

## Enhancing Business Performance Through Innovation: A Study of Day Spas in Thailand

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### Abstract

The spa industry has faced challenges, especially day spas in Thailand. Many day spas have gone out of business due to their inability to adapt and to remain competitive in the market. Innovation is a key factor for the survival of spa businesses. Although, numerous studies have been conducted on spas, research focusing on innovation in this sector remains limited. As a result, this research aims to investigate the types of innovation adopted by day spas and to examine the impact of these innovations on the business performance of day spas. The qualitative method is used in this study to conduct in-depth interviews with fifteen day spa managers in five main tourist destinations in Thailand: Bangkok, Phuket, Chiang Mai, Hua Hin and Koh Samui by using purposive and snowball sampling. The researchers have chosen a thematic analysis approach to analyze interview transcripts. The results of this study indicate that there are six types of innovation adopted in day spas: product, service, process, marketing, organizational innovation and a newly emerging theme is sustainable innovation. The results also show that innovation impacts both non-financial and financial performance, particularly non-financial outcomes. The study extends the Resource-Based View (RBV) theory by demonstrating how internal innovation capabilities serve as strategic resources that drive competitive advantage in spa industry. This research provides both theoretical insights and practical implications for day spa managers seeking to improve performance through innovation in a highly competitive spa industry.

**Keywords:** Innovation, day spas, business performance, sustainable innovation

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# การพัฒนาศักยภาพธุรกิจด้วยนวัตกรรม: กรณีศึกษาเดย์สปา ในประเทศไทย

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## บทคัดย่อ

อุตสาหกรรมสปาประสบกับความท้าทาย โดยเฉพาะอย่างยิ่งในกลุ่มเดย์สปาในประเทศไทย เดย์สปาจำนวนมากต้องปิดกิจการเนื่องจากไม่สามารถปรับตัวและรักษาความสามารถในการแข่งขันในตลาดได้ นวัตกรรมจึงเป็นปัจจัยสำคัญต่อการอยู่รอดของธุรกิจสปา แม้ว่าจะมีงานวิจัยจำนวนมากที่ศึกษาเกี่ยวกับสปา แต่การวิจัยที่มุ่งเน้นด้านนวัตกรรมในธุรกิจนี้ยังมีอยู่อย่างจำกัด ดังนั้น งานวิจัยนี้จึงมีวัตถุประสงค์เพื่อศึกษาประเภทของนวัตกรรมที่เดย์สปานำมาใช้ และวิเคราะห์ผลกระทบของนวัตกรรมต่อผลการดำเนินงานของธุรกิจเดย์สปา งานวิจัยนี้ใช้ระเบียบวิธีเชิงคุณภาพโดยการสัมภาษณ์เชิงลึกกับผู้จัดการเดย์สปาจำนวน 15 ราย ใน 5 แหล่งท่องเที่ยวหลักของประเทศไทย ได้แก่ กรุงเทพฯ ภูเก็ต เชียงใหม่ หัวหินและสมุย โดยใช้วิธีการสุ่มตัวอย่างแบบเจาะจงและการสุ่มแบบลูกโซ่ นักวิจัยใช้การวิเคราะห์เชิงประเด็น (Thematic Analysis) เพื่อวิเคราะห์บทสัมภาษณ์ ผลการวิจัยพบว่า มีการนำเอานวัตกรรมมาใช้ในเดย์สปา 6 ประเภท ได้แก่ นวัตกรรมด้านผลิตภัณฑ์ นวัตกรรมด้านบริการ นวัตกรรมด้านกระบวนการ นวัตกรรมด้านการตลาด นวัตกรรมด้านองค์กร และธีมใหม่ที่เกิดขึ้นคือ นวัตกรรมเพื่อความยั่งยืน นอกจากนี้ยังพบว่านวัตกรรมมีผลต่อผลการดำเนินงานของธุรกิจทั้งในด้านที่ไม่ใช้ตัวเงินและด้านตัวเงิน โดยเฉพาะในด้านที่ไม่ใช้ตัวเงิน การศึกษานี้ช่วยขยายขอบเขตของทฤษฎีฐานทรัพยากร โดยแสดงให้เห็นว่านวัตกรรมภายในองค์กรถือเป็นทรัพยากรเชิงกลยุทธ์ที่สามารถสร้างความได้เปรียบในการแข่งขันในอุตสาหกรรมสปา งานวิจัยนี้ให้ทั้งข้อค้นพบทางทฤษฎีและข้อเสนอแนะเชิงปฏิบัติสำหรับผู้จัดการเดย์สปาที่ต้องการพัฒนาผลการดำเนินงานโดยการนำนวัตกรรมมาใช้ในอุตสาหกรรมสปาที่มีการแข่งขันสูง

