

【Article】

Creative Cluster Policy and the Upgrading of Service Enterprises in Singapore

クリエイティブ・クラスター政策とシンガポール企業の高度化

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(Abstract)

In this paper, I discuss the relationship between Singapore's national strategy and the strategies of Singaporean hotel and spa enterprises. Singapore has used the twin engines of the manufacturing industry and the service industry to aim for economic growth. The promotion of service innovation has been necessary for bringing sophistication to the service industry. And to promote innovation, Singapore uses the cluster strategy to agglomerate related industries and produce synergistic effects is needed.

To survive intense global competition, it has been necessary for Singapore's service industry to achieve differentiation. One direction toward this differentiation has been to

link arts and culture to the service businesses. To that end, the city-state of Singapore has followed a policy of fostering creative clusters. This amplifies the economic effects brought by urban agglomeration and the cluster effects of the creative industry. The city-state of Singapore is indeed in an environment suitable for the building of creative clusters. Among these clusters, it has placed primary emphasis on fields of design, because design brings significant economic effects to other service industries and the manufacturing industry and plays the role of an engine of business upgrading.

Introduction

According to a survey by the International Monetary Fund (IMF), in 2007 the per-capita GDP in Singapore was approximately US\$35,000, surpassing US\$34,000 for Japan which had previously held the top position in Asia. Since Singapore is a city-state, there are some who believe that the Singaporean statistic should be compared to the per-capita GDP of Tokyo, for example, or some other city or prefecture in Japan. Nevertheless, per-capita GDP in Japan has been sluggish, reflecting the low growth rate and deflationary environment of the Japanese economy for more than 10 years.

In just 40 years since attaining its independence in 1965, Singapore has become an affluent country with a per-capita GDP that has even surpassed that of Japan. Struggling with structural problems such as small land area, a population of less than 4 million, and almost no natural resources, Singapore has developed an export-oriented economy. Prior to independence, its industry centered on intermediate trade and commerce, but now manufacturers, mainly in the electronics industry, and enterprises in areas of the service industry such as finance, distribution, and tourism are growing in parallel. In various benchmarks of international competitiveness, Singapore is consistently ranked at the top, and is especially considered to have the most advanced information infrastructure. This sort of success is not mere coincidence or simply the result of market factors. It came about through careful adjustments of government policies, and Singaporean enterprises were greatly influenced by the government policies. This paper aims to clarify the relationship of government policy for Singapore's knowledge-based economy and the upgrading of Singaporean service enterprises.

1. Creative clusters and the revival of the Singapore economy

After coming out of the Asian economic crisis of 1997, the Singaporean economy recovered with the rapid worldwide increase in demand for IT from 1999 to 2000. The subsequent bursting of the IT bubble and sluggishness in the American economy caused Singapore to suffer its worst-ever economic situation. In 2001, actual GDP growth in Singapore was -2% compared with the previous year. At the start of the 21st century, the economies of emerging countries China and India also grew at a faster rate. China, in particular, rapidly became a rival of Singapore, causing Singapore's status as a business

hub of Asia to weaken.

In the midst of this severe economic condition, Prime Minister Goh Chok Tong established the Economic Review Committee (ERC) in October 2001 to formulate a blueprint for economic recovery in Singapore. Lee Hsien Loong, who was Deputy Prime Minister at the time, served as Chairman of the ERC which set up seven sub-committees, one for each of the ERC's terms of reference.¹⁾ One was a service industry sub-committee that also placed emphasis on nurturing the creative industry.

The ERC issued its final report, *New Challenges, Fresh Goals – Towards a Dynamic Global City*, in February 2003.²⁾ This report described the ERC's aim to have Singapore develop from an emerging nation to a major economy by the year 2018, in 15 years. To achieve this goal, the report stated that the ideas of Singapore's citizens would need to be transformed, diversity in daily life would need to be accepted, and rather than be heavily dependent on the government, citizens would need to embrace the spirit of entrepreneurship and act spontaneously. To make such qualities an integral part of every citizen, the report stated that citizens needed to place greater emphasis on the arts, culture, sports, and entertainment.

The report further stated that policies aimed at deepening the mutual relationship between the manufacturing industry and the service industry, previously considered the twin engines of growth, would need to be strengthened. In the chapter on the service industry, the report stated that along with further improving trade, logistics, ICT, financial services, and the tourism industry, the country would need to promote investments in new areas of the service industry such as health care, education, and the creative industry, and to aim at becoming the regional hub for these areas.³⁾

Cities are taking the lead for economic growth in mid- to high-income Asian countries and regions where per-capita GDP is greater than US\$10,000. In these cities, the service industry generates more than half of the city's GDP, and the areas within these cities' service sector enjoying the greatest expansion are high-value-added business support services and the creative industry. Business support services include marketing, finance, legal, and accounting services, while the creative industry includes design, publishing, multimedia, and software development.⁴⁾

Rapid advances in globalization and technologies such as ICT are changing the business environment significantly. To foster a knowledge-based creative economy, the Singaporean government is currently promoting policies aimed at producing multi-faceted innovation among its citizens. To secure new competitive advantage while globalization develops, Singapore is looking into ways to merge the arts, business, and technology as a major issue.

