

This document is downloaded from DR-NTU, Nanyang Technological University Library, Singapore.

Title	The Shiatsu School (B)
Author(s)	Wee, Beng Geok; Gleave, Tom
Citation	Wee, B. G., & Gleave, T. (2002). The shiatsu school (B). Singapore: The Asian Business Case Centre, Nanyang Technological University.
Date	2002
URL	http://hdl.handle.net/10220/13543
Rights	© 2002 Nanyang Technological University, Singapore.

THE SHIATSU SCHOOL (B)

Publication No: ABCC-2002-008B

Print copy version: 14 Jun 2002

Wee Beng Geok and Tom Gleave

In March 2000, Terry Liew, Principal of The Shiatsu School (the School), decided to relocate his Singapore-based business from a traditional Chinese shophouse on Devonshire Road to a similarly-styled property on nearby River Valley Road. The two-year extendable lease came into effect on April 15, 2000 and the business reopened on May 1, 2000. In the ensuing months, Liew was confronted with a variety of new challenges that tested his managerial mettle, all of which he was able to resolve with reasonable success. Consequently, the School experienced a significant increase in demand for both its shiatsu therapy and training-related services.

Despite the success achieved after the move, Liew remained concerned about the need to develop a broader range of services to support the business so that he could dedicate more time to his one true driving passion - teaching about and training others in shiatsu. This need for developing other revenue streams took on greater urgency after September 11, 2001, when a series of terrorist incidents involving commercial airplanes in the US sent shock waves around the world. In the wake of these incidents, Liew was forced to cancel very important foundation training classes that had been scheduled for October and November 2001 because the international students upon whom he relied on decided to stay at home. By mid-December 2001, the situation had become dire, as the level of international travel remained depressed, with no major upsurge in sight over the next several months. This left Liew pondering what types of revenue streams he should quickly develop in order to ensure the School's continued success.

Associate Professor Wee Beng Geok and Ivey-Nanyang Case Writer Tom Gleave prepared this case. The case is based on interviews with key personnel from The Shiatsu School. As the case is not intended to illustrate either effective or ineffective practices or policies, the information presented reflects the authors' interpretation of events and serves merely to provide opportunities for class discussion.

COPYRIGHT © 2002 Nanyang Technological University, Singapore Ivey Management Services. All rights reserved. Not to be reproduced, stored, transmitted or altered in any way without the written consent of Nanyang Technological University.

For copies, please write to The Asian Business Case Centre, Nanyang Business School, Nanyang Technological University, Nanyang Avenue, Singapore 639798
Phone: +65-6790-4864/6790-5706, Fax: +65-6791-6207, E-mail: asiacasecentre@ntu.edu.sg

CHALLENGES

The relocation of the School to the River Valley Road shophouse proved difficult when the renovation budget exceeded by S\$20,000 from the original budget of S\$30,000.

Furthermore, the competitive environment began to heat up when Raffles International, a luxury hotel and resort operator, announced that it would be establishing several high-end spas around the world under the brand concept *Amrita*. Two of these spas were earmarked for Singapore, one inside the world-renowned Raffles Hotel, the other across the street at Raffles City, one of Singapore's highest-profile commercial and retail shopping centers. These two facilities were the latest entrants to the city-state's S\$120-million spa industry, which had been growing by 30 percent annually in recent years. The latter facility was expected to serve as *Amrita's* flagship spa by providing 40 treatment rooms in a 50,000 square feet property covering three floors. The considerable size of the venue would allow for separate men's and women's facilities, a state-of-the-art fitness centre and a dining area offering so-called "spa cuisine". In announcing the development of its new spa concept, Raffles International claimed there would be no equivalent facility in Asia in terms of scale or range of services.

It was the launch of the *Amrita* spas that acted as the catalyst for Liew's move. Raffles International's spa consultants sought Liew's advice on the design of customised beds that accommodated various treatments such as aromatherapy, shiatsu and facials. This resulted in a transaction which called for Liew to supply these specially designed beds to *Amrita* and to service them over the next five years.

Liew immediately worked with an Australian manufacturer to supply the customised beds to *Amrita* Spas. As the cash from this contract would provide the down payment for the rental deposit, he decided to take the plunge and relocate to the River Valley shophouse.

By raising prices by S\$20 across the board for all therapy-related services and developing more stringent spending controls, Liew was hopeful of paying off his \$50,000 investment within 12 to 18 months. However, his difficulties still remained. When the business reopened on May 1, 2001, the facilities were not fully renovated. This meant that clients were exposed to dusty and noisy conditions because contractors were still in the process of completing their work.