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## Introduction

The service sector contributes more than 55% of the global gross domestic product, yet there is relatively little knowledge about managing innovation in this sector compared to manufacturing industry (Cabral & Marques, 2023). Several previous studies have shown that innovative initiatives drive the creation of new services, enhance customer experience, increase brand awareness, and improve profit margins (Tajeddini et al., 2020; Feng et al., 2021). The global spa market recorded revenues of \$137 billion in 2023. This reflects an annual revenue growth rate of 5.4% between 2019 and 2024. The day spa segment accounted for the market's largest proportion in 2024, with total revenues of \$1,114.7 million, representing 63.4% of the market's total value (Global Wellness Institute, 2024). In the Thailand context, Thai spa sectors generating THB 1.6 billion in revenue and THB 309 million in profit in 2024 (Global Wellness Institute, 2024). Day spas play a vital role in the economy; however, they face increasing competition, particularly among small businesses. Due to this heightened competition, it is estimated that around 30% of Thai day spas have gone out of business, as they were unable to adapt and remain competitive in the market (Sangpikul, 2022; SCB Thailand, 2020).

Innovation is a key factor for the survival and growth of day spas in an unpredictable market and to create opportunities in responding to emerging challenges in this industry. It may be new to the world, market or business itself. It is a crucial success factor that can significantly impact spa business performance. Research focusing on innovation in this sector remains limited (Sotiriadis et al., 2016; Carballo–Cruz et al., 2024). According to an analysis of leading international scientific journals, databases indicate that research on innovation within the spa industry started in 2012. However, the most recent spa studies have focused on issues such as service management, marketing, and employee performance (Sotiriadis et al., 2016; Carballo–Cruz et al., 2024). Limited studies have explored how day spas adopt and implement different types of innovation to improve business performance (Carballo–Cruz et al., 2024; Suttikun et al., 2018). To address this research gap, this study aims to investigate the types of innovations adopted by day spas and to examine how innovation affects their business performance in Thailand, applied through the lens of resource–based view (RBV) theory. Understanding how to integrate innovation into spa operations would help day spa managers enhance customer satisfaction, foster loyalty and strengthen brand awareness, potentially leading to increased profitability by leveraging internal resources and achieving sustainable growth in a competitive market.

## Literature Review

### 1. Thai spa industry

The term “spa” comes from the Latin *sanitas per aquam*, meaning “health through water.” Spas promote physical and mental well-being through services such as massage, hydrotherapy, and modern treatments using natural or technological enhancements (Suttikun et al., 2018). In Thailand, the spa industry has grown steadily, with market value rising about 8% annually (Global Wellness Institute, 2024), reflecting its economic importance. Among spa types, day spas are especially prominent. Found in residential areas, offices, and malls, they offer massage, facial and body scrubs, and saunas without overnight stays. Delivered by trained professionals, these services aim to enhance relaxation, beauty and wellness (Suttikun et al., 2018).

Despite its growth, the Thai spa industry faces rising competition and shifting customer expectations. Modern consumers increasingly seek unique and personalized experiences. In response, many spa businesses have turned to innovation as a strategy for differentiation and value creation. Day spa managers must recognize the potential of different innovation types, such as product, service, process, marketing and organizational innovations to boost business performance. As Pirnar et al. (2020) suggested, businesses which adopt innovation strategies tend to outperform non-innovative competitors, particularly in improving both financial and non-financial outcomes. This makes innovation a critical factor for sustaining success in Thailand’s competitive day spa sector.

### 2. Innovation in service industry

Innovation is a key factor in survival, and the performance of the service industry (Tajeddini et al., 2020). There are unique characteristics of innovation in the service sector which set it apart from industry sector. The Organization for Economic Co-operation and Development (OECD, 2005) pointed out that there are five types of innovation adopted in the service industry: product, service, process, marketing and organizational innovation. Each type of innovation serves a distinct role in enhancing service delivery and competitiveness.

**1) Products innovation** is tangible offering and physical goods. Product innovation refers to developing existing products, introducing new products and adapting new or existing products to meet specific customers and serve new markets. Product innovation helps as a fundamental driver of competitive advantage, with a better market position, cost-saving product, expanded market share and

customer satisfaction (Kahn, 2018). Buhalis et al. (2019) emphasized the significance of cultural adaptation in driving successful product innovation. Marano et al. (2017) in Argentina found that spa product innovation involved the development of new physical infrastructure and the transformation of grape-based products into new skincare and body treatment ingredients, aimed at targeting new markets and enhancing customer value.

**2) Service innovation** is a critical driver of differentiation and performance in the service industry such as spa sector, where customer experience and perceived value are largely derived from intangible elements. Service innovation focuses on new or improved service experiences and interactions that enhance value creation (Sotiriadis et al., 2016). Sarmah and Rahman (2018) noted that in the hotel industry service innovation is designed to meet the distinct preferences and needs of each guest, fostering personal and emotional connections that contribute to memorable and meaningful hospitality experiences. Buhalis et al. (2019) suggested that in the service industry, innovation is not limited to technological progress; it can also emerge through non-technological approaches that enhance the overall customer experience.

