



Global Spa Summit



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**Global Spa & Wellness  
Industry Briefing Papers**

**2011**

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# Asia: China

WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

- Quick result from treatments
- Anti aging, anti aging, anti aging
- Slimming
- Total health solutions; want to have a Chiva-Som in China.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Franchise and IPO. Property investors want to create a wonderful wellness resort brand in order to take their business up to a higher level. Different with usual hotel and resort business.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Day spa: divide into club spa, beauty spa, bath house spa and mobile spa; all looking to franchise.

Club spa: combine restaurant, bar, wine and cigar lounge, private mahjong room and meeting area together; sell club membership; spa is a part of facilities such as karaoke a few years ago.

Beauty spas: still mainly on beauty and combines with hair/nail/make up.

Bathroom spa: provide traditional bath soaking and public bath and shower area with massage, facial, body scrub, foot treatments; facilities including kids game area, cinema, Ping-Pong, simple gym, restaurant, private mahjong room, etc.

Mobile spa: personal therapists work together with some clubs by freelance deal or have her/his own clients.

Medi-spa: work together with a hospital for plastic surgery or some simple medi-treatments with high tech equipment by lease. This could be risky, because there is no medi-spa standard or policy in China.

Hotel spa: lower the price but maintain the five-star quality to be more reasonable for local Chinese market.

Resort spa: more government projects, or government background project in each region of China. Concern about green concept; and spa becoming a “must have” thing as the luxury facility in their projects; developing more hot springs.

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## Asia: China & India

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

As I have been working primarily in the two major markets of India and China over the last year, I will give inputs from our customers in these markets.

In India, the requirement is increasingly to “bring something new” to the market, whether that is in terms of a branded spa operator, new international products, or “the latest trend.” The marketplace is getting increasingly exposed to international developments and there is a desire to provide the best options for the consumers, who want a better “experience” in the spa and wellness sector, having been exposed to practices overseas that have been lacking in the country.

In China, it continues to be “conspicuous consumption” and that means, for the developers, the need to provide “bigger and better” in all aspects of the spa experience, and thus the requirement for VIP spa rooms of over 100sqm, as well as extensive wet areas. The consumers want to show that they can afford the luxuries of the spa experience and the emphasis is still towards “pampering” and the relaxation that the spa provides.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

In India, there is an increasing emphasis on large-scale developments with large townships being planned, not just in the main cities of the country, but also in the second and third tier cities. These townships include all elements of the mix needed to create a new city and will become more important as the strains on the country’s infrastructure get larger.

The spa and wellness sector is always included in the planning of these developments, as the creation of “lifestyle” is a critical marketing direction for these projects, but these will take time to be realized as the more important elements of infrastructure, residential, and commercial development take priority.

Patience is required in the Indian market!!

In China, mixed use developments are important in the urban context with projects including commercial, retail, and hospitality being the norm, and the spa and wellness components included in the hotel component growing in size—though still often stuck in the basement, as the architects do not yet understand the importance or opportunities from this sector.

In the rural sectors of the country, developers are increasingly looking at developments to tap in to the growing numbers of internal tourists who are looking for destinations within China—and where opportunities in the spa and wellness sector will be significant.

The forecast for 450 hotels to open in 2011 in China totaling over 90,000 rooms is a good indication of the growth.

#### WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

There is a solid future for the industry in these two countries, but it is important not to be ‘seduced’ by the numbers (India growing to 1.4 billion population, China at 1.3 billion!!) and to recognize that the industry is still in its infancy and there are challenges.

There is a lack of trained personnel in each market and a lot of investment in training will be required.

The business aspect of the spa industry will need to be more clearly defined as the ‘trophy’ properties; some of the best hotels in these markets will not make a return on investment, whilst encouraging other developers to build even bigger!!

However, the growth of the ‘aspirational’ market in both India and China will lead to more interest in the spa and wellness sector and a growing requirement to enjoy their lifestyles— by being pampered initially, and secondly moving towards wellness as the realities of a sedentary and indulgent lifestyle become more critical.

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# Asia: Hong Kong

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

1. City hotel spas, treading gingerly into the ‘wellness’ and medical arena, are considering offering more meaningful and transformational retreats for residents as a form of “staycation.” What’s unusual is that city hotel spas tend to just do your usual pampering/slimming/relaxing variety and retreats were the domain of destination spas.