To foster the creative industry, the Singaporean government is also adopting a cluster strategy that would include the fostering of support industries and affiliated industries.⁵⁾ Creative clusters are multisectoral and cross-sectional; it is not a sector that can be clearly categorized in the sense of traditional industrial clusters. As a result, until very recently creative clusters were not recognized as requiring policy adjustments or investments.

What sorts of industries are thus included in creative clusters? In the classification by the Singaporean government, the creative industry comprises an upstream sector and a downstream sector.⁶⁾ The upstream sector consists of the performing arts, literature, paintings, and other aspects of the traditional culture and arts industry, while the downstream sector consists of applied arts such as advertising, design, publishing, and media-related activities. The pure arts of the upstream sector have commercial value of their own, but the applied arts of the downstream sector receive their commercial value from their application to other economic activities. Both these sectors are essential structural components of the arts ecosystem. Even further downstream, the sector that includes logistics and sales is positioned in the copyright industry, giving recognition to it as a creative cluster. Considered most important and requiring attention, however, is the creative industry.⁷⁾

Creative clusters are key to the building of an innovative, knowledge-based economy. They are groups of industries with resources in the creativity, skills, and talents of individuals, and with the creation and use of intellectual assets, these industries have the potential to produce wealth and employment.

Considering that the creative industry directly and indirectly contributes to economic growth in Singapore, the Singaporean government has defined its influence on the domestic economy across four stages.⁸⁾ The first economic influence brought by the creative industry is a direct contribution to a quantifiable domestic economy. This includes the influence on GDP and employment brought by arts-related activities. The second economic influence is an indirect one on the quantifiable domestic economy. This includes a “multiplier effect” on outlays to the arts. The third economic influence, a direct one, is on the intangible domestic economy. This includes influences on industrial design works of art, innovation, and product differentiation. It is the contribution of the arts to greater sophistication in industry and stronger economic competitiveness. The fourth and final economic influence, an indirect one, is its contribution to a domestic economy that cannot be quantified. This includes improvements in the quality of life, the formation of cultural identities, and the formation of a pluralistic society. This final point is related to studies on the externality of culture and the quality of life. The arts and culture have positive externality and bring social benefits. This externality refers not to people who directly enjoy the arts and culture but to the benefits that are brought to communities or society as a whole.⁹⁾ To achieve a prosperous multiethnic society, the Singaporean government is aware that it must take the time to foster a rich culture.

2. Analysis of Singapore’s creative clusters

The current value of Singapore’s creative industry has been estimated to be between 2.8% (Australian statistical method) and 3.2% (British statistical method) of GDP. This is less than the U.S. (7.8%), the U.K. (5.0%), and Australia (3.3%). The creative industry in these countries has been growing faster than other sectors of the economy, especially in

the U.S. and the U.K. where the growth rate has been 3 to 5 times higher than the overall economy. The added value of Singapore's overall copyright industry has grown from US\$800 million in 1986 to US\$4,800 million in 2000. That annual growth rate is higher than the growth rate for the overall economy over the same period. As a result, the economic contribution of the copyright industry to the overall economy grew from 2.0% of GDP in 1986 to 2.8% in 2000. The total number of workers in the copyright industry increased from 30,700 in 1986 to 72,200 in 2000, an annual growth rate that is higher than for the overall economy.¹⁰⁾

Figure 1. Cross-Country Comparison of the Economic Value of Total Copyright Industries

Country	Fiscal Year	% of GDP	Average annual growth rate :%AAG Copyright Industries / %AAG Overall Economy (Period of Tracking)	% of National Employment
U.S.	2001	7.75	6.9/3.2 (1977-2001)	5.9
U.K.	1998-1999	5.0	16/6.0 (1997-1998)	4.6
Australia	1999-2000	3.3	5.7/4.85 (1995-2000)	3.8
Singapore	2000	2.8	13.4/10.6 (1986-2000)	3.4

(Source: ERC Service Subcommittee Workgroup on Creative Industries, *Creative Industries Development Strategy*, September 2002, p.5.)

The Singaporean government used SWOT analysis to analyze the current creative industry in Singapore.¹¹⁾ We will look at some of the particularly important points in this analysis. First, Singapore's strengths are its world-class ICT infrastructure, positive evaluation as a hub of finance in the region, stable government, and other elements that rank the country at the top in terms of global competitiveness. It is also capable of targeting broad markets, as English is an official language and the country's multicultural society has adopted a bilingual policy with Chinese as the other language.

Looking at Singapore's weaknesses, its market is small and the country must therefore constantly look from a global perspective. Its export-oriented industrialization policies until now have focused on hardware and investment in software has lagged, contributing to problems in element conditions and demand conditions where there has been a shortage of proficient, creative human resources and culturally educated audiences. The most important point is that Singapore has been viewed by many other countries as a highly regulated country. As a result, global enterprises and highly-skilled intellectual human resources have avoided using Singapore as being unsuitable for innovative experiments.

However, Singapore is blessed with many opportunities. It is located near the huge Asian markets of China and India, and provides access to consumption bases and creative resources. Singapore with its multiethnic society is also in a good position to utilize niche areas that merge New Asia or lifestyles with leisure products and services. FTA negotiations are being conducted at various locations in Asia with predictions that the Asian economy is gradually heading toward integration.

The creative industry in Singapore is also facing considerable threats. Being stimulated by the creative industry development strategies of the U.K., the number of countries aiming to develop a creative industry as an engine for sustained economic growth is increasing, and global competition is intensifying. Singapore must therefore compete with these countries in order to secure creative human resources (and enterprises). To this end, Singapore must also further enhance the urban amenities that will attract these resources and enterprises.