**3) Process innovation** refers to implementing a new or significantly enhanced methods of service delivery, which includes substantial changes in equipment, procedures or digital system (Park et al., 2023). Innovative process helps to enhance systems, methods, or processes to reduce service delivery times. An example in the hotel industry by Wikhamn et al. (2018) showed that process innovation includes adopting digital reservation and automated booking systems, integrating CRM tools, and developing standardized protocols to ensure consistent service quality for guests.

**4) Marketing innovation** refers to the application of new methods in product or service design, packaging, pricing, placement, and promotion (OECD, 2005). Consiglio et al. (2018) emphasized the Internet's role in helping businesses reach wider audiences at lower costs through websites and social media. These platforms also reduce reliance on intermediaries, making services more accessible. Sotiriadis et al. (2016) illustrated marketing innovation through the development of targeted products and communication tools. One example is emotional branding, which creates strong emotional ties between brands and consumers. Tuominen et al. (2022) found that marketing innovation enhances long-term competitive advantage and increases revenue, highlighting its strategic importance in the service industry.

**5) Organizational innovation** is another key element of innovation that should not be overlooked for service industry. OECD (2005) stated that innovation is the implementation of a new organizational method in the firm's business practices. It also involves the implementation of new managerial approaches, structural arrangements, and work practices that enhance an organization's ability to deliver more adaptable, effective, and efficient services to its clients (Armbruster et al., 2008). Moreover, Li et al. (2023) pointed out that organizational innovation emphasizes changes in how people are managed and how work is coordinated within the organization. Therefore, it can enhance a firm's performance by lowering administrative and transaction costs while also aiming to improve employee satisfaction.

### **3. Business performance in service industry**

Business performance refers to a firm's capacity to effectively utilize available resources to meet its objectives in accordance with its company plans (Tuominen et al., 2022). Compared to the manufacturing sector, the effects of innovation on business performance in the service sector are more complicated and unique because of variables including intangibility, perishability, inseparability, and variability (Agyapong et al., 2018). In the context of the service industry, business performance measures are generally divided into two main categories: financial and non-financial performance.

**1) Financial performance** reflects overall success and is assessed through metrics such as sales growth rate, market share and profitability (Feng et al., 2021). Studies by Carballo-Cruz et al. (2024) and Tuominen et al. (2022) both revealed that the adoption of product, service, process and organizational innovations enhances a firm's operations, leading to improve product quality, which in turn can boost revenue growth and capture new markets, thus increasing overall profitability.

**2) Non-financial performance** refers to outcomes beyond financial metrics, such as customer satisfaction, revisiting intention, loyalty, brand awareness, and employee satisfaction (Tuominen et al., 2022). Several studies have confirmed the positive impact of innovation on business performance in the service sector (Carballo-Cruz et al., 2024; Tuominen et al., 2022). Tajeddini et al. (2020) found that innovation, combined with market orientation, contributes significantly to improve performance in service industries. Feng et al. (2021) also revealed that various innovation types positively affect business performance across financial, customer, growth, and internal process dimensions. In the spa sector, adopting innovative service delivery methods is essential to offer diverse customer experiences, which strengthens competitive advantage and leads to both financial and non-financial benefits.

#### **4. Resource-based view (RBV) theory**

The Resource-Based View (RBV) theory, introduced by Barney (1991), explains how firms can gain a competitive advantage by effectively utilizing their internal resources and capabilities. These resources include both tangible and intangible assets such as innovation in products, services, processes, marketing and organizational systems that are valuable, rare, inimitable and non-substitutable (Chuang & Lin, 2017). Kamasak (2015) observed that these resources become powerful when transformed through organizational competencies. RBV emphasizes that not only physical assets but also human skills and systems contribute to performance. A study of López-Gamero et al. (2023) found that the strategic implementation of innovations significantly improves both financial and non-financial performance, aligning with RBV's principle that internal strengths are essential for achieving competitive markets, particularly in service-oriented sectors such as the spa industry.

### **Research Objectives**

This study aims to explore the role of innovation in enhancing the business performance of day spas in Thailand. Specifically, the research has two main objectives: 1) to investigate the types of innovations adopted by day spas, and (2) to examine the impact of these innovations on the business performance of day spas.

### **Research Methodology**

This research aims to explore how innovation is adopted to enhance the performance of day spas in Thailand. Using a qualitative exploratory approach, the study focuses on understanding the experiences and perspectives of spa managers. Due to the limited literature on innovation in day spas, an exploratory design is appropriate for uncovering new patterns and insights. Rather than testing a hypothesis, the study seeks to understand how innovation is perceived and applied in real-world contexts. Semi-structured interviews were employed as the primary research tool, providing flexibility in responses while ensuring that key themes were consistently addressed.

