

COSMECEUTICALS IN WELLNESS TOURISM – CASES OF CO-BRANDING AND CO-CREATION

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Abstract

“Cosmeceuticals” is a combination of the terms “cosmetics” and “pharmaceuticals”. Cosmeceuticals are supplied to the wellness facilities, and they materialize for the tourists during treatments. Tourism research has not to any significant degree addressed the role of cosmeceuticals in the wellness industry. The paper provides examples of strategic alliances from the Nordic countries of co-branding. Additionally, the producers/distributors of cosmeceuticals may become crucial partners in the creation of the experience offered in the wellness facilities. With examples from the Nordic countries, it is demonstrated that alliances can lead to innovation and development in cosmeceutical enterprises, and that the collaboration can also assist the wellness industry in its attempts to obtain inimitability. Based on innovation literature, the paper discusses models for co-creation and factors that facilitate or hamper collaborative processes. Co-creation and cobranding constitute strategic alleys for the wellness industry. The Nordic evidence suggests that the opportunities are not fully exploited.

Keywords: Spa and wellness tourism; cosmeceuticals; innovation; co-branding; co-creation; the Nordic countries.

INTRODUCTION

“Cosmetics” and “pharmaceuticals” together form the term cosmeceuticals, which embrace anti-aging creams, moisturizers, bathing salts, lip balms and many other products. When extending the use of cosmeceuticals and applying the rhetoric of health improvements, the spa and wellness industry is increasingly marching into domains formerly exclusively occupied by “serious” medical professionals. Similar movements and invasions can be observed in for example electronics where GPS-technologies have moved from restricted military use to become an instrument for play and enjoyment, and in the clothing sector waterproof clothes previously used mainly for military purposes or as working clothes have also disseminated into outdoor activities for recreation and tourism (Logue 2005, Smedstad 1995). Wellness tourism integrates body, mind and spirit. A satisfactory tourism experience depends on the intentions, mood and adaptability of the tourist, but also on the competencies and professionalism of the wellness staff to interpret and meet the needs of the visitor. Relations between human beings are found to be crucial in wellness tourism (Kelly & Smith 2009). However, wellness experiences are not only a matter of intangible procedures and services. The delivery process is assisted by a large number of auxiliary remedies. Thus, cosmeceuticals are supplied to the wellness facilities, and they materialize for the tourists during treatments. As it will be further developed and explained in this article, the image and the commercial success of cosmeceutical products depend on the interaction between the staff and the customers in the wellness facilities. Accordingly, it is assumed that there is a mutuality of the two industries, which may or may not be fully envisaged and exploited. It is part of a collaborative picture that cosmeceuticals are also merchandised on the premises and often part of the décor. Thus, the role of the cosmeceuticals is, potentially, even more far-reaching in terms of development and branding. Although wellness tourism is a topic that attracts many tourism researchers, the role of cosmeceuticals in the