3. Creative cluster policy in Singapore

(1) Policies aimed at forming cultural capital in Singapore

The Singaporean government regards cultural capital as an important strategic national resource, and it believes that cultural capital provides the driving force and means for inventiveness and creativity in society. Cultural capital provides vital support for building an environment that promotes interdisciplinary learning and innovation for workers, and the government positions it as a major means of linking communities and the state. Cultural capital was therefore at the center of the “Connected Singapore” vision.

Singapore’s “Creative & Connected Singapore” cultural capital comprises three key elements: (1) creative clusters, (2) creative people and creative workers, and (3) a connected nation. Creative clusters are made up of enterprises or individuals that directly or indirectly produce cultural assets. As noted above, creative industries include not only public and not-for-profit organizations in such areas as performing arts, libraries, museums, historical relics, festivals, visual arts, and literature, but also artists. They also include commercial activities and projects such as advertising, architecture, industrial design, crafts, film, music, publishing, television and radio, and commercial theaters. These creative industries are supported by educational institutions – especially highly specialized educational and cultural institutions – and philanthropic projects. The creative industries are formed into clusters and nurtured.

Creative people and creative workers are individuals in possession of cultural capital.¹²⁾ This refers to people who have a deep awareness of the importance of culture and creativity and who make full use of their creativity in a knowledge society developed by information technology. Specifically, they are workers or entrepreneurs who have special cultural and artistic skills in the creative economy, and they include producers that play key roles in the main industries. Creative people also include consumers who stimulate demand for cultural activities and for products and services that are culturally differentiated. The Singaporean government attracts people who belong to what Florida terms the “creative class”, and it produces educational guidelines focused on the arts rather than on science, as in the past.

The “Connected Nation” concept refers to a nation that has the ability to connect with other people in one’s home country or overseas, and with the past, present, and future. Methods of connection when connecting with cultural capital and social capital can be

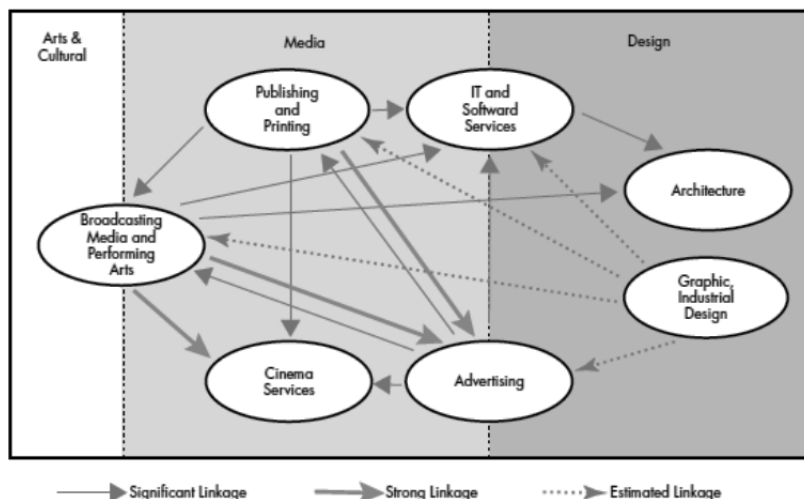
tangible or intangible. Particularly important in the case of the intangible method is a social or emotional connection with a community or the nation. Cultural capital fosters civil society, because it plays a vital role in strengthening people's emotional and social bonds with the nation or a community. It is especially important in a multiethnic society like Singapore for the sake of forming its citizens' identity as Singaporeans.

(2) The economic effects of the creative industry

The creative industry is drawing attention as a new engine for economic growth. Its influence on the domestic economy crosses a number of stages.¹³⁾ We will analyze one of them, a direct economic effect of the creative industry on the intangible domestic economy. This economic effect is on industrial design works of art, innovation, and product differentiation, and it represents contributions of the arts to greater sophistication in industry and stronger economic competitiveness.

Here we shall discuss the economic effects of creative cluster strategies in Singapore. Creative industries create original knowledge, products, and services. The economic value of these creations is utilized in the manufacturing industry and the service industry, and if it becomes a commercial product, its value multiples by as much as several fold. Since advances in the information economy cause products and services to become more knowledge-based and technology-based, the adoption of this effect can become a resource for achieving competitive advantage. The potential for creative products and services to be used in other fields is key to achieving this competitive advantage.

Figure 2. Network among creative industries



(Source: Ministry of Trade and Industry Singapore, 'Economic Contribution of Singapore's Creative Industries', *Economic Survey of Singapore First Quarter 2003*, 2003, p.58.)