#### **1. Population and sample**

This study selected participants based on their experience with innovation impacting business performance in Thai day spas. A filtering process was used to ensure only qualified individuals were included. First, only those who currently hold the role of spa manager were considered, as they are

directly involved in managing operations and implementing change. Second, participants were required to work specifically in the day spa sector, have at least five years of managerial experience, and be involved in applying innovative practices and services. Lastly, only Thai nationals were selected to ensure cultural and contextual relevance. These criteria helped ensure that all participants had both professional expertise and contextual knowledge to provide meaningful and in-depth insights into innovation in Thai day spas.

Determining the sample size in qualitative research involves considering factors such as research design and population diversity (Creswell & Poth, 2016). A range of nine to seventeen participants is sufficient until data saturation is reached, where no new themes emerge (Hennink & Kaiser, 2022). In this study, fifteen spa managers were interviewed, selected from five major day spa destinations in Bangkok, Phuket, Chiang Mai, Hua Hin and Koh Samui, chosen for their prominence in wellness tourism and concentration of day spas serving local and international clients (Global Wellness Institute, 2024).

## **2. Research instrument**

The researchers developed semi-structured questions based on the literature review as the research instrument to collect data from participants. Because there is no previous qualitative approach in the day spa domain, an industry specialist was involved the development of interview guidelines of day spas in Thailand. The researchers follow the guidelines to construct the semi-structured question. To ensure validity and reliability of the research instrument, the semi-structured questions were validated by the industry specialist and pre-tested with three Thai day spa managers who work at least five years in the industry as the participant criteria, whose feedback helped refine the questions (Hennink & Kaiser, 2022). The guideline questions used in this study were designed to gather data: 1) general information about day spa managers, 2) details on the types of innovation adopted in their spas, and 3) information about the impact of innovation on their business performance.

## **3. Data collection**

The fifteen participants were selected through purposive and snowball sampling methods by asking interviewees to refer other spa managers who met the criteria for participant selection. The first participant was identified through professional networks and contacted directly via email and phone with a formal invitation explaining the purpose of the study. Once the initial interview was completed, snowball sampling was employed by asking the participant to recommend other spa managers who met the same criteria and were willing to participate. This approach facilitated access to a broader pool



of knowledgeable respondents and ensured the relevance and depth of the qualitative data. Interviews were conducted via Zoom or Google Meet, lasting 30 to 60 minutes for convenience.

#### **4. Research process**

The research process commenced with an in-depth literature review to establish a solid theoretical foundation and identify research gaps in existing studies. Interviews were conducted via online platforms. With participants' consent, all sessions were audio-recorded and transcribed verbatim. Thematic content analysis was conducted in two phases. In the first phase, individual transcripts were examined to identify initial themes. In the second phase, a cross-case analysis was performed to refine and compare these themes. The coding process was guided by both inductive and deductive approaches. Researchers reviewed each transcript multiple times to generate open codes, which were subsequently organized into broader thematic categories. Keywords were systematically compiled into tables, with recurring terms clustered together and distinctive insights preserved (Williamson et al., 2018). This method led to a final thematic framework that highlights key factors influencing innovation adoption in Thai day spas.

The researchers employed data source triangulation involved collecting data and comparing findings across multiple participants from spa managers with diverse backgrounds to identify consistent patterns. Expert validation involved coding framework to assess content relevance. The researchers also applied triangulation across participant perspectives along with inter-coder checks and a code-recode procedure to support the consistency and credibility of the qualitative analysis. Additionally, literature triangulation involved comparing emerging themes with prior studies to validate and contextualize the results (Creswell & Poth, 2016).

### **Research Results**

The researchers used semi-structured questions to gather the initial data from fifteen managers of day spas such as gender, age, education, spa destination, and total working experience in a management role (years), as presented in Table 1.

**Table 1.** Demographic Information of Spa Managers from the Day Spa in Thailand

Res*	Gender	Age	Education	Spa Destination	Experience (yrs.)
R01	Female	35	Bachelor	Bangkok	5
R02	Female	45	Bachelor	Bangkok	5
R03	Male	38	Bachelor	Bangkok	8
R04	Female	37	Bachelor	Chiang Mai	5
R05	Female	35	Bachelor	Chiang Mai	6
R06	Male	40	Bachelor	Chiang Mai	7
R07	Female	36	Master	Hua Hin	10
R08	Male	50	Bachelor	Hua Hin	7
R09	Female	51	Bachelor	Hua Hin	8
R10	Female	36	Master	Phuket	12
R11	Female	42	Bachelor	Phuket	6
R12	Female	44	Bachelor	Phuket	8
R13	Male	38	Bachelor	Koh Samui	5
R14	Female	32	Bachelor	Koh Samui	10
R15	Female	33	Bachelor	Koh Samui	9

Res\* = Respondent

**Source:** Analyzed and concluded by the authors

The findings of this research offer in-depth insights into the essential aspects of innovation in day spas, which include product innovation, service innovation, process innovation, marketing innovation, organizational innovation and the newly emerging theme is sustainable innovation, as presented in Table 2. In addition, the impact of innovation on business performance of day spas in Thailand is shown in Table 3.