wellness industry has not been addressed to any significant degree. Generally, it is remarkable how few research reports are generated from the “engine room” of the wellness industry. The geographical framework for this study is the Nordic countries, where spa tourism has existed for a long period of time (Aho 2007, Hemmi & Vuoristo 2004, Kangas & Tuohino 2008, Konu et al. forthcoming 2010, Smith & Puczkó 2009, Suontausta & Tyni 2005). There are many strategically sound ways for spa and wellness tourism enterprises to move in developing their competitiveness and brands, and developing their cosmeceutical alliances might be one of them. One assumption here is that the producers/distributors of cosmeceuticals are crucial partners in the creation of the experience offered in the wellness facilities. Cosmeceutical producers play a role both in terms of innovation of new products and services and in the marketing and branding process. The terms co-creation and cobranding are applied in the investigation of the nature of such collaborative structures. The Wellness tourism has its roots in the long history of spa resorts, and in that sense is not a new phenomenon. ISSU During more recent decades it has modernized and diversified into a large variety of categories. As demonstrated by Smith and Puczkó (2009) wellness tourism includes a high focus in facilities for medical treatments, as well as pure leisure and relaxation sites. There are also great variations in profiles when it comes to expectations of the tourists’ involvement and activity, either mentally or physically. The rapidly upcoming research interest covers many issues, but there seems to be an overwhelming interest, for instance in users’ profiles and in motivations, behaviours and experience. Generally, the rationale is that there are significant growth prospects due to ageing and changed lifestyles (Bushell & Sheldon 2009). In parallel, destination studies contribute to the wider perspectives with evidence about local resources, sustainability fit and economic viability (Pechlaner & Fischer 2006). In the pharmaceutical literature, the development of cosmeceuticals is given quite noteworthy attention. There is a science based focus on the ingredients that influence the skin’s biological function and the discovery of new active agents (Draeos 2008, Tsai & Hantash 2008). Spa and wellness facilities provide a long range of treatments. Not all of them imply the use of cosmeceuticals. There is an ongoing development in the treatments, such as cooling and hot stones, and vitaminised massages, as well as treatments of the extended body, and combined mental and physical treatments. Simultaneously, there is a tandem process of ongoing development with cosmeceuticals that can be applied in those treatments. Manufacturers are enthusiastic to explore the uses of traditional and new raw materials in their products. Trends for the near future are claimed to be that natural products and extracts will replace chemical materials; additionally, plants and fermentation will replace animals as ingredient sources. The use of cosmeceuticals in wellness tourism is only fragmentarily covered in the research literature, and then only in conjunction with the descriptions of the treatments provided. Smith and Puczkó (2009) reviewed the many categories of wellness tourism, from medical to recreational, relaxationally passive to sportily active, physical to spiritual, and focused to holistic. Treatments where cosmeceuticals are prevalent occur in some of the categories and not in others. The experiential cosmeceuticals do receive some anecdotal attention in the literature, for example massages and body wraps based on chocolate. The general trend seems to be that the inclusion of spa elements in for example hotels and sports centres increases the profits, and that the growth rate of goods and merchandise is particularly impressive (Mandelbaum & Lerner, 2008). In terms of treatments, Behrens (2007) points to the strong diversification and internationalization trends, where large corporations with huge marketing budgets tend to be the main driving forces. Those players in the wellness and spa market may have alliances with suppliers of cosmeceuticals in the same league. On a more general level co-branding with the tourism business and their suppliers is an upcoming, but still novel research theme (Pechlaner et al. 2006). Co-branding is when two companies form an alliance to work together, creating marketing synergy. In this situation, a tourism

enterprise will enhance its image by using respected and, preferably, already wellbranded products, while the suppliers can achieve an extra marketing platform for its products. Any wellness provider will apply scrubs, lotions, muds etc. during the treatments and the brands of these can be made very visible and their merits included in verbal appraisals. The spa-goers are expected to take the first step towards a loyalty to the particular product. They can also find the same products in the shop to bring back for home treatments and gifts. Additionally co-branding can include club memberships offers. The co-branding can also take place on the websites of the enterprises, sometimes even including e-shopping opportunities (Lee et al. 2006). The research literature is fairly tacit about strategic cobranding alliances between the wellness industry and its suppliers in this field (Gibson, 2008; Weiermair & Steinhauser, 2003). Smith and Puczkó (2009) talk about “signature products”, a term that embraces the development of new spa products and treatments special to the place and destination. Signature products might involve an active and mutually beneficial a cobranding of the spa-facilities with the producer and the local community, from where an element of the signature derives. Co-creativity moves the issue further. In this case a wellness operator will collaborate intensively with suppliers of cosmeceuticals in order to develop new products. The open processes lead to cross-fertilization of knowledge. During the process of co-creation the purpose for the supplier is also to gain new ideas and insights, which may eventually lead to product introductions to a wider market (Möller & Törrönen, 2003). Accordingly, tourism service providers and their suppliers are partners in an innovation process, and leading tourism enterprises are responsive test benches for new supplies with a higher quality and better market potential. Such innovation processes are not well illuminated in tourism innovation literature (Hjalager, 2010).

METHODOLOGY

This study combines literature reviews with brief and targeted case studies. As the research is part of a larger project on “Nordic Wellbeing” the geographical focus is the Nordic countries, in particular Denmark and Finland. Persons selected for interviews are managers of spa and wellness facilities and cosmeceutical manufacturers and distributors. As tourism research is only marginally addressing issues about co-branding and co-creation, the Internet and the trade press has been an important supplementary source of knowledge on specific practices in the global spa and wellness industry. Spa Industries and their Suppliers – Cases from Denmark and Finland The inclination to place additional weight on the spa products and the relations with the producers and distributors of them can be demonstrated by the cases from Denmark and Finland. The cases illustrating the strategies are far from uniform.

ISSUES IN CO-BRANDING AND CO-CREATION

The branding literature elaborates on the many dimensions of effective co-branding. Aaker (1996) demonstrates that the companies in collaboration must have a deep understanding of their customers’ motivations in order to create and enhance the loyalty for more products in a co-branding group. Furthermore, the quality levels must be comparable, and the product character stable and unshakeable, as compromising will harm the collaborating partners. In the cases of successful co-branding, a mutual respect and trust has been built up over time. Suppliers are likely to be more willing to launch into risky partnerships if they have the prospects of lasting contracts that guarantee a return from their innovation and other investments (Crotts et al. 1998).

