



Global Spa & Wellness Summit

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Keynote Speech By: Philippe Bourguignon

Understand the World or Imagine the World?

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Understand the World or Imagine the World?

[START 305729 GSWS Monday Philippe Bourguignon.MP3]

MR. PHILIPPE BOURGUIGNON: That is too much, Susie. It reminds of the story of this person who passed away, and at his funeral, and his soul leaves his body, and he stopped halfway to look at his funeral, and he heard what Susie just said, and said, "That is the wrong funeral, and the wrong place." You are too kind. Thank you.

Well, it has been a privilege to work this whole year. When Susie asked me to join the Board of the Global Spa and Wellness Summit, she told me, "Philippe, it is a one hour call every month." Yeah, it is a little more than that. But anyway, it was a privilege.

Also, I would like to say that I am so happy to be back in Aspen. Aspen is an important part of my life. The first time I came to Aspen was an amazing trip. It was back in 1979, and I received an award from the French government, and we were three, who had an award, and the Prime Minister of France, at the time, Raymond Barre, took us to Aspen, to the Aspen Institute, and that is the first time I came here. And imagine, in 1979, I was just 30, and you arrive at Aspen Institute with your Prime Minister, and you have dinner with Margaret Thatcher. But I learned so much in Aspen, so I would like to thank the Aspen Institute for all the good it did me, particularly the fact that since I left school for a long period of time, I did not read any book other than novels or management books, and it taught me how management books were stupid, but how good were the readings of the classics. We are going to do some of that today.

One last piece on Aspen, is somebody probably none of you know, but with Peter Rummell, here in this room, who will talk to you tomorrow, we have been very instrumental in designing Euro Disney, and you would be interested to know that half of the design of Euro Disney was done here, at the Jerome Hotel, with 20 architects from around the planet. This can only happen in Aspen. So now I should stop, otherwise I am going to pass my time, I could talk a long time on Aspen.

Susie, Richard Dusseau, and I, with the help of the board, organized a few, what we call Silent Dinners, which took

place in the U.S. We had three dinners in the U.S., then we had one that took place, organized by one of our board members, in India, and in Asia, and the last one in Europe, and the idea of those dinners is you assemble 15 to 20 people, all different horizons, some of them from the spa industry, some of them not at all related to the spa industry, and you try to understand what their concerns, preoccupations, what they would like to hear you talk about. And that is how, in fact, we did not do the agenda, the outcome of the dinners, the agenda became very obvious.

What really fascinated me as the result of those dinners is two things. One, the consistency of the answers, whether in Europe, in Asia, or United States. Everybody, no exception, wants to understand the world better. In general. And this came like really across the board. That is the first thing. And the second thing is like, but that is not proper to the spa and wellness industry, is a lot of discussion on where do we go from here, what is the next spa generation, are we innovating or not, and this assessment that, "No, we are not innovating enough," and therefore the theme of Imagination became very obvious, and so that is why you have the theme, "Innovation through Innovation."

So this morning, I have a difficult task, which is to link two things: Understand the World, or Imagine the World? Now, obviously I will reach my conclusion right away, I will tell you, and you will understand soon why, I think it is much easier to imagine the world than to understand the world. Particularly after what I am going to tell you. So, again, the theme of this little presentation was not obvious, but fortunately, Geopolitics is one of my passions, and I am also fortunate that I had very good teachers or mentors, in this respect.

A few years ago, some of us at Davos created a little small virtual think tank, and it is a very, very limited staff, who is connected with in excess of 750 people worldwide who are experts, analysts, politicians, researchers, and so on, and we can address all sorts of subjects. We publish a Monthly Barometer every month, which is like, "What was important this month." This is called the Monthly Barometer. The track record is impressive, and just a personal anecdote. Back in 2007, we had a conference call, and Jose Maria Figueres, who is here with us today, who is part of Monthly Barometer, we had a call with him and a few colleagues. The

call, because of time difference, was just outside a restaurant in Washington, so I took the call on the sidewalk, before biking back home, and the call was so negative about what was going to happen, that again, I bike not directly home, but I kind of biked around a little bit in Washington, the weather was nice, arrived home, and it really bugged me. And the day after, I called my banker, and I moved all of my personal financial investments, except those I have in businesses like Revolution, and some other businesses. All of my investment in cash. This was at the end of 2007. The best investment I ever made.

So, obviously, Terry - - who runs this has helped me in making the presentation today. I will try, I will do my best to try to explain to you some of the key trends in the world, and we will start with long-term, long-term being 2050. So don't panic, when I tell you a few things, that is not for tomorrow morning, but it is good to be aware of some of those drastic changes which are going to happen, or some simple facts. Then we will talk about short-medium term, and then I will explain to you why imagination becomes so important.