In January 2001, Liew faced yet another challenge when David Tay, the first long-term employee to work for School, quit in order to start a competing practice. After Tay's departure, Liew discovered that Tay had taken a copy of the School's client list, which he then used for business development purposes once the new practice was established. Despite this development, Liew seemed unfazed:

Yes it was disappointing, but it was not the end of the world. Firstly, the clients that he did take were only those that he performed shiatsu services on...and I actually gave him some of those clients because I was too busy. Secondly, the unexpected move from Devonshire Road had taught me how to respond under pressure - that is, be rationale and clear-headed when facing problems. There is no point getting emotional about such situations because it will not bring old customers back or new customers in. Thirdly, I knew that I had developed a very strong rapport with many of my clients. They were willing to stick with me through thick and thin, even when I had to raise prices after the move.

SUCCESS NONETHELESS

Although the school had faced a variety of challenges after relocating to River Valley Road, the number of clients frequenting the School for both its therapy and training services continued to grow. As Liew later discovered, this was in part because accessibility proved more important than ambience to his clients. At the same time, the School's client base shifted somewhat. For example, the percentage of males seeking therapy services had risen from 20 percent in early 2000 to 30 percent by late 2001. Many of these new customers were professionals seeking relief from work-related stress or post-accident pain. The number of males attending the training courses had also risen slightly to equal the number of females. One trend that Liew found particularly encouraging was that, among all of the students who had been attending his training classes, a higher percentage was already involved in the healing profession and was using the sessions to diversify their skills base.

To accommodate for the School's growth, Liew eventually hired and trained three new staff on top of the replacement he had quickly found for Tay.

This brought the number of employees to five, including William Sun, the one employee who remained with the School since its Devonshire Road days. Among the four new employees, three were female and all were in their mid-20's to early 30's, and had graduated from either a secondary or post-secondary institution. In compensating the new employees, Liew offered a base salary of S\$1,000 to S\$2,000 per month, which was more in line with industry norms than was previously the case with Tay or Sun. The same 10 -percent commission for all new clients and 25-percent year-end annualised bonus for client retention still applied, thus making the total potential compensation slightly above industry average. In addition, Liew agreed to give each employee a substantial raise if they remained with the School for more than two years. Despite the significant increase in staff strength, Liew continued to work his customary 70 to 80 hours per week.

By the end of April 2001, the School had increased its revenues to the equivalent of about \$350,000 on an annualised basis. Of this, about two thirds had come from therapy-related services, with training services making up the balance. Given that he had kept the School's total annual operating expenses to about S\$225,000 during the first year of operations at River Valley Road, a significant profit was realised. Liew used this profit to recoup the S\$50,000 investment he had made in relocating the business.

THE NEED FOR NEW REVENUE STREAMS

On the morning of September 11, 2001, terrorists hijacked four commercial airliners on the eastern seaboard of the US, three of which were used with devastating effect when the planes were deliberately flown into the twin towers of the World Trade Center in New York City and the Pentagon in Washington, D.C. The fallout from these attacks was immediate and global. The noticeable slowdown that the US economy had already been experiencing was exacerbated, sending strong negative economic ripple effects throughout the world. The airline industry was particularly hard-hit as the level of international travel plummeted, resulting in numerous airlines filing for bankruptcy protection or, at the very least, laying off massive numbers of employees, often in the tens of thousands.

Singapore was not spared from the global economic downturn because much of its economy was export-driven. Even seemingly disconnected companies like The Shiatsu School were adversely affected. For example, in the wake of the September 11 attacks, foundation training classes scheduled for

October and November 2001 had to be cancelled because the international students who had registered for the classes, subsequently decided not to travel to Singapore. Although it was not his practice to hold classes in December (due to Christmas) or February (due to Chinese New Year), Liew was still very concerned that a sustained economic downturn and travelers' fears would force him to cancel classes for March 2002 and beyond. This left him scrambling to compensate for the significant drop in revenue, since each of the eight students expected for each of the classes would pay S\$1,500.

THE SPACADEMY FACTOR

In October 2001, Raffles International formally launched its latest initiative, SPAcademy, a new venture that was intended to serve as Singapore's premiere spa therapy and management training facility. To this end, it offered a variety of industry related training courses, the most comprehensive of which was a diploma program in Spa Therapies and Management. This program was certified by the International Therapy Examination Council (ITEC), a UK-based body that established globally recognised standards for the healing industry. The S\$5,800 course covered six modules: lymphatic drainage, reflexology, hydrotherapy and spa treatments, Indian head massage, aromatherapy and spa operations. In addition to classroom instruction, arrangements were made for each student to gain a one-month internship at an internationally recognised spa. Other courses included a certificate program in Spa Concept and Business Basics, which was designed for spa managers interested in gaining a deeper understanding of managing a spa business. The course covered five modules: spa concept, spa retail and service sales, spa management and business basics, stress management and spa services, and customer service and communication. The cost of the program was S\$1,980 for all five modules or S\$480 per module. Several specialist courses were also available, such as Egyptian massage (S\$880), an ITEC- accredited beauty specialist program (S\$1,800) as well as programs focusing on aromatherapy (S\$1,980) and anatomy, physiology and body massage (S\$1,980).