2. Something we at CatchOn have coined...Hi/Lo Spa-ing”...essentially, consumers seeking value, no-frills spa treatments on one end of the spectrum, but also wanting to access extreme luxury experiences...i.e., one-of-a-kind treatments, special attention from visiting ‘masters’, bespoke experiences, etc.

3. Feng shui-ing Treatments – the Chinese believe that your facial features are an indication of your ‘luck’ and future. So, changing the shape of your brows, adding a stronger nose bridge, or removing a mole: these can considerably change your luck. Enter treatments like brow-shaping services, Botox, etc. NOT for anti-aging but to increase your fortune and auspiciousness. Very popular in Hong Kong and China!

4. Another trend, which we cited last year that is still growing, is “Celebration Detox.” More people are opting for more meaningful ways to celebrate birthdays, anniversaries and milestones than just your conventional holiday. They’re replacing champers with colonics; hen parties for power hikes; partying with pampering. Personal milestone events remind people they’re in need of an annual body tune-up. <http://catchonco.wordpress.com/category/did-you-catch-on-to/page/2/>

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

While the spa scene in Asia remains robust, I don’t think it’s attracting more investment capital than before. Perhaps new markets– i.e. Vietnam, some parts of the Philippines, China, India– are prime for development. But other than that, I don’t see a significant change in investment.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Good! Taking China into account, it’s primed for significant growth, on par with country’s overall trends.

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## Asia: Hong Kong

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

There have been no major changes, people want good service with therapeutic treatments. Our guests appreciate the time allocated outside of the treatment for preparation (the tea lounges, thermal areas etc) and post treatment (relaxation). As a global traveler I am hearing of the increased success of day spas (the broad spectrum of beauty salons, medi-spas and wellness spas) that seem to have found their niche.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Medical wellness and medi-spas have the most attractive business plan at present. There is very little evidence of major investments elsewhere. Developers and owners are also more conscious of the return per square foot and are piling pressure to reduce non-revenue generating space such as relaxation room and thermal areas.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

From a global perspective the industry looks to be in good shape although the services within the industry are changing and there is more focus on financial performance (a good sign of a maturing industry). The media focus on vanity, health and slowing down the aging process bodes well for the spa and wellness industry.

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## Asia: Hong Kong

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

CHANGE! I have noticed customers are constantly looking for a new product and new ways of enjoying their spa experience. Spa experience nowadays is more or less a standard routine. From the arrival, greeting, questionnaire, changing, pre-treatment relaxation/holding area, treatment, post-treatment relaxation/ changing to the final product selling, you don't really see a major break through these days. Better product? Better technique? Better design? All of these are still somewhere classified as business class in airlines.

What about the clients who are willing to pay for the extreme premium...as we're seeing in Asia, where growing segment of elite clients want to and can afford to indulge in the highest level of service? How does the spa industry cater to them? And where can these niche customers who travel on first class or private jets enjoy their phenomenal spa experience, where they take spa experiences as social events? A real escape for rejuvenation? When time is precious and money is lavish? These are the thoughts that I have noticed around me.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

The spa industry is like retail: it is running in an extreme direction. If we were to look at the fashion spectrum, the truly successful fashion brands, UNIQLO, H&M, Hermes, Chanel— provide a range of price points and brand experiences. Spa is the same, as the spending power of the entire population in China is moving upward, and people are looking for quality service and quality of life. Can we have a spa like the brand image of UNIQLO, that is good and reasonably priced, that provides clean and no-frills quick fixes?

On the other side of spectrum, we are constantly looking at the needs of top niche customers, who would covet things like a crocodile Birkin, a couture Chanel piece, or a high performance car: something that many people might have heard about, but only very few people could actually own. Bespoke pieces and experiences are the height of luxury. And we're seeing this in spas as well, where experiences are tailored for the individual, and not the other way around.

There is a rapid growing number of private jet flyers (and owners) in China these days; the ultimate idea of luxury behind all these private jets is not only the value of owning one of these aircrafts, but the idea of going anywhere and doing anything at any time. Just think about it... how would the spa and wellness industry meet their needs?