So, the world today. Long-term. Fasten your seatbelts, we will take off now. Conditional economics are challenged. The American model of credit consumption led economy will be coming to an end. Also, the Chinese model of an economy built on export-led growth, based on an undervalued currency, is also coming to an end. The two main pillars of the Western World economy since World War II, one-robust economy growth, raising living standards for all in the U.S., and two, the welfare states and income redistribution in most of Europe are shaking. And the scale of the challenge now facing most Western economies is of very significant proportion.

New partnerships. The end of the transatlantic partnership. We, most of us in this room, were born or raised at the time where the transatlantic alliance was very key to our world. Now it is not only that the U.S. and China are very dominant players, but the fact that America's interests in Asia are rising, while its interest in Europe are declining. Europe and the U.S. are already parting on a number of key issues because their strategic interests start diverging. This is why the time will come for Europeans to think of the unthinkable, the transatlantic partnership will someday come

to an end, and this is extremely fundamental, not only for Europe, obviously, but also for the U.S.

The planetary boundaries are being challenged with uncertain consequences, as we know, the borders today are not the same as they were just 20 years ago. Key security alliances were all built in the aftermath of World War II, and are becoming much less reliant, and flawed by severe structural inadequacies. In particular, the authority of the pillars of the global architecture, - - institutions, World Trade Organization, WTO, NATO, and even the United Nations, are not relevant to deal with the issues we are now talking about.

Globalization is the one piece of good news, despite what a lot of people are saying, we had in the last few years. Globalization, we tend to forget, took two billion people out of poverty on the planet. But, soon, 2050—that is not very long—two more billion people on the planet, almost all of them from Latin America, Africa, and Asia, will have a formidable challenge. First, obviously in terms of climate, global warming, we will address it with Jose Maria later, also water supply, food scarcity, and obviously, immigration. Two more billion people, a formidable challenge demographic, the relative demographic weight of the population, and this should be a change of mentality in the Western World.

Today, the Western World population represents just a little short of 20 percent of the world's population. By the way, it was 30 percent not long ago. By 2050, it is going to be only 12 percent of the world population, and this is not reflected anywhere or in any organization today.

Last, we have a remarkable global tension underway. On the one side, a very, very positive trend, huge innovation, and technological advancement. Human innovative capacity is at an unprecedented height, and on the other hand, very - - social changes, everywhere on the planet. A changing transformation, and this tension is occurring obviously in a very complex environment, where many of our traditional structures, as we just said, and assumptions, are eroding. So that is for the long-term, a few key facts.

Now, short and medium term. The world, globally, is currently suffering from a lack of aggregate demand, the combination of too much debt and too little growth, is pushing countries into a classic debt trap. By the way, our

think tank, back years ago, was already addressing this issue of debts, sovereign debt. At the time where no analyst, no specialist, no expert, no journalist, was addressing it. The world, the Western World, has been living above its means for the last 35 years. And the old bag of tricks that countries have typically used to manipulate their fiscal and monetary policies and spur economic growth, just don't work anymore. Fiscal pressure will make economic conditions stressed for an extended period of time. Also, policymakers will face difficult tradeoffs between the need for fiscal discipline, and the rising demand of the social environment.

So the consequence is the political volatility will prevail, and we start seeing it. It is very interesting to see, in Europe, and in the U.S., by the way, a little less in Asia, or not yet, the fact that the extreme, whether it is extremely liberal or extreme conservative, or in Europe, extreme right versus extreme left and so on, globally, used to be about 10 percent of the voters, only 50 years ago, and today represents about 35 percent of the voters. Kind of an interesting evolution.

At the time where income inequality is such a prominent issue around the world, there is new academic research, which by the way is debated, so I am not saying that is absolutely right, there is a big debate, but it shows that this inequality is one of the origins of financial crisis. Macroeconomic policy is trying to compensate for this inequality through fiscal deficits, more redistribution, and this is happening almost everywhere, very low interest rates, and undervalued foreign exchange—except for the Euro, by the way—are not sustainable in the long-term and lead to crisis. As a result, the worldwide phenomenon of what is called indignation.

Very interesting to note that—I am not mentioning it because it is French, we happen to be French—Stephane Hessel is a French diplomat, 93-years-old, he went into a concentration camp during the war. He started as a low level civil servant in the Ministry of Foreign Affairs, he became a diplomat, worked at the United Nations, and was one of the co-writers of the human rights declaration. Stephane Hessel, 93, wrote a manifest in 2010, called, "Indignez-Vous!", "Rise Up!" He sold—this is a little book, by the way, it is translated, you can buy it on Amazon. No advertising, sorry. Or on your iPad. It sold more than a million copies in France in the

first three months. A million copies is the best possible. France has 60 million inhabitants, one million copies in just three months, and this book has been translated in 20 different languages. And he is the reason or the origin why you have those indignation movements, from Israel to London. From Madrid to Chile. From Washington—by the way, they are camping next to the White House, I see them every day when I am there, to China, and this is just the beginning of Rise Up, an interesting phenomenon.