According to an analysis using the inter-industry relations table, the creative industry shows advantageous relationships between its various sectors and is configured of a

creative ecosystem. Figure 2 is an example of it where small-scale industries such as cinemas and performing arts belonging to the media industry receive economic benefits from large-scale sectors such as advertising and publishing. According to a survey of 111 graphic design and industrial design enterprises in Singapore, as shown in Figure 1, the presumed relationship from the design industry to the creative network is assumed to be advantageous.¹⁴⁾

The various sectors of the Singaporean economy have received an average input of 0.32% from another 154 industry-related sectors. The input rate from the creative industry is shown in Figure 2. Overall, the manufacturing industry received input of 0.79% from the creative industry. The relatively high figure of 2.32% for the chemical industry was due to their high use of advertising and IT services. The figures otherwise are generally low, but if data from the design industry could be used and added, the figures could become higher. Since the added value of the value chain can be increased, the importance of design input for the manufacturing industry is rising.¹⁵⁾

Figure 3. Utilization of Creative Products by Main Industries

User Industry	Creativity Utilization (Input from Local Creative Industries as % of Total Inputs)
Overall Manufacturing	0.79
Chemicals and Chemical Products	2.32
Electronics	0.63
Machinery & Equipment	0.90
Transport Equipment	1.22
Construction	9.96
Overall Services	6.11
Wholesale & retail	6.42
Hotel & restaurants	2.91
Transport	1.57
Communications	6.88
Financial Services	5.97
Business Services	6.89
Tourism	2.42
Education	9.70
Health care	3.55

(Source: Ministry of Trade and Industry Singapore, 'Economic Contribution of Singapore's Creative Industries', *Economic Survey of Singapore First Quarter 2003*, 2003, p.59.)

Usage of creative industry products by the service industry was 6.11%. This indicates that Singapore's service industry has a high level of dependence on the creative industry. The low rate of usage by transport reflects this industry's higher priority on efficiency rather than creativity, and the high rate of usage by the education industry reflects the high use of publishing and IT services. In addition, since most services such as content can be exported, raising the quality of creative products that are provided to the service industry can result in global differentiation for Singapore's service industry. And since the advertising industry contributes significantly to capturing global markets for both the manufacturing industry and the service industry, the greater the economic effects of the creative industry on the advertising industry, the stronger the international competitiveness of the domestic industry becomes.

(3) Design Singapore

The contribution of design to the domestic economy is considerable. Design (1) drives the innovation process and strengthens industrial competitiveness, (2) contributes to raising the standards of creativity and securing human resources, and (3) improves the country's brand image that is embodied in its products and services. As a result, not only advanced EU countries such as Finland, Ireland, Spain, Denmark, and the U.K. but also the governments of East Asian countries and regions such as Korea, Taiwan, and Singapore are focusing energy on design policies in their efforts to boost their global competitiveness.

In Singapore, the Economic Development Board is fostering industrial design enterprises and attracting international design corporations to Singapore. In addition, International Enterprise Singapore (IE Singapore) is fostering design capabilities as a strategic skill for internationalizing Singapore's enterprises, and holds the Singapore Design Awards and the International Design Forum. Singapore's Ministry of Information, Communications and the Arts (MICA) established the Design Singapore Council, and by developing a design cluster linked with other government bodies, it is contributing to the growth of design specializations, design enterprises, and design education.

Design contributes to economic growth and development at various levels both at home and overseas. Governments of developed countries have therefore formulated a variety of policies aimed at building systems that foster design. Though the economic impact that design has on the macro economy can also be understood through the four stages described in section 6, the following are examples:¹⁶⁾

- ① Profits, employment, and tax revenues that design companies produce domestically
- ② Stronger global competitiveness of domestic manufacturers that design produces in industrial products
- ③ Greater involvement of design enterprises in overseas projects and an enhanced national brand image
- ④ New demand for design produced by growth of the service economy

The influence of design on the growth of the service economy, thus strengthening the competitiveness of the service industry, can be considered to be particularly large. Looking at Figure 2, it is easy to understand that the overall service industry receives considerable influence from the creative industry. Construction, hotels, and tourism in particular are internationally competitive industries in Singapore, and the reason for this is thought to be the ability of design to achieve a high degree of differentiation.

4. The creative economy and the growing sophistication of Singaporean enterprises

(1) Characteristics of the Singaporean service industry: The diversity and merging of Asian cultures

Since its colonial days, Singapore has prospered as a strategic stopover point for maritime traffic between Western Europe and Asia. For this reason, Singapore has strengthened its functions as a hub in such areas as transport and communications, and it has aimed to strategically develop its economy as a global hub for a variety of services. Singapore is endeavoring to take advantage of its geographical location and incorporate it into its design development based on the concept of East-West merging. The Singapore Tourism Board is building a new brand around the theme of “New Asia” culture and has formulated concepts such as the meeting place between East and West, the merging of Asian heritage with contemporary qualities and refinement, and connecting the attraction of the traditional world with visions of a new world. In this New Asia culture, the government believes there are many opportunities for creating new value and experiences in lifestyle products and entertainment, because these creative products and services are easier to export than legal and financial services. This New Asia concept also brings differentiation and sophistication to Singapore’s economy in the midst of intense global competition.

There is no lack of products and services that focus on the New Asia culture. New Asia products and services are emerging in such areas as cafés and restaurants, architecture, fashion, music, and performing arts. In architecture, this concept can be seen in many Asian luxury resort hotels designed by the architect Tan Hock Beng.

(2) Sources of competitive advantage for Singapore’s hotel and spa enterprises

Imparting this sense of the New Asian culture are Banyan Tree Resorts and Amanresorts who are developing numerous luxury boutique hotels in Asia. Elements of Asian arts and traditions have been creatively incorporated into the development of the luxury boutique hotels, they have received the highest acclaim from multiple sectors, and they have been awarded numerous prizes. Banyan Tree Resorts has been named the best spa resort in Asia and the world by such publications as the international travel magazine *Condé Nast Traveler*, the U.S. travel magazine *Travel & Leisure*, *The Wall Street Journal*, and *Asia Money*.