According to Lee and Decker (2008) there are three distinguishable effects of **co-branding**:

1. **Mutual effects** which occur if there is a high degree of product fit, where the two products are interlinked. That is the case in cosmeceuticals, as the products are directly applied during the treatments and exposed to the customers, while the treatments take place. If the customer gets

a sense of wellbeing after the treatment, he/she will build up a favourable attitude towards both the spa and the particular cosmeceutical.

2. **Extension effects** happen later as a responsive consumption behaviour. By remembering the spa-experience, the customer will also be likely to bring back gifts from the spa gift shop and to choose the spa product during daily shopping.
3. **Reciprocity effects** are the long term effects where the customer on a more permanent base perceives the quality of a product in a certain manner. At this time the collaboration between the supplier of cosmeceuticals and the spa facility can expand their collaboration and utilize the established brand equity, for example by introducing more cosmeceutical products or by appealing to new market segments.

In the private label case of Vejle fjord, there is of course no co-branding, and none of the effects are materializing. It demonstrates a careful strategic choice, which coincides with for example the strategies in professional staffing. Other cases in this collection are examples of the harvesting of the effects of mutuality. Thus, the Hotel Kalevala and the Seawest work with producers with a distinct image, which supports the brand of the place as “Nordic”, “clean”, and “responsible”. In the co-operation model of Anttolanhovi and Lumene, Lumene’s products are introduced to different customer segments and possibly also to people that have not tested Lumene products before. This can encourage customers to buy Lumene products also from other places, e.g. during daily shopping. Comwell/Matas likewise expand the likelihood of extra business for both partners, not least because the Matas shops are found in nearly all towns in Denmark. Designermudder is an example of a supplier that has the reciprocity in mind to have products that appeal to categories of spa goers that most spas are not yet geared to serve. The intermediating of Guest Comfort also helps spa providers and cosmeceutical products that are not experienced in, or capable of, exploiting the potentials of co-branding. Generally speaking, there are several driving forces for innovation in tourism, for example the technological developments, suppliers’ provision, market demand/customer requirements, and governmental regulation (Hjalager, 2002). Innovative suppliers can be decisive for tourism, due to the fact that much innovation is already embedded in technology and raw materials. Suppliers’ innovations are “released” when integrated in the service delivery in the next step in the value chain. Barras (1986) declare this a typical “reverse” road to innovation in services. Cosmeceutical producers can be analysed in this logic. Eventually, the innovative producers of cosmeceuticals may theoretically be able revolutionize the product that the spa facilities are offering to their customers. Seen from that perspective, spa and wellness enterprises are in a situation where they have to consider existing and emerging cosmeceuticals not exclusively as enhancers of products, features and functions, but also as facilitators of experiences. The case study of Designermudder exemplifies that more colourful spa muds and scrubs can be a stepping stone for the spa experiences for new target groups, and thereby a re-orientation or a diversification for the spa and wellness facility. Likewise, Guest Comfort has a “push effect” on its customers in the spa business. The literature on service design (Pine & Gilmore, 1998; Voss & Zomeijk, 2007) widely advocates to use metaphors from the theatre in order to enhance the experience and make the products innovative as far as the user is concerned. Producers of cosmeceuticals possess distinct chances to contribute to the development in the spa business in a proactive way. Systematic approaches as suggested by Edensor (2001) and Mossberg (2007) reveal that there might be a plea for enhanced understanding of the theatrical focus in spa innovations, and the cases in this study illustrate that co-creation with cosmeceuticals can be seen as a construction of dramatic progressions.