Unemployment. I am going to take only one example, which is the U.S., but obviously unemployment is currently structurally a little better in Asia, even though they are not as advanced in terms of employment as the Western World, and obviously probably more significant in Europe, but to take figures, because they are debated currently in the U.S. with the new statistics published last week, we keep talking about the rate of unemployment, 8.1 percent last month. Which is 1.1 percent below what it was at the end of the crisis two and a half years ago, but we forget to talk about the level, what is the level? The United States created 1.1 million jobs in the last three years, but 8 million jobs were destroyed in 18 months during the crisis, and we are not even close to getting back to this level.

The European economy, as we all know, I will do a brief tour, the European economy is in dire straits, there is no other words, and the forecasted growth for the next two or three years, depending on what organization is doing it, is anything between negative, continual recession, to maybe one percent growth. The U.S. continues to do better than Europe, but at a very slow pace. The Fed of Minneapolis, I don't know why, by the way, is specialized in tracking economic performance for each recovery, and just published some research showing that the current recovery is the weakest of the last 11 recoveries we had in the last 60 years. And I will not bother you with figures, but basically the recovery, in terms of GDP growth in the last three years, or employment growth, whatever, is about one-fourth what it was, on average, in the previous 11 recoveries.

Massive injection of liquidity, which is used everywhere, without exception, improves feelings, but does not resolve any of those issues, any of the underlying issues. They are our painkiller, but they are not a cure. So that is a lot.

Now, I am going to make things a little more complicated. What makes those matters more challenging is that the issues are becoming more global every day. I remember a time when let's say a problem happened in Aspen, 50 years ago, the solution was in Aspen. Today, if a problem happens in Aspen, probably the likelihood of finding a solution in Aspen is zero, because it is linked to problems elsewhere, and interdependence. So increased interdependence, everything is connected, size and magnitude of the events, and time compression, things move faster and faster. So I am going to elaborate two minutes on this.

Magnitude, after what I told you, you probably understand that the issues are a challenge of significant magnitude. Interconnectivity. Now, I am not a statistician, so I took those figures from those people who make statistics, I hope they are right, I didn't check them. So we go to the next slide, and here is something. Today, the key barometers are economic, geopolitical, environmental, and societal, and in each of those you have a number of sub-bubbles, if you want, and this is a selection of the key ones, but you have more. Not only each of the red-orange bubbles are connected to each of the other ones in the circle, but they are also connected to each of the blue bubbles and each of the yellow bubbles, and each of the green bubbles.

So, statistically, when you look within a circle, it is a geometric event. When you now link the circle, the four circles together, it becomes exponential. So, statistically, four elements with six links, equals 64 patterns. Ten elements with 45 links equals 35 billion patterns. Systemic linkage amplified impact of harmless events, as the sub-prime mortgage crisis showed us. This is what also, by the way, it is not linked to this chart specifically, but today in France starts—the trader who cost 5 Billion to Societe Generale, is going to court today, two weeks after 2 Billion were found at JP Morgan. That is the reason. They don't understand what they are doing. Who would understand, by the way?

In the same spirit, things are moving faster and faster, and just to relax the atmosphere for two minutes, I will give you three or four figures. Every minute on earth, 256 babies are born, 750 smart phones are activated, 24 hours of videos are uploaded on YouTube and 19,000 Tweets are Tweeted. So things move fast. A lot of work was done on speed, by a philosopher called Phil Virilio. He published, among other works, a book

on speed and politics. We will offer it to the governor of Colorado tomorrow. And he develops a theory called dromology, but I am not going to bother you with that. It is hard to summarize one book as important as this one in one quote, but I am going to try to do it. So here is what he says, "The speed of light does not merely transform the world, it becomes the world. Globalization is the speed of light."

In short, the connectivity and complexity we have as a world, in the global landscape transcends our ability to comprehend, model, or manage event, and that is the big issue today.

So let me show you the next chart. When you link everything, that is for one situation only. You can, for any situation, you can do the same chart, and a friend of ours, with Jose Maria, has done a model trying to do it, but even the model is not powerful enough. So if you try to understand what to do, that is what you get.

An American economist, Herbert Simon, who got the Nobel Prize in 1978, developed a principle called Bounded Rationality, back in 1957, so this way before globalization and before the world got so complex, and I am going to quote him: "The capacity of the human mind for formulating and solving complex problems is very small compared to the size of the problem, whose solution is required for objectively rational behavior in the real world." I will not go on because it could take us a long time, but he therefore criticizes the so-called scientific management approach for relying too much on rationality. I will stop here.