**Table 2.** Themes and sub-themes emerging from types of innovation

Theme: Innovation	Sub-themes	Respondents
1.Product innovation	<ul style="list-style-type: none"> <li>– Introducing new skincare products such as facial skincare and body treatment using local products</li> <li>– Adapting existing products, LED therapy by using technology to deliver fast results</li> <li>– Developing existing products such as massage tools and spa treatments</li> </ul>	R02, R04, R05, R06, R07, R11, R12, R13, R14, R15
2. Service innovation	<ul style="list-style-type: none"> <li>– Customizing spa treatments for busy professionals such as 30 minutes massage</li> <li>– Using personalized spa consultations by individual consultations and tailor treatment techniques</li> <li>– Providing unique local signature treatment</li> </ul>	R01, R02, R03 R04, R05, R06, R07, R08, R09, R10, R11, R12, R13, R14, R15
3. Process innovation	<ul style="list-style-type: none"> <li>– Digital reservation and real time schedule such as online booking and self-check-in</li> <li>– Using Standard Operating Procedures (SOP) to provide consistency service</li> <li>– Integrating CRM to make appointments and offer personalized promotions</li> </ul>	R03, R04, R05, R06, R07, R08, R09, R10, R13,
4. Marketing innovation	<ul style="list-style-type: none"> <li>– Off-peak pricing discounts promotion</li> <li>– Partnership with social media influencers such as partners with health and beauty influences</li> <li>– Storytelling technique experience for history of spa or each spa treatments</li> </ul>	R03, R04, R05, R06, R07, R08, R09, R10, R11, R12, R15
5. Organization innovation	<ul style="list-style-type: none"> <li>– Multi-skilling and lean organization structure such as reducing overlapping roles and staff multi-tasking</li> <li>– External partnerships &amp; collaborations such as partnership with local business</li> </ul>	R01, R02, R05, R11, R12, R15

Theme: Innovation	Sub-themes	Respondents
6.Sustainable innovation (newly emerged theme)	<ul style="list-style-type: none"> <li>– Eco-friendly spa product &amp; biodegradable and chemical-free such as refilled bottles for oils and lotions</li> <li>– Sustainable design and architecture such as open-air spa pavilions</li> </ul>	R01, R07, R08

Source: Analyzed and concluded by the authors.

**Table 3.** Themes and sub-themes impact of innovation on business performance of day spas

Theme: Business Performance	Sub-themes	Respondents
1.Non-Financial performance	<ul style="list-style-type: none"> <li>– Customer satisfaction such as spa creating our unique and Lanna local signature products and customized treatments. The customer is satisfied and wants to return to the spa again.</li> <li>– Customer loyalty such as online booking and self-check in spa. Customers can view available treatment slots and earn spa membership points to increase their loyalty.</li> <li>– Employee satisfaction by reducing time for answering and booking for performance.</li> <li>– Customer experience such as creating storytelling to enhance their experience</li> <li>– Customer intention to visit such as eco-friendly spa products and package and enhance spa's brand awareness.</li> </ul>	R03, R04, R05, R06, R07, R08, R09, R10, R11, R12, R13, R14 R15
2.Financial performance	<ul style="list-style-type: none"> <li>– The customized 30-minute spa program expands market share.</li> <li>– Partnerships and collaborations increase both sales growth and revenue.</li> </ul>	R02, R08

Source: Analyzed and concluded by the authors.

To address the first research objective, which aims to examine the types of innovation adopted by day spas in Thailand, the study presents findings on the impact of product, service, process, marketing, and organizational innovations on the performance of day spa businesses.

## 1. Product innovation

From the research findings, ten out of fifteen spa managers implemented product innovations in their businesses. They introduced new skincare products, adapted existing products using technology as well as developed massage tools.

### 1.1 Introducing new skincare products

Respondent 2: *“We developed a new facial skincare and body treatment product through research, using a local lotus petal rich in antioxidants for aging skin. It has become a bestseller, with customers keep coming back to buy it.”*

### 1.2 Adapting existing products by using technology

Respondent 5: *“Our spa uses technology-enhanced treatment devices such as ultrasonic facial tools and LED therapy because customers want a treatment that is quick and delivers fast results.”*

### 1.3 Developed existing products such as massage tools and spa treatments

Respondent 11: *“Phuket’s tin resources inspire us to use tin ore stones in hot stone massages, which retain heat longer. We also offer innovative facial treatment with a cream mask which does not need to be washed off; it absorbs into the skin, saving time and creating a new skincare market.”*

## 2. Service innovation

The findings indicate that all spa managers adopted service innovations in their businesses. They have customized spa programs, developed personalized spa consultations and unique local signature treatment to create memorable and valuable guest experience.