Since opening their resort facility in Phuket, Thailand, in 1994, Banyan Tree Resorts has expanded into 23 countries, mostly in Asia. Along with Amanresorts, Banyan Tree Resorts are known among Japanese travelers as a “hideaway resort” and they have given them high marks for their good service. A major feature of Banyan Tree is the Oriental-style spa facility inside the hotel. In a facility decorated with objects of Asian art, guests are treated with massages in the tradition of Thailand, Bali, and other regions. They are popular among the affluent, and especially women, who seek relaxation and healing. Banyan Tree Phuket was a forerunner to the global spa boom. Some revolutionary features that did not exist before were the use of a holistic approach that aimed to restore health to both mind and body, the establishment of a luxury spa facility that took advantage of Asia’s beautiful nature, the provision of massages that skillfully combined traditional Asian techniques and state-of-the-art Western techniques, and the use of organic natural products such as traditional Thai herbs, spices, and aroma oils. These services that were being provided embodied the very concept of New Asia that Singapore has been aiming for. In 2003, Banyan Tree was selected by the Singaporean government as “the most powerful local brand.” Though the Banyan Tree brand may be very strong, the number of other spa operators using similar concepts is increasing in Singapore. With encouragement from the Singaporean government, these operators are pursuing a global expansion of their business.

5. Global strategies of Singaporean service enterprises and their characteristics

(1) Aims of the “Japan strategies” of Singaporean hotels and their methods of market entry

Singaporean enterprises such as Banyan Tree and Aman Resorts with highly differentiated services and powerful brands are expanding their businesses overseas, mainly in Asia. Foreign enterprises have come to see Japan as a difficult market to enter. In the hotel industry as well, domestic competition is severe, there are various business practices, and as can be seen in the hot spring (“onsen”) culture, the unique characteristics of Japanese consumers have possibly made it difficult for overseas firms to enter the market.

In the latter half of the decade starting in 2000, high-class overseas hotels have entered Japan in large numbers. The reason for this has been the relatively small number of rooms at high-class hotels in Tokyo compared with other major cities around the world. In 2006, the number of rooms at high-class hotels in Tokyo with an average rate of 30,000 yen or more was 2,148, while it was 5,196 in London, 4,336 in Paris, and 3,754 in New York.¹⁷⁾

Among high-class Asian hotels, the Mandarin Oriental Tokyo opened in 2005, the Peninsula Tokyo opened in 2007, and the Shangri-La Tokyo opened in 2009. Operators expected that large numbers of Japanese baby-boomers would retire and use their hotels more frequently, that the number of affluent travelers from China and other countries of

Asia to Japan would increase, and that the Visit Japan Campaign of the Japanese government would also boost demand for high-class hotels. Among Singaporean operators, in 2014, Amanresorts plans to open a resort on the top floor of a 38-storey building being constructed in the Otemachi district of Tokyo by Tokyo Tatemono and Taisei Construction. Features of Amanresorts' hotels include the development of top-class luxury hotels at unique locations, modern hotel designs that respect local cultures, and services rich in hospitality born from proprietary philosophies. Amanresorts has opened resort hotels in 16 countries, and the Tokyo facility follows their urban hotels in New Delhi, India, and Beijing, China. Amanresorts has also received numerous international awards and been selected as the world's best hotel by numerous travel magazines.

As many overseas hotel operators open new hotels, competition among high-class hotels is intensifying, and having spa facilities is becoming an important way to effectively attract guests. Given the shift from group travel to individual travel, the availability of a spa is becoming an indispensable element for raising per-guest revenue from individual travelers.

(2) Market prospects of spas in Japan and business developments of Singaporean spa enterprises

Before we gain an understanding of the current situation with the spa industry in Japan, let us first discuss the definition of what a spa industry is. There are various theories concerning spas. According to a classification by the Federation for Japan Spa Associates (JSPA), making rough linguistic distinctions, a spa is (1) a hot spring or hot spring area, (2) a resort facility that provides treatments using hot springs or mineral springs, or (3) a new style of spa whose market is rapidly growing at various locations around the world. The JSPA also provides definitions from the International Spa Association (ISPA).^{18) 29} In 1991, a "spa experience" was defined as a time to "relax, reflect, revitalize, and enjoy." This definition was later considered to be too abstract and it was revised in 2003: Spas are "places devoted to overall well-being through a variety of professional services that encourage the renewal of mind, body, and spirit."

That is a definition of the spa format, and below are representative types of spas.¹⁹⁾

- ① Day spa: Located in a commercial facility or office building, it is intended for day use and does not have overnight functions.
- ② Hotel spa: Located inside a hotel as one of their facilities.
- ③ Resort spa: Located inside a resort hotel as one of their facilities.
- ④ Destination spa: For extended stays such as 1 week or 1 month with overnight facilities, this type of spa focuses on lifestyle improvement, care, and healing.
- ⑤ Medical spa: Provides licensed medical services, normally a day spa.