I had a discussion last night with John Kao, who you are going to see later. I was kind of sharing with him what I would tell you this morning, and he said, "Philippe, that is an interesting subject. There is a guy called Churchman who developed a concept of wicked problems, but basically it is dealing with the same type of issue.

So we have the same issues in our world. It not only applies to politics, it applies to companies, it applies to the Spa and Wellness Industry, where things are getting more and more complex. So what is the answer to this overwhelming complexity?

First, being humble and recognizing that so many people pretend to understand everything. When you look at this, you don't. So, being humble.

Secondly, and I think that Deborah is going to talk to us about it, when she talks, wellness is very fundamental. If we are healthy people, we think well. If we are living a certain way, so wellness can help in understanding or acting maybe more rationally.

But last, is obviously imagination. So I will give you one last quote, "Imagination rules the world. The vice of our modern institutions is that they do not speak to the imagination." Now who said that? Napoleon, 1815. Are our politicians speaking enough to the imagination? I am not sure. What about entrepreneurs, CEOs, marketing executives, marketers? I am not sure, either. And is the spa and wellness speaking enough to the imagination? Not sure either. Good subjects for today and tomorrow.

I will share some personal thoughts before I conclude. I personally believe that true innovation does not believe surveying the voters or the consumer. Whether we are politicians or business people should not give the public only what it wants, we must imagine what it would like, and I am lucky enough that I have been working in companies which were founded by people who had this imagination. Obviously, Amy was talking about Steve Jobs, which is the natural example, but let me take you to a few of those companies I have been working with, and have had a privilege to work with.

Disney. If Walt Disney would have made a market survey to check whether a theme park would ever work, Disney would not exist. I worked 14 years for a company called Accor, and I joined Accor when Accor had 20 hotels in France, 4,000 hotels. They were called Novotel Hotels. And Novotel is the first hotel which was built 20 miles away from the city in the middle of beet fields, thinking that it was better to be outside the city in a comfortable and clean room, rather than in a crappy hotel with no plumbing downtown. Market survey for hotel in beet fields would have never said yes.

Gerard Blitz created Club Med, back in 1949, four years after the end of the war, and after himself and his family got deported, and he decided that he wanted French people, German

people, Italian, Spanish, and so on, going together, playing music, drinking wine, chatting up girls or boys, or whatever, in the Balearic Islands, and he created Club Med. No market survey would have told him he was right.

The same happened to Pierre Omidyar when he founded eBay. Same happened at Miraval when Miraval was created. Or Zipcar when it was created, and so on and so forth, I could go on. So, that is the power of imagination.

So now, let's imagine, or as we say in France, "Let's walk watching the moon rather than walk watching your shoes." I will give you—obviously it would be pretentious to talk about, how can we imagine the world here, right? Plus, we could talk a few hours about this, so Susie would remind me that I am not on time. So I am just going to tease one subject, and show you how imagination can play on one subject, which we are going to address tomorrow, with John Kao and Peter Rummell, which is the Healthy City and the City of Tomorrow. And show you how imagination can play. And before I do show you the video, I would like to share with you what Bill Clinton told me recently, it was about a month ago, and by the way, we were talking about the Global Spa and Wellness Summit, one of the subjects, and imagination, and he said—as you know, he is the hero of collaboration, and he thinks that collaboration is the way to imagination.

He gave me the example, which honestly I did not know, of San Diego, where a small group of people decided to change the city, and between one or two business executives, the mayor, the Dean of the University and so on, they decided to move in the gem sales field, and because those people, nonpartisan, because they decided to collaborate versus fight and whatever, they made San Diego the world capital of gem sales. That is a very interesting example.

So, before this video, the video shows an award, which the TED conference has given. The TED conference has given awards to individuals, traditionally, since it was done seven years ago. For the first time, instead, awarded a concept, and the concept is called City 2.0. Watch.

[Video Presentation]

Now, there is so much talent in this room, assembled for the next two days, spa and wellness people, executives, entrepreneurs, architects, designers, cosmetic firms,

equipment, and so on, there is enough talent that I think between this summit and the next one, we could do Spa Wellness 2.0.

[applause]

A nice time to conclude. So, instead of a conclusion, some music. There is no imagination without music. In fact, Nietzsche said, "Without music, life would be a mistake." So, what I am going to show you now is a video from a foundation, an organization called, Playing for Change, who is trying to help, putting people together and making progress on the planet through development of music and art, and what they do is they assemble street artists from all around the planet, around one song. They did a number of songs, but I picked this one very specifically for you today.

[Music: Imagine, John Lennon]

[applause]

[END 305729 GSWS Monday Philippe Bourguignon.MP3]