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## Asia: India

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Since last year spas have seen new segments of clientele, which are on the rise for ex. DINKS Couples (double income, No kids), along with this we have also seen more clients from various age groups like 20-25, 25-30, 30-40, 40-50 years of age. All of them have their own criteria and requirements to visit a spa due to various factors. Customers are making more informed choices and, in many cases, researching their options before making decisions. This is also because of more media exposure from television channels, internet and print media, various Indian festivals & marriage season. Customers are seeking more innovative spa services, but there is a careful eye on the prices of products and services as (as everyone also tries to get value for money spent).

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Traditionally, core sectors ( IT, Real estate, Manufacturing, energy) have always been on the receiving end of huge amounts of investment capital. Spa and wellness industry has evoked interest in financing funds of various kinds, but all the big players are still waiting for a success model, which is scalable and has high growth and profits.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

BIGGER opportunities also create bigger problems, which the spa industry is fighting very hard to resolve, the severe lack of trained therapists. The current demand supply ratio of getting good trained manpower is that the immediate future demand of required therapists cannot be met even if we add up all spa training schools in India.

The future for spa and wellness is looking bright and booming. As per a report by FICCI-Ernst and Young in 2009, India's wellness market is worth @ INR 11,000 Crores and expected to grow at about 25-30% year-on-year due to rising consumerism, globalization and changing lifestyles. Rising disposable incomes, increasingly demanding, stressful work-place conditions, and sedentary lifestyles are the growth drivers for the wellness industry. This is the right time for international training academies to enter the Indian market through joint ventures or franchisees.

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## Asia: Indonesia (Bali)

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Depends on the market – Russians are always requesting ‘what’s new’ or ‘what else’, as they will come to spa daily and exhaust the menu pretty quickly. Overall, many hotels and resorts here in Bali are now targeting primarily local domestic markets – particularly the very wealthy Jakarta-Indonesian market. There’s definitely an upward trend in results-orientated facials and an increasing demand for very good quality personalized massages, particularly practitioners who are masters in their craft. Australians still only take one or two treatments during their vacation whilst the local high-end Jakarta -Indonesian market can tell a good quality massage from the average. Journalists seem to be asking for the more quirky offerings like Oriental Face Reading, Astrology, Tarot cards, etc. to write about. Still, most sales are from massage.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Overseas investors seem to be investing in wellness and detox and yoga retreat style spas. Inside hotel and resorts I think more energy is now given to additional wellness facilities like fitness, yoga, and wellness cafés, as well as kids’ spa areas.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

There are more and more detox, wellness and yoga focused spa destinations springing up in Bali – particularly in the Ubud area – attracting many one-week stayers from all over the globe. Indeed, Bali seems to be becoming the yoga capitol of the world. The affordable, good quality massage places still attract a stronger following, perhaps more than ever as the consumer becomes more savvy about good quality massage (like good quality food). Expats generally go to these places as well and the niche salons and day spas for beauty therapies. More and more spas are now offering kid and family treatments. Hotels and resorts are definitely investing more funds into dedicated pedicure and manicure bars.

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## Asia: Indonesia

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

They are simply more spa savvy...The Asian traveler is very focused on the whole spa concept they have done for years now and insist on quality deliverance of the spa experience.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Hospitality in general is still booming in many regions despite the various economies around the world. The urban spa scene is fiercely competitive. The Mandara just opened in Moscow and London in the past 6 months and, man, do we have to be on our game from promotions to innovation and then ensure that they get what we promise at a competitive price.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

All counties we operate in seem to be going from strength to strength. Even older markets like Indonesia, Thailand and Malaysia are still hungry for the experience that a spa offers.

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## Asia: Indonesia

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

The gender difference between man and women has improved from 70% women: 30% men to an almost balanced 50/50. Spas have become the people's lifestyle. It is regarded as not being as something luxurious, but a need for health and wellness and for the harmonization of body, mind and spirit. Customers are looking for the "Jamu" (culture based) local wisdom and holistic care. The spa is designed according to Javanese architectural art.

The aromatherapies are based on ethno-botanic essential oils grown and cultured locally. "Ratus" sens made of aromatic spices and flowers and "senggama" oils are used for the treatments to happy mental life. Warm herbal water, "Jamu" herbal concoction, is consumed as a wellness and an anti-aging supplement.