The Japanese Ministry of Economy, Trade and Industry (METI) issued a survey report on the current situation and issues facing the development of the spa industry, and

according to this report, since there was no single definition of a spa, each facility was free to state on their own whether they provided spa services.²⁰⁾

Of the 366 facilities in the survey that stated they provided spa services, 6% were city hotels, 13.3% were resort hotels, 18.3% were hot springs or Japanese-style inns, 27.3% were located in large commercial facilities, 11.2% were “health spas” or “super” public baths, 7.4% were fitness and sports facilities, and 5.5% were “aesthetic salons.” In response to the types of services they provided, there were spa treatments (massages, skin scrubbing, etc.), spa beauty services (facial treatments, hair removal, manicure, etc.), spa therapies (aroma therapy, reflexology, etc.), and spa programs (yoga, aerobics, etc.). In the list of services provided most often, facial treatments were at the top, next was aromatherapy, followed by reflexology and shiatsu.²¹⁾

According to METI, the size of Japan’s spa service market was estimated at 708,800 million yen and 2,944 outlets in 2007, significantly higher than about 561,900 million yen and 1,673 outlets in 2006. The number of customer visits at spa facilities rose from 22,111,000 in 2005 to 26,877,000 in 2007. The size of the Japanese spa service market is currently ranked 2nd in the world behind the U.S., but placed in a product life cycle, the introductory period is probably now in a growth stage.

In response to whether their target market was men or women, 67.9% of spa facilities reported that they did not target either one, and 31.3% said they targeted women only or mainly women. Concerning the ages of their customers, 46.4% were in their 30s, 21.2% were in their 40s, and another 21.2% in their 50s. Looking ahead to similar growth in demand, it is possible there will be a shortage of spa therapists in the future. In 5 years, the number of spa therapists employed is expected to be 10,660, nearly twice the number of 5,808 in 2006.²²⁾

(3) Market entry strategies of the Singaporean spa industry and future business development

Singaporean spa enterprises are keen on entering the Japanese market. This is because spas are becoming more widespread in Singapore and the Singaporean government is encouraging overseas expansion. Singapore has always enjoyed a relative advantage in the services industry, and hotel and spa enterprises that have been particularly successful in merging Asia and the West in design and hospitality now have global competitiveness and are expanding their businesses in Thailand, Indonesia, the Maldives, China, and other countries to high critical acclaim in those areas. Quite a few Japanese hotels and large commercial facilities are considering desires to link with spa enterprises that have strong brands and overseas track records. City hotels and resort hotels in particular have seen their customers shift from group travel to individual travel, and they are seeing the need for spa facilities to attract affluent individual travelers who want to use spas. The number of potential guests is thought to be large, because many women from Japan are enjoying the spa experience at Asian and other resorts, and there are also many affluent travelers to Japan from China and other Asian locations.

When Singaporean spa enterprises enter the Japanese market, what types of spa facilities do they enter with? First there is the hotel spa noted in the previous section on spa facilities. Luxury hotel operators from overseas started hotel spas when Japanese clientele who enjoyed spa experiences overseas also wanted to have spa experiences in Japan. Many of the new high-class hotels in Japan have spa facilities, and increasing numbers of existing high-class hotels also opened spa facilities. Most of these hotels established unique, differentiated spas in order to express a unique identity for their hotel. Some of the hotels have overseas spa enterprises with well-known brands set up on their premises, and the Mandala Spa of Indonesia operates at the Royal Park Tameike Tower. A feature of city hotels is that 35% of them are residential hotels, and because of that, the average per-guest rate is 7,474 yen, on the low side. Most guests, 41.2%, are in their 30s, followed by those in their 40s and 50s at 23.5% for each.²³⁾

Next are the resort hotels. Since resort hotels do not have the business strength that overseas-funded luxury hotels do, many form tie-ups with overseas spa enterprises. Among Singaporean spa enterprises, St. Gregory Spa is operating a spa business at the Irago Garden Hotel, and Banyan Tree Spa is operating a spa facility at the Phoenix Seagaia Resort in Miyazaki. Banyan Tree Spa has incorporated traditional Japanese taste in their unique Asian-style space. At their hotels, Banyan Tree merges local culture in the physical facilities and in the hospitality they provide, and their designs have received worldwide acclaim. Locally-produced furnishings are used at the Miyazaki Banyan Tree Spa, and they have created their unique atmosphere up high on the 39th floor of the building. Personnel from Banyan Tree Spa observed in advance a number of high-class hot springs at Kurokawa, Yufuin, and elsewhere that have many repeat customers and are popular among individual travelers, and decided that high-income guests that visit these kinds of “hideaway lodgings” could also become guests at spas.²⁴⁾ This was a good match for the strategy of the Phoenix Seagaia Resort aimed at attracting affluent clientele and women with high disposable incomes who enjoyed high-class Japanese-style inns.