### 2.1 Customized spa treatment for busy professionals

Respondent 2: *“We offer 30-minute massages like hand, head and shoulder, and facial treatments to attract busy professionals on office breaks, thanks to our convenient location near office buildings.”*

### 2.2 Personalized spa consultations.

Respondent 3 and Respondent 5: *“We provide a 5-minute consultation before treatments with each client before the massage to understand their concerns and tailor therapist’s technique to suit their individual needs.”*

### 2.3 Unique Local Signature Treatments

Respondent 6: *“Our Chiang Mai spa is inspired by the traditional Lanna healing house. Our unique menu reflects local beliefs, with a signature treatment using Phang Prateep is a candle symbolizing wisdom, clarity, and a prosperous life which create memorable and valuable guest experience.”*

### 3. Process innovation

From the interview findings, nine out of fifteen spa managers adopted process innovation in spa by adopting digital reservation and real time schedule, automated appointment reminders, Standard Operating Procedures (SOP) and Customer Relation Management (CRM) for consistent service.

#### 3.1 Digital reservation and real time schedule

Respondent 7: *“We implemented online booking and self-check-in, allowing customers to view available slots and book without phone calls, reducing wait times.”*

#### 3.2 SOP (Standard Operating Procedure)

Respondents 10: *“Our spa has an SOP for standard spa procedure, which explain operational policy, treatment manuals step by step, room setup guidelines, handing guest complaints ensures consistent service quality.”*

#### 3.3 Integrating Customer Relationship Management (CRM) tools

Respondent 13: *“Our spa uses a cloud-based CRM system to manage client history, birthdays, and memberships. It helps staff prepare for appointments and allows us to offer personalized deals and birthday promotions.”*

### 4. Marketing innovation

From the research findings, eleven out of fifteen spa managers applied marketing innovations in their businesses. They developed off-peak pricing discounts, partnerships with influencers on social media, and storytelling techniques for their customers.

#### 4.1 Off-peak pricing discounts promotion

Respondent 8: *“We offer 50% off regular spa services Monday to Thursday, 11:00 AM–4:00 PM, to attract customers during off-peak hours. The promotion is shared via email, SMS, and our Facebook page.”*

#### 4.2 Partners with social media influencers

Respondent 11: *“Our spa partners with health and beauty influencers on Instagram and TikTok, targeting segments like working professionals and seniors.”*

#### 4.3 Storytelling technique

Respondent 6: *“Create a storytelling experience from the moment guests step into the spa, portraying that they have come to receive healing at the Hong Mor Muang (traditional healing house), with a narrative rooted in the ancient therapeutic wisdom of the Lanna Kingdom and make promotion of Lanna treatment.”*

## 5. Organizational innovation

From the findings of the interviews, six out of fifteen spa managers implemented organizational innovation by lean organization structure and external partnerships and collaborations with local community and fitness gyms membership which is a new business model in day spas.

### 5.1 Multi-skilling and lean organizational structure

Respondent 11: *“Our staff can speak English well and they can multi-task such as perform massages, handle reception, and clean treatment rooms. This streamlined structure reduces overlapping roles, improves efficiency, and lowers costs.”*

### 5.2 External Partnerships & Collaborations

Respondent 15: *“Our spa uses Thai herbs in treatments and scrubs through partnerships with local herb communities. We also collaborate with nearby gyms, offering a ‘Massage with Fitness Pass’ package, with gym members receiving a 10% discount at our spa.”*

In addition to the key innovation types, this research also revealed the emergence of sustainable innovation as a newly adopted theme among day spas in Thailand. The researchers found that three spa managers were increasingly adopting eco-friendly practices, such as using biodegradable packaging, alcohol-free oils, and local, chemical-free ingredients. Some offered refill systems with discounts to encourage reuse, while others used bamboo structures to reduce energy use. These initiatives reflect a growing commitment to environmental responsibility and highlight sustainable innovation as a valuable strategy for enhancing long-term business performance.

## 6. Sustainable innovation

### 6.1 Eco-Friendly Spa Product & Biodegradable and Chemical-free

Respondent 1: *“We promote sustainability by using eco-friendly, biodegradable products. Our refillable bottles for oils and lotions come with a 10% discount, and all treatments use local, chemical-free ingredients.”*

### 6.2 Sustainable Design and Architecture

Respondent 8: *“In the afternoon, when the weather is cooler, we recommend clients enjoy their treatments in our open-air bamboo spa pavilions to reduce air conditioning and electricity use. Our spa building is made from natural materials like bamboo to promote natural ventilation and lighting.”*

The findings indicate that most spa managers place strong emphasis on the adoption of six types of innovation: products, service, process, marketing, organizational and sustainable innovations to improve their business performance, with a particular focus on service innovation. Spa managers improved the spa experience by customizing and personalizing services to meet individual customer needs. Product innovation involved the use of locally sourced ingredients to enhance customer value. Process innovation applied new procedures to reduce service delivery time. Marketing strategies such as storytelling rooted in local culture helped differentiate spa brands. Organizational changes, including lean staff management, improved operational efficiency. Furthermore, sustainable innovation has emerged as a strategic to trends of environmental concerns attracting customers who prioritize eco-friendly experiences. These results highlight the importance of innovation in driving competitive advantage in the Thai day spa sector.