As part of its business development plans, Raffles International had entered into discussions with Singapore's Institute of Technical Education (ITE) to design a National Technical Certificate Grade 2 in Spa and Aesthetic Therapy. Given the magnitude of the investment and the commitment it had shown

towards the development of a so-called "tourism education hub", Raffles International received almost S\$1 million in funding from Singapore's Ministry of Manpower to help defray the costs. (See **Exhibit 1** - Excerpts from remarks made by Peter Chen, Senior Minister of State for Trade and Industry, at the Launch of SPAcademy.)

Prior to the formal opening of SPAcademy, Liew had found himself in discussions with its management team about subcontracting the School to provide shiatsu therapy training courses. Although this potential growth opportunity held some promise, Liew eventually decided against such a tie-up because he felt that the SPAcademy wanted too much of a discount on pricing.

GROWTH POSSIBILITIES

In exploring what avenues he should pursue to buffer the business from the global economic downturn, Liew considered two key options. The first option involved the possible development of a fuller line of massage-based beauty treatments. Over the past several months, Liew had experimented by launching two such services, one a green tea facial massage, the other a charcoal mask massage. He claimed that these services were superior to Western style facials because most of the time was used to encourage the skin to heal through the use of various percussive and kneading techniques. By contrast, he felt that Western style facials relied too much upon the application of heavy layers of creams and lotions, while providing only light strokes to the face. Liew chose the green tea facial concept because the central ingredient had been cited as an effective agent in combating food poisoning, tooth decay and heart disease. The charcoal mask concept was developed because charcoal was believed to be an effective agent in combating acne, oily skin and skin edemas. In rationalising the development of similar types of service, Liew suggested:

Beauty sells! It's no secret that people are often more interested in how they look than how they feel, and therefore are often more willing to visit the beauty salon more than a massage center. One selling point would be that since all our treatments would be massage-based, the client would feel the difference immediately. Also, our approach would definitely be subtler than those who apply a ton of creams, lotions and hot towels.

It is also relatively easy to get into beauty treatments, but it is not so easy for beauticians to become shiatsu therapists. So we can chip away at their market, but they won't be able to chip away at ours. We can also use our beauty services to cross-sell our regular shiatsu services. So far, the response has been encouraging, especially for the green tea facials.

Despite the early signs of encouragement, Liew recognised that there were a number of drawbacks related to the development of a comprehensive line of beauty treatments. For starters, he did not particularly want to go into this line of business because he would rather focus purely on shiatsu treatments. Another concern was whether the addition of a beauty-focused service line would dilute the image of the School as a shiatsu therapy and training center. Finally, Singapore was home to hundreds of existing beauty service providers who typically charged S\$20 to S\$30 for a specific service, while Liew expected that he would charge S\$80 to S\$100 for his specialty facials. To help make his services more attractive, he considered discount packages of 10 shiatsu body sessions for S\$600 instead of the standard S\$80 per session, along with a 100-minute combined face and body massage for S\$120 instead of the standard S\$160.

The other possible option was related to Singapore's structural employment situation. As a newly industrialised "tiger" economy, Singapore had achieved impressive economic growth over the previous 30 years. Much of this success had hinged upon the country's ability to attract multinational companies (MNCs), such as Seagate International Technologies, Hewlett-Packard and ST Microelectronics, among many others, which invested in a wide range of manufacturing facilities in the Republic. However, as Singapore's economic success increased, so did the cost of doing business. Therefore, by the late 1990's, many of the same MNCs that had helped Singapore rapidly develop, began to shift some of their production to less costly markets, like China, Malaysia, Thailand and Vietnam. This left tens of thousands of Singaporeans with limited skill-sets unemployed. In response, the Singapore government established a variety of skills upgrading and re-employment schemes. One such program was the Manpower Development Scheme, the same scheme managed by the Ministry of Manpower that provided financial support to Raffles International's SPAcademy. Recognising that the government was willing to support appropriate training facilities for the spa and healing industry in