A feature of resort hotels is that a high proportion (92.2%) are residential resorts and therefore have an average per-guest rate of 12,610 yen, higher than at city hotels. The ages of guests are about the same as they are for guests at city hotels.²⁵⁾

While they overlap the category of resort hotels in some respects, they are traditional Japanese-style hot spring hotels or inns, and increasing numbers of them are opening spas at their facilities in Hakone and other hot spring locations. To differentiate themselves from other hot spring inns, some of these hot spring hotels are starting to attract spa facilities of the highest class. The combination of natural hot springs and spas has promise, and the Phoenix Seagaia Resort is both a resort hotel and a hot spring hotel. Fukuichi, a hot spring hotel at Ikaho hot spring, has been providing St. Gregory Spa services until 2009. They are targeting not only affluent Japanese but also travelers from overseas. Though they are spa services at hot spring and inn facilities, 74.6% are residential and the average rate per guest at 12,189 yen is on the high side. A large proportion of guests are in their 50s, followed by those in their 40s or 60s, and relatively few are in their 30s.²⁶⁾

Spa businesses are also being operated at large commercial facilities in large cities such as Tokyo. They are generally classified as day spas. They are in commercial facilities and office buildings, and customers can experience the spas on a day trip without staying overnight. St. Gregory Spa has opened a facility at LaLaport Toyosu in Koto Ward, Tokyo. At 5,130 yen, the average rate per customer is rather low, making it easy for customers to enjoy the spa. The vast majority (87.9%) of customers are in their 30s.²⁷⁾

In the recession that occurred in the wake of Global Financial Crisis of September 2008, however, a number of spa businesses of all types have withdrawn amidst the severe downturn of business.

Concluding Remarks

In this paper, I have discussed the relationship between Singapore's national strategy and the strategies of Singaporean hotel and spa enterprises. Singapore has used the twin engines of the manufacturing industry and the service industry to aim for economic growth. The promotion of service innovation has been necessary for bringing sophistication to the service industry. And to promote innovation, the cluster strategy of building clusters to agglomerate related industries and produce synergistic effects has been used around the world.

To survive intense global competition, it has been necessary for Singapore's service industry to achieve differentiation. One direction toward this differentiation has been to link arts and culture to the service businesses. To that end, the city-state of Singapore has followed a policy of fostering creative clusters. This amplifies the economic effects brought by urban agglomeration and the cluster effects of the creative industry. The city-state of Singapore is indeed in an environment suitable for the building of creative clusters. Among these clusters, it has placed primary emphasis on fields of design, as design brings significant economic effects to other service industries and the manufacturing industry.

Singapore's advantageous geographical location is one direction that has been accorded to Singapore's design. As a strategic stopover point between Asia and Western Europe, Singapore has also been a venue for the merging of Eastern and Western cultures. As a result, designs incorporating the concept of New Asia have been created and applied to products and services. The concept of New Asia has brought a powerful means of differentiation to the service industry that was once globally competitive.

Because Singapore is a city-state, its domestic market is small, and for Singaporean enterprises that have constantly needed to think globally, differentiation that brings new service concepts has led to improvements in global competitiveness. In developing their hotels, Singapore's luxury boutique hotels Banyan Tree and Amanresorts have succeeded in creatively incorporating elements of Asian arts and traditions, earning top acclaim from multiple sectors and receiving many awards.

These Singapore hotels have also adopted spa facilities to differentiate themselves.

Spa businesses embracing the New Asia concept have received considerable support from the affluent classes of Western Europe, Asia, and Japan who seek relaxation and healing.

Singaporean enterprises also receive encouragement from the government and actively expand their businesses overseas. While China has recently become a major presence for Singapore's tourism industry, the biggest customers are Japanese. As a result, spa businesses that have become successful in Phuket, Thailand, have entered the Japanese market in the belief that they could develop their businesses there, too. They believed that Japanese who have experienced spas overseas would also want to receive the same services in Japan. The main targets were young women with large disposable incomes who frequently travel overseas and the many baby-boomers who were retiring. They also seem to have looked at the current health boom and trends in a stressful society to care for the mind more than material things. In addition, ongoing economic growth in China and other Asian countries has fueled an overseas travel boom. The number of visitors to Japan has been rising considerably, leading enterprises to see opportunities for providing top-class services in Japan to wealthy Asian visitors in particular.

Apart from these demand-related objectives, there was another objective for entering the Japanese market. Peter Sng, President of the Spa Association Singapore (SAS), has stated that SAS could help to produce spas in Japan in a uniquely Japanese format, and that this was a perfect opportunity to develop Japanese-style spas.²⁸⁾ The objective in mind was to merge Japan's unique hot spring culture and hospitality with Asia's spa business. This meant that Japan was a test market for researching and developing new spa businesses.

The number of wealthy young Japanese women with travel experience to Asia and who seek new, innovative Asian-style services not available in North America or Europe is not small. Aside from spa facilities, the number of Asian service enterprises such as Asian-style restaurants and variety stores being opened in newly-constructed commercial facilities is growing. Since the adoption of new Asian concepts is leading to possibilities to develop creative services and products, there is no doubt a need to continue thinking about the strategies to form tie-ups with Japanese and Asian creative service enterprises.

Notes

- 1) Concerning events leading to the establishment of the ERC and the service industry sub-committee, refer to: Yasuda, Takehiko, "Higashi ajia no keizai hatten to saabisu keizaika" [Economic development and the growth of the service economy in East Asia], *Nihon shouhi keizai gakkai nenpou, Dai 24 shuu (FY2002)* [Japan Academy for Consumption Economy annual report, No. 24 (FY2002)], 2003.
- 2) Ministry of Trade and Industry Republic of Singapore, *New Challenges, Fresh Goals – Towards a Dynamic Global City*, February, 2003. The statement on the service industry is in Part II, Chapter 11.