### **Impact of Innovation on Spa Business Performance**

The findings indicate that fifteen spa managers pay attention to the spa performance in the two key elements which are non-financial performance and financial performance. From the interview evidence, thirteen managers out of fifteen place strong emphasis on non-financial performance (customer satisfaction, customer revisiting intention and loyalty, brand awareness, customer experience and employee satisfaction) However, only two out of fifteen managers reported that innovation contributed to increased financial performance, particularly in terms of sales growth, market share and profitability.

#### **1. Non-financial performance**

##### **1.1 Product and service innovation influences non-financial performance:**

Respondent 5: *“We create our unique signature product inspired by Lanna and customized treatment to meet needs of each guest. Our customer is satisfied and wants to return to our spa”.*

##### **1.2 Process innovation influences non-financial performance**

Respondent 11: *“Our spa offers online booking and self-check-in, allowing customers to view available slots and earn membership points for loyalty. It also boosts staff satisfaction by reducing admin tasks and enabling better preparation.”*

##### **1.3 Marketing innovation influences non-financial performance**

Respondent 6: *“Create storytelling from the moment guests step into the spa building, enhance their experience.”*



#### 1.4 Sustainable innovation influences non-financial performance

Respondent 10: *“We create eco-friendly spa products and package, and using organic local product enhance our brand awareness.”*

## 2. Financial performance

#### 2.1 Service innovation influences financial performance

Respondent 2: *“Our spa introduced a customized 30-minute spa program for busy professionals, which has helped increase bookings and expand our market share.”*

#### 2.2 Organizational innovation influences financial performance

Respondent 8: *“Having external partnerships and collaborations allows us to expand our customer base, reach new markets, and increase both sales and profits.”*

The findings of this study highlight that innovation significantly contributes to the business performance of day spas in Thailand, mainly in enhancing non-financial outcomes, on which spa managers place a higher priority than financial performance. Innovations in product and service can increase customer satisfaction and loyalty, while process and organizational changes have boosted employee satisfaction. Marketing innovation, such as storytelling, has enriched customer experience and sustainable innovation through green practices enhances brand awareness. However, innovation can also create the impact of financial outcomes such as sales growth, entry into new markets and improved profitability.

## Discussion and Limitations

This study found evidence that all spa managers have adopted six types of innovation in their day spas: product, service, process, marketing, organizational, and sustainable innovation, with service innovation being the most widely implemented. Service innovations such as personalized consultations, flexible spa durations, and culturally inspired treatments emerged as key strategies to meet customer needs, supporting the findings of Sarmah and Rahman (2018) and Sotiriadis et al. (2016). Product innovation, such as the use of local natural ingredients, was also prominent, aligning with Buhalis et al. (2019) on cultural adaptation for wellness tourism. Process innovation included online booking systems, CRM integration, and the implementation of SOPs to ensure consistent service delivery and operational efficiency (Park et al., 2023). Marketing innovations leveraged Thai-identity-based storytelling and partnerships with influencers to improve the customer experience, consistent with Consiglio et al. (2018)

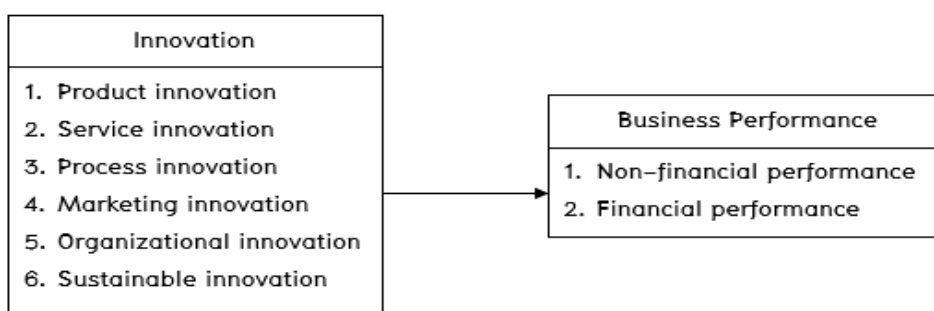
and Wikhamn et al. (2018). Although fewer managers adopted organizational innovations such as lean management and staff multi-skilling, they reported reduced labor costs, reflecting similar findings of Armbruster et al. (2008) and Li et al. (2023) on cost-efficiency through organizational innovation. Notably, sustainable innovation has a newly emerged theme as a meaningful trend. Spas adopted eco-friendly products, refill systems, and natural architecture to reduce environmental impact and green marketing principles by Chung (2020). Environmentally conscious travelers are increasingly attracted to destinations that embrace sustainable practices. These innovations enable day spas to stand out in the market and adapt to evolving customer needs. The findings indicate that innovation, particularly when aligned with local culture and sustainability, plays a crucial role in improving business performance and resilience in the spa industry.