Singapore, Liew began to explore what he needed to do to become eligible for such funding. As a starting point, he recognised that he needed to demonstrate having some form of suitable credentials that would testify to the School's worthiness for receiving government support. He acknowledged that the most straightforward way to do this was to have the School become ITEC certified, a proposition that gave him mixed feelings:

ITEC certification is useful to some extent in terms of demonstrating credibility, but there is as much a marketing element to it as anything else. I have already successfully completed the ITEC diploma program in anatomy. Honestly speaking, it was not all that difficult to obtain, although I certainly learned some new things. I have also completed a shiatsu certification from the Japanese Massage and Bodyworks Institute in the US. With these credentials, I am not convinced that I need to have the School certified as well. At the end of the day, you have to ask yourself... 'Do credentials make customers return?' I believe the answer is 'not really'. To me, high quality service is the most important factor. I suppose some form of certification for the School might help to bring some new clients through the door, but I have never given it much thought since I am already certified. To tell the truth, I have never highlighted my credentials in any of the advertising that we have done.

As far as I know, there is only one ITEC-accredited college in Singapore, and it is not involved in anything like shiatsu. I know this because I have taken aromatherapy courses there. What's more, I have it on good authority that they are about to close for good, which obviously indicates that there is much more to running a business than certification. And let's not forget about the cost. The 550 British pounds I can live with, but not the travel expenses for their inspectors. At this point in time I need cash coming in, not cash going out... unless it can generate an immediate return. Still, without such an

investment, it will be difficult to convince the government that we are worth supporting.

(See Exhibits 2, 3 and 4 - ITEC's Registration Process, Fee Schedule and Approved Qualifications)

WHAT NEXT?

Reflecting on the key strategic decision he faced, Liew stated:

Yes, things are tough these days but I really believe that in times of hardship, good opportunities are waiting to be exploited. For example, even though I have had to cancel my classes, I can now focus more on properly managing the business. This is a luxury I previously did not have. I can also think a lot more about the long-term future of the business because I now have confidence in the team that is in place. They are keen to learn and appear genuinely loyal to the business and to me. So, we have a solid foundation from which to build, but the key question is in what direction?

Regardless of what path we choose, I have to be very mindful of our cash flow. Given the squeeze of late, I have had to reduce our ad spending significantly. And this squeeze is happening at a time when the competitive environment continues to heat up. Apart from the small massage shops that seem to appear every week, there have been all kinds of 'market talk' lately about some rich tycoon's daughter who is thinking about starting up her own large-scale massage and spa therapy training school. This puts the pressure on me to decide if this is the route to go or not. Clearly, seeking to become an accredited school involves more risk and investment than going with beauty products, but it also offers much greater potential returns. Who knows, maybe there is something I am missing. Maybe I should be thinking about something else entirely. Any ideas?

EXHIBIT 1**EXCERPTS FROM REMARKS MADE BY PETER CHEN, SENIOR MINISTER OF STATE FOR
TRADE AND INDUSTRY & EDUCATION,
AT THE LAUNCH OF SPACADEMY
2001, OCTOBER 25**

The Raffles Spa Academy by Raffles International exemplifies the type of private-sector driven initiative that is much needed. It will provide the spa industry with a regular source of trained manpower. This is important to fill the critical shortages in a growing industry. But equally, it is important to ensure high standards of practice in Singapore's spas, and as a whole, in the service industry, so that Singapore can be a destination that delivers the highest service standards.

A workforce of trained and qualified spa professionals is now an imperative for Singapore. The spa sector has been identified as one of our emerging and fast-growing industries. It has grown from a mere two spas to 26 spas in eight years. The spa industry provides jobs for more than 500 people and has been growing at a rate of 30 per cent per year. The recent international crisis notwithstanding, the growth of the spa industry is still expected to hold up. Spa is all about well-being and pampering, and we all know that pampering is addictive. During the 1998 Asian financial crisis, the spa industry actually grew, as people turned to spas for relaxation and to de-stress. In troubled times like now, we might just see the same scenario repeat itself.

The Raffles Spa Academy has come at a critical juncture and it is taking a step in the right direction. The academy, with assistance from the Institute of Technical Education, will provide formal training programmes leading to national certification for the spa industry. In addition, the academy will provide its students with internationally recognised accreditation, helping to make Singapore a hub for tourism training. Through institutions like the Raffles Spa Academy, Singapore can become a training centre for the region, or a "Tourism Education Hub", not unlike the famous hospitality schools in Switzerland. Singapore's status as a regional training hub is not only critical to our regional positioning, but also to our own survival in the competitive service sector.