- 3) *Ibid.*, pp. 160-162.
- 4) Yusuf of the World Bank who is conducting studies in the innovation strategies of various Asian countries is also studying Asian cities and the creative industry. Yusuf, Sahid and Nabeshima, Kaoru, 'Creative Industries in East Asia', *Cities*, Vol. 22, No. 2, 2005. Concrete analyses of Korea's film industry and game industry are provided in the most recent publication: Yusuf, Sahid and Nabeshima, Kaoru, *Postindustrial East Asian Cities*, Stanford University Press, 2006, Chapter 6.
- 5) The "Creative Industries Development Strategy" of the U.K. government in 1998 had a major impact. In Asia, similar creative industry cluster strategies were conducted in Korea (Puchon outside Seoul), Shanghai, and Taiwan.
- 6) Ministry of Trade and Industry Republic of Singapore, 'Economic Contributions of Singapore's Creative Industries', *Economic Survey of Singapore First Quarter*, 2003, pp. 52-52.
- 7) The term "content industry" is used in Japan and other Asian countries, but in the U.K. it is called the "creative industry," in France the "culture industry," and in the U.S. the "copyright industry." In other words, it looked at in different ways depending on the country, and as a result, there are sometimes differences in industry classifications and ways of tabulating statistics.
- 8) Ministry of Trade and Industry Republic of Singapore (2003), *op. cit.*, p. 53.
- 9) Concerning this point, studies as theoretical evidence of public support for arts and culture have been conducted in the field of cultural economics.
- 10) ERC Service Subcommittee Workgroup on Creative Industries, *Creative Industries Development Strategy*, September 2002, pp. 5-6. In the U.K. and Australia, the creative industry is viewed in different ways.
- 11) *Ibid.*, pp. 11-14.
- 12) The concept of "cultural capital" was first used by Pierre Bourdieu. If individuals were able to attain sufficient abilities in cultures of high status in their respective societies, Bourdieu considered those people to possess cultural capital.
- 13) The four stages of economic effects are given on pages 70-71 of Yasuda, Takehiko, *op. cit.*, pp. 70-71.
- 14) Ministry of Trade and Industry Singapore, 'Economic Contribution of Singapore's Creative Industries', *Economic Survey of Singapore First Quarter 2003*, 2003, p. 59.
- 15) Singapore is placing greatest importance on the promotion of design. The Design Singapore Council together with government bodies are using comprehensive approaches to develop design specializations, design enterprises, and design education.
- 16) Brigitte Borja de Mozota, Kawauchi Nanako, Iwatani Masaki, and Nagasawa Shinya, *Senryaku-teki dezain manejimento* [Strategic design management], Dobunkan Shuppan, 2010, p. 76.
- 17) *Nihon Keizai Shimbun*, Morning edition, May 4, 2007.
- 18) From the official website of the Federation for Japan Spa Associates <http://www.j-spa.jp/>.

- 19) From KPMG Japan's business resource newsletter (related to hospitality): "Nihon ni okeru supa bijinesu supa sangyou no doukou bunseki to kadai" [Trend analyses and issues in the spa business and spa industry of Japan] *Nyuu hosupitariti indasutorii kenkyuu* (5) [New hospitality industry research (5)].
<http://www.kpmg.or.jp/resources/newsletter/hospitality/200708/01.html>
- 20) Ministry of Economy, Trade and Industry (METI), "Supa saabisu sangyou no hatten ni muketa genjou to kadai ni kan-suru chousa kenkyuu" [Survey studies in the current situation and issues facing the development of the spa and service industry], Report for FY2007, March 2008, pp. 8-9.
- 21) *Ibid.*, pp. 12-13.
- 22) *Ibid.*, p.11 and p. 93.
- 23) *Ibid.*, p. 34.
- 24) *Nikkei Marketing Journal*, October 6, 2004.
- 25) METI report for FY2007, *op. cit.*, p. 36.
- 26) *Ibid.*, p. 44.
- 27) *Ibid.*, p. 33.
- 28) Manufactured Imports and Investment Promotion Organization (MIPRO), "Tiiki-kasseika to shitenno Asian spa no katsuyo" [Making use of Asian spa services for local revitalization]
<http://mipro.or.jp/investment/column/080001.html>

(要旨)

本論文では、シンガポールの国家戦略とシンガポールのサービス産業、特にホテルおよびスパ企業の戦略の関連性を考察する。シンガポールは製造業とサービス業を経済発展のためのツインエンジンとして、高度化を図ってきた。サービス産業を高度化していくためには、サービス・イノベーションを促進していく必要がある。そしてイノベーションを促進するために、関連する産業を集積させて相乗効果を生み出すクリエイティブ・クラスターを構築しなければならない。

シンガポールのサービス産業は、厳しい国際競争を勝ち抜くために、差別化を図る必要に迫られている。その差別化の一つの方向性が、芸術・文化をサービス事業と結び付けることである。そのために都市国家のシンガポールは、クリエイティブ・クラスターの育成政策を行ってきた。都市型の集積がもたらす経済効果とクリエイティブ産業のクラスター効果が増幅するので、都市国家のシンガポールはまさにクリエイティブ・クラスターの構築に適した環境にあるといえよう。そのなかで特に重点をおいたのが、デザイン分野である。他のサービス産業や製造業にも経済波及効果が大きいからであり、シンガポール企業の高度化のエンジンとして機能している。

(本論文は、平成23年度日本大学商学部商学研究所共同研究「創造的都市における産業クラスター形成と公共政策に関する国際比較研究」(代表者：長谷川勉教授)の研究成果の一部である。)