1. ***Scripting is about creating the story and the rituals.*** Scripting is a multifaceted process that integrates issues about the socio-economic and educational background of the customers and the type of business. The scripting process can reflect a range of matters: What is the place of origin of the ingredients? What scientific evidence is available? What auxiliary remedies? Spa ceremonies are often very rigidly scripted, and the customers more or less know what to expect. However, spa providers are attempting to make variations in order to create surprises. A uniqueness of the cosmeceuticals and the producers' contributions to the script are methods of enhancing the period of time - before some other business is copying elements from the concepts. The renaissance case of Queen Dorethea's Bath is good illustration of the potentials of a thematic script with monks and their medical herbs.
2. ***Sceneography and stage-design.*** There is an ongoing architectural and ethnic proliferation and thematic remodeling of the spa interiors. The importance of the décor seems to increase, as the colours, shapes, sounds, surfaces etc. tend to create the signature of the place and contribute to the overall feeling of wellbeing. The cases in this study vary from very classical, to modern Finnish design and to the medieval Queen Dorothea's Bath. However, these specific wellness facilities exhibit limited attempts to bind together and co-create the cosmeceuticals and the sceneography, for example underlining the views to pine trees outside and a Nordic ambiance with pinebased scents.
3. ***Casting and instructing*** deal with the recruiting and managing the staff who are capable of enacting the story that is laid out in the script and embraced in the sceneography. From the point of view of the suppliers of cosmeceuticals, it is hardly enough that the staff are professional therapists or cosmetologists and able to apply the products in exactly the required way. Innovating goes beyond that and includes for example the use of costumes that are harmonized with the setting and potentially also the image of the cosmeceuticals. Instruction also contains preferred behavior and procedures that reinforce the image with some scope for improvisation. Innovativeness in the field of casting and instructing is about creating norms and cultures of a place, which contributes to uniqueness, and which creates a learning environment for the producers of the cosmeceuticals to achieve relevant and reliable feedback for their innovation processes. Enhanced sales methods for merchandise and after sales services are also a part of this picture and crucially relevant in terms of cosmeceuticals. The proprietors' interviews emphasize the need for training as part of the co-creation and co-branding process.
4. ***Directing the tourists' performance.*** Tourists in spa and wellness establishments are not only spectators, they are also co-producers of their own and other people's experience and therefore partly responsible for the success of the theatric play. There is normally a good deal of guiding of the visitors through treatment programmes and offers, and most customers are accepting the implicit conformism. Self-pampering requires particular advice and encouragement, as seen in Anttolanhovi and Comwell cases. When appealing to broader audiences, there might be a need to introduce other ways of play directing into the spa product. Designermudder sees the opportunities in organizing events for children where they produce their own soaps or lotions. Such events – however in line with the objectives of both spas and cosmeceutical producers – may require new modes of interacting with the customers.

DISCUSSION AND IMPLICATIONS

This study approaches a tourism niche from the point of view of the suppliers, and this is a method that is not conventional in tourism research. By accumulating an understanding for the business models and marketing strategies from the suppliers' side, it is possible to broaden the perspective in terms of innovation and knowledge transfer. Accordingly, the study unveils that the co-branding and co-creation is taking place under quite different understandings of boundaries of the enterprises. It is a conclusion from the cases that there are both existing and emerging overlaps in the roles of the cosmeceutical producers and the spa wellness enterprises. Collaboration tends to soften the boundaries and opens up inspiration and communication, enlarging the knowledge base can contribute to the competitiveness of a firm (Howell et al. 2003) and influence innovativeness (Tether 2005, Walsh 1996). The cases suggest that co-branding is an emerging issue in the spa industry, and that the cosmeceutical industry seems to be responsive. However, in the Nordic cases there is only marginal emphasis on creating destination/nation specific wellness cosmeceuticals. Accordingly, the destination signature expressed through products with names of specific locations or geographical features is generally weak. Rather, both the spa industry and the producers tend to rely on the international practice in the business, where oils, fragrances are acquired from all parts of the world and assimilated into the spa product. There are many very persistent traditions in the ingredients sector, but the choice of ingredients also has an economic background. When it comes to the collection and processing of ingredients from the natural environment where supply is distributed over large spaces in remote areas, the obtaining of an economics of scale in countries with high labour costs becomes very difficult. As it is illustrated by Finnish Frantsila and Lumene it is possible to create some economies of scale in this field. It is important to envisage that particularly Lumene has experienced growth and now the firm represents a major actor in its home market. For those enterprises and governments who intend to proceed along the road of creating stronger alliances or backward integration with the value chain there are a number of focus points to be aware of and to address:

1. Is there a resource base for a cosmeceuticals in the Nordic countries? • Are "lived Nordic values" (Nordisk Råd and Nordisk Ministerråd, 2009) contributing leads for wellness and wellbeing tourism?
2. Are there supportive business structures and a collaborative network? Are the spa and wellness industry and the cosmeceutical producers prepared to enter into collaborative agreements and trustful interaction?
3. Do the regulatory regimes challenge and support the endeavours to create Nordic value chains?

CONCLUSIONS

When it comes to meanings and values the Nordic elements in spa and wellness are intrinsic, and there is still substantial research to be undertaken when it comes to a better grasp of cobrand management in this context (Pechlaner et al. 2006). None of the actors in this study have yet to achieve a consistent and full-bodied co-branding and co-creation profile, and that is not a surprise. We are talking about a discipline in tourism that is still emerging in terms of academic research and in terms of practical implementation. Destinations still have to be invited in to do a job.

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