingly seeking wellness-related tourism experiences, with global wellness tourism expenditure growing at an annualised 6.5% over the two years through 2016-17, according to the Global Wellness Institute. The organisation also states that tourists are an extremely lucrative market for spa businesses, as the average wellness tourist spends 53% more than the typical international tourist.

According to Tourism Australia, regional wellness centres reported annualised visitor growth of 14.3% over the five years through 2017-18. More recent trends in the Tourism and Domestic Airlines industries have provided a further demand boost to regionally-located spas, with operators in these industries driving the Health and Wellness Spas industry’s expansion over the past five years. The weak Australian dollar, combined with the decline in discretionary income, has encouraged many Australians to forgo overseas holidays for domestic trips over the period. Furthermore, domestic airfares have risen in response to Qantas and Virgin winding back seat availability, causing demand for flights to decline significantly. According to the Bureau of Infrastructure, Transport and Regional Economics (BITRE), restricted economy airfares have reached their highest prices, in real terms, since October 2007. As a result, domestic tourists are getting in their cars and visiting more of regional Australia instead of taking domestic flights, which is demonstrated in recent tourism statistics:

- Domestic airline passengers: 0.7% growth over the year ended March 2019
- Total domestic overnight trips: 9.8% growth over the year ended March 2019
- Total domestic day trips: 7.8% growth over the year ended March 2019

Health and wellness spas are a common drawcard of regional areas, such as Hepburn Springs, Victoria, and Margaret River, Western Australia. Investment in developing and expanding spa facilities, both stand-alone and in hotels, has been significant in recent years. For example, the Peninsula Hot Springs in Victoria completed a $13.0 million expansion project in September 2018, adding new geothermal pools and accommodation. However, most investment in terms of expenditure has been conducted by hotel establishments, with several new luxury venues offering spa and wellness services emerging. The robust investment in this market indicates that demand will likely continue flourishing over the next five years.

Related industries:
- Health and Wellness Spas in Australia
- Hairdressing and Beauty Services in Australia
- Tourism in Australia
- Qantas Airways Limited
- Virgin Australia Holdings Limited

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