I encourage more corporations with well-established training facilities to open their doors to the industry at large, so as to enable greater access to quality education and training. I will also like to urge more corporations to take the initiative to seek out such opportunities. The training needs are great, especially in the tourism industry. But the opportunities are just as immense, as I am sure Raffles International is discovering.

Source: Singapore Ministry of Trade & Industry
http://www.mti.gov.sg/public/NWS/frm_NWS_Default.asp?sid=39&cid=899

EXHIBIT 2

ITEC'S REGISTRATION PROCESS

State and Independent Colleges may apply for approval to teach ITEC courses and offer students ITEC Professional Vocational Qualifications.

Stage 1 Application

The application form requires evidence of:

- Qualified management and leadership of the college or department
- Qualified lecturers who hold awards that ITEC recognises in the therapies to be taught, and professional experience of at least 2 years (3 years for Reflexology)
- Schemes of Work for each proposed course that follow the ITEC Syllabus.
- Premises that are suitable for teaching therapy, as demonstrated by teaching rooms with equipment in ratios similar to those below:
 - 4 items of the required therapy equipment and 4 couches per 8 students
 - 8 items of the required therapy equipment and 8 couches per 16 students
 - 10 items of the required therapy equipment and 10 couches per 20 students
 - A full range of textbooks, reference books, teaching material and visual aids
 - Good study areas, library, rest areas, catering (if appropriate)
 - Changing facilities and toilets in sufficient numbers for students
- The College must comply with all local regulatory requirements and Health and Safety regulations
- The College must pay the current registration fee for the type of college (Colleges may apply for a loan copy of the complete ITEC Syllabus against a deposit; this can be done on first application or after receipt of the Registration Pack.)

Stage 2 Inspection

If an application is found to be acceptable, an inspection of the Colleges' premises, business arrangements and equipment is made by an ITEC examiner. If this is satisfactory, the applicant can be granted Probationary Status and be able to offer ITEC courses.

Stage 3 Approval

After usually a year, on satisfactory examination results by its students, and satisfactory reports by visiting ITEC examiners, the College may apply for Approved Status and be fully entitled to all the benefits of that status, use of ITEC logo, listing on all ITEC lists of Colleges and the attendance at ITEC Conferences.

EXHIBIT 3**ITEC'S FEE SCHEDULE****Initial Registration**

Private Colleges	£550.00 + VAT
State Colleges	£160.00 + VAT
Re-Registration	50% of current fee per type + VAT
Re-inspection	All types £100.00 + VAT

Re-registration occurs:

- When an existing college moves to new premises, has its ownership transferred, or merges with another organisation
- Where a college adds an additional site or college
- Where a college does not offer ITEC courses for a period of more than 24 months it is required to re-register.
- If a college is suspended by ITEC it must be re-registered before being permitted to run courses again.
- Re-registration involves a review of all the tutorial material and plans, and a full inspection of the premises and the qualifications of lecturers.
- Private colleges may be required to prove their financial viability.

Re-Inspection when :

- On an initial or subsequent inspection a college has to be re-inspected to review progress after failing an earlier inspection

Overseas Travel Costs

Where a College, outside UK/Ireland, requests an inspection, or re-inspection, when an ITEC examiner is not already visiting the country, travel costs may be charged.

Source: http://www.itecworld.co.uk/reg_fees.html

EXHIBIT 4

ITEC'S APPROVED QUALIFICATIONS

BEAUTY THERAPY

Aestheticienne Diploma (Facial therapy)
Diploma in Physiatrics
ITEC Honours Diploma and Diploma in Beauty Therapy
Beauty Specialist Diploma
Diploma in Electrology
Diploma in Fashion, Theatre and Media Make-Up
Certificate in Make-Up
Beauty Specialist Certificate
Certificate in Electrical Beauty Therapy
Certificate in Waxing
Certificate in Clinical Camouflage
Certificate in Manicure and Pedicure
Certificate in Red Vein Treatment

COMPLEMENTARY THERAPY

Diploma in Complementary Therapy
Diploma in Anatomy, Physiology and Massage
Diploma in Anatomy and Physiology Theory
Diploma in Aromatherapy
Diploma in Reflexology
Diploma in Nutrition and Diet Theory
Diploma in Stress Management
Certificate in Indian Head Massage
Certificate in Lymphatic Drainage

SPORTS THERAPY

Diploma in Fitness and Sports Therapy
Diploma in Sports Massage
Diploma in Sports Therapy Equipment
Diploma in Aerobics Teaching
Personal Trainers Diploma
Diploma in Gym Instruction
Certificate in Sports Nutrition Theory

http://www.itecworld.co.uk/quals_home3.html