The research findings also reveal that innovation has an impact on spa business performance. Most day spa managers emphasized non-financial outcomes such as customer satisfaction, revising intention, loyalty, brand awareness, and employee satisfaction as key indicators of day spa success that are consistent with Tuominen et al. (2022) and Feng et al. (2021). These improvements often result from localized products, online booking, reduced staff working hours, storytelling, personalized services, eco-friendly products and packages, reflecting the view of Carballo-Cruz et al. (2024) that innovation enhances customer-related outcomes and operational flexibility. The study also supports the Resource-Based View (RBV), suggesting that spas use internal resources, such as skilled staff and unique services, as valuable, intangible assets that support competitive advantage. This is consistent with Chuang and Lin (2017) and Barney (1991), who argued that innovation is a strategic application of firm-specific capabilities.

However, a gap emerges when considering financial performance. Although previous literature generally links innovation with financial benefits like increased sales or profitability by Feng et al. (2021), only two out of fifteen spa managers reported a direct financial impact. This suggests that such outcomes may not be immediately visible or are harder to measure in small service businesses such as day spas. It may also indicate a stronger focus on customer experience over financial strategy, which contrasts with the strategic innovation planning discussed by Tajeddini et al. (2020) and Barney (1991). Moreover, as noted by Agyapong et al. (2018), the intangible and variable nature of service delivery makes financial impacts more difficult to track compared to manufacturing.

Based on the findings from data-driven insights, the researchers propose the Innovation-Driven Business Performance Framework as shown in Figure 1. The Innovation-Driven Business Performance Framework demonstrates how different types of innovation—namely product, service, process, marketing, organizational, and sustainability innovations—contribute to enhancing the business performance of day spas in Thailand. The framework highlights both non-financial performance outcomes, such as customer satisfaction, service quality, and operational efficiency, and financial outcomes, including revenue growth and profitability. It reflects the dynamic relationship between innovation adoption and performance improvement, based on the thematic findings of the study.

While the study offers valuable insights, it also has certain limitations. The study relies solely on qualitative data, which, while rich and detailed, does not provide measurable evidence of the direction of the relationship between innovation and performance. Additionally, the focus on Thai day spas may limit the relevance of the findings to businesses in other cultural or economic settings, particularly in countries where customer expectations and business operations differ significantly.



**Figure 1** Innovation-Driven Business Performance Framework

**Source:** Analyzed and concluded by the authors.

## **Contributions**

This study expands the academic implications of innovation and business performance by exploring six types of innovation that are product, service, process, marketing, organizational, and sustainable in the under-researched context of Thai day spas. It addresses research gaps by highlighting how culturally rooted and eco-friendly innovations contribute to differentiation and customer engagement. The findings support and extend existing theories by Buhalis et al., (2019) by offering new insights into how innovation enhances non-financial performance, including customer satisfaction, brand awareness, and employee morale. By using qualitative data from spa managers, the study provides context-specific evidence often missing in innovation and business performance literature, especially within small service businesses. In addition to its academic significance, the study also offers practical implications for industry stakeholders, translating theoretical insights into actionable strategies for real-world applications. Moreover, this research paper offers practical implications for spa managers and entrepreneurs by highlighting effective innovation strategies such as using local herbs in products, personalizing services, adopting digital tools, and embracing sustainable practices. These approaches help improve customer satisfaction, brand loyalty, and operational efficiency. The findings also encourage spa owners to view innovation as an ongoing process which can strengthen competitive advantage and support long-term business growth in dynamic wellness industry. For policymakers, this research suggests that government agencies should promote the integration of local cultural traditions and eco-friendly practices in spa businesses. This can be accomplished through training or certification programs that promote cultural identity preservation, while increasing the appeal of spas to environmentally conscious travelers.

## **Conclusion and Further Research**

In conclusion, this study reinforces the importance of innovation as the driver of enhanced business performance, particularly in the non-financial aspects of day spas in Thailand. It shows that service innovation, especially when culturally grounded and customer-focused, can significantly improve customer satisfaction, loyalty, and brand image. Spa managers should develop individualized spa experiences rather than one-size-fits-all treatments by consulting with customers and offering customizable treatment packages based on their preferences and health conditions to address their specific pain points. Although the evidence for direct financial benefits remains limited, the study suggests that non-financial gains may serve as leading indicators of long-term financial success. By

integrating innovation into everyday operations, whether through service personalization, sustainable practices, or cultural storytelling, day spas can reduce costs through multi-skilled staff and a lean organization structure (Li et al., 2023). Collaborating with local businesses and utilizing social media boosts greater visibility and creates distinctive customer experiences that set them apart in a competitive market. The findings support the Resource-Based View theory, emphasizing that strategic value of internal capabilities is central to business success, particularly in localized knowledge and experience-based industries such as spa services. The results of the study pointed out that innovation in spa industry is not limited to technological advancement. It can also emerge through non-technological approaches that are influential in driving performance in service businesses. Future research should build on these insights by applying mixed approaches, exploring longitudinal effects to deepen our understanding of innovation, in particular sustainable innovation on customer retention and environmental outcomes in wellness businesses.

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