The gender life circle according to Javanese philosophy:

- Baby care after birth
- Puberty period
- Happy mental life
- Expecting
- Pre-post menopause care
- Gender holistic care

New requirements seek unique treatments that are holistic and ethno-philosophic.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

We have received the international award from Senses German SPA magazine, as "The best spa destination in the world" 2009 due to quality in:

- 1) Service
- 2) Culture
- 3) Environment
- 4) Food
- 5) Infrastructure

In the future, we will see more spas with unique ethno-botanical products based on local philosophy and wisdom, which will preserve the unique Javanese Indonesian tradition of health and wellness.

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## Asia: Indonesia

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Today many customers are looking for first-time spa experiences, especially customers from China, Thailand, India, and Russia. Often they are from the middle-class, going on a holiday. Customers are also looking for specific and better services like anti-aging, slimming, skin rejuvenation and appearance; they are not just looking for relaxing and pampering. They want to be surprised with innovative effective treatments and they are willing to pay the price.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Continuing education is important in order to reach standardization in spa services, for better results and for adding in more medical procedures. This is good for spa and wellness today since it helps to fulfill the human needs toward spas, which is not just about relaxing and pampering but about getting real results for both inside (mind & soul) and outside (face, body/physique).

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

People are focusing on working with traditional and natural spas, as well as in wellness spas. There are investment opportunities for clinical and medical spas.

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# Asia: Indonesia

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

People in Indonesia, especially women, are very fashionable and more conscious with new trends and are very adaptable with the changes and influences from the West. Spa and wellness becomes everybody's need for balancing their daily life. In the last 5 years, beauty clinics under medical doctor supervision are growing and more men and women have started to welcome high technology and instant ways of beauty treatment. Physical body alteration are welcomed and discussed publicly. However, although all high technology beauty treatments are booming, natural ways of beauty treatment are still favorable for most women in Indonesia, such as lulur, timung, Javanese massage, Balinese beauty treatment, acupuncture, etc.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

With its population, Indonesia is very attractive for any kind of investment capital, though for now the mining and plantations are still the major profitable investment. Indonesia is also a member of G20 and the middle class is growing faster, and unlike European countries or Japan, we have a young generation who will be the strength of this country in years to come. Indonesia's tourism has not reached its potential, with around 7 million tourists per annum, and the target should be much bigger than that. Indonesia still has many more places and culture that has not been explored, like Komodo Islands, Raja Ampat, Wakatobi, Derawan Island, etc. This is also applicable with the spa and wellness arena, since Indonesia's culture still has many unexposed traditions and unrevealed beauty treatments. Indonesia is also very good in fusing foreign cultures with our indigenous culture, so it will enrich the industry.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

The spa industry in Indonesia is still growing and very promising, as people become more conscious about wellness and stress management in this modern and fast world. However we have to admit that the industry lacks strict standardization and competencies, and needs more improvement in some areas. In the future, after all the issues are solved, we believe that the market is going to be very huge and as mentioned before, Indonesian people are very adaptable with new trends coming from the West.

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## Asia: Japan

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First of all, I would like to thank you—from the bottom of our hearts—for all the thoughts and prayers for Japan's disaster.

### CHANGES IN JAPAN, THE CUSTOMERS:

Japan is forced to face a dynamic change in its economy and consumer trend in the wake of the March 11 earthquake, tsunami and the subsequent nuclear crisis. The government downgraded its views on key sectors like exports, industrial production and private consumption. And it warned of downside risks to the outlook from power supply constraints, slow progress in restoring supply chains, and the impact of rising oil prices. From here onwards, it is obvious that we cannot expect much at all from domestic consumers in Japan at the moment. Actually, at least 560,000 people have cancelled their hotel bookings in Japan and the total number of reservations for April-May's domestic tour packages has dropped off 20-45% when compared with the previous year.

Although Tokyo has long been a favorite destination for wealthy tourists, especially those from the fast-growing neighbors such as China, the crisis over the nuclear plant in Fukushima and reports of radiation in food has prompted a number of cancellations by foreign visitors, giving another blow to the airlines, shops, restaurants and also spas, in an economy already affected by weak domestic consumption. A total 8.6 million people travelled to Japan last year, marking a healthy rebound from the 6.8 million in 2009 when the swine flu pandemic and global economic downturn curbed international travel. However, the number of foreign travelers visiting Japan in March 2011 is estimated to be 352,800, halved from a year earlier. Comparing data from before and after the March 11 quake and tsunami, the average number of foreign travelers arriving in Japan each day dropped from 19,600 to 6,900 in the month. Many spa resorts and Onsen Ryokans (Japanese-style inns with natural hot springs) have been expected to receive tourists from overseas but now they are suffering from severe shortage of the guests.

On the other hand, the number of Japanese people departing for overseas destinations in March fell 18 percent from the previous year to 1,282,000 amid a mood of self-restraint following the devastating earthquake and tsunami that killed more than 13,000 and have left over 14,000 unaccounted for. Citizens in many areas of eastern Japan, including Tokyo, are engaged in rolling blackouts and trying to save on electricity thorough the coming summer season. Therefore, conventional tourism with luxury spa services must be in quite little demand for the time being, at least in eastern Japan. According to a rough estimation (as of March 2011) by the board chairman of Nippon Spa Association, the number of guests at some key spas in Tokyo and Okinawa (southernmost islands) decreased by about 50% or more, and spas in the western part including Osaka decreased by 10-20% compared to the average. And now, no one can figure out the current status of spas in northeastern part due to their severe damage and chaos.



However, there must be some possibility that there is a need for massages and treatments as effectual cure/care at reasonable day-spas or public facilities to relieve their tired bodies. Actually, an aroma related association (AEAJ) is conducting a charity tour project in order to serve aromatic hand treatments and enlighten aromatherapy to the people in the eastern Japan, with many voluntary aroma-therapists, though it'll be difficult to provide sufficient treatments around the devastated area until the infrastructure has recovered.

The International Shiatsu Foundation (ISF) is also taking similar action by shiatsu volunteers. Additionally, some of the Onsens (including an Imperial villa) and public bath houses have opened their facilities to the refugees from the strong needs in the regions. It may bring a great opportunity to appeal the beneficial effect on the body and mind by spa services and its value to many people who don't know much about it on this special occasion. In connection with these movements, there is a sign of recovery recently that some hotel spas in Tokyo are gradually getting favorable sales by starting charity treatments menu.

#### PROSPECTIVE SECTORS, THE MONEY:

According to the International Air Transport Association, it is expected that travel and tourism contributed about 7% of GDP this year, equivalent to 33 trillion yen (approx. US\$400 billion). The forecast will likely be reduced after the earthquake. Affected by the aging population and deflationary pressures, Japan has focused on tourists to boost the weak domestic consumption in the economy, particularly to visitors from the rest of Asia.

Although a large majority of foreign visitors and workers in the tourism industry are evacuated from Japan at the moment, it can be considered that it would be a big chance to invest for breeding new wellness businesses in Japan, making provisions for the future market because the values of land and building should be cheaper than the ordinary time in general. As there are many huge recovery construction plans in northeastern Japan, it may be good timing to advance proposals on new wellness facilities for not only locals but also appealing to international visitors because the inbound tourism is an indispensable factor for recovering local industry.

Additionally, a majority of Japanese customers, so far, were not so much interested in wellness-oriented tourism, but the health and wellness fields will be a more keen issue through this long stressful time period after the crisis. Meanwhile, as three ministries, with some research institutes and wellness related companies have conducted some demonstrational experiment projects to standardize the technology for the innovative business model with Personal Health Record (PHR), there is a possibility that some leading wellness resorts will implement the evidence based wellness services by utilizing PHR networking system.



According to the pre-marketing survey on “e-wellness tourism support system with PHR” against the targeted 23 representative spas and related organizations, 90% of them answered that they need that kind of new technology and innovative business model, and 88% of them answered that there is a possibility to implement that in the future.

Aside from the above topic, safety and healthy foods and innovative agricultural systems may also be needed, because the government’s new growth strategy defined that both “environment” and “health” related innovations will be driving engines for generating new growth markets.

#### LOOKING INTO THE FUTURE:

There are some movements of enhancing the worldwide collaboration network on the above-mentioned innovative technologies and business models. Facebook, portable devices such as smart phones and tablet-PCs, cloud-computing and so on must bring many innovations on businesses and consumer’s life-style. And that kind of IT must greatly help to promote globalization.

However the age-old important issue would be how to create genuine effectual wellness programs, services and environment. It must require down-to-earth study and daily efforts to grasp the latest customer needs.

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## Asia: Japan

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

The number of customers reduced overall during the year, and there was a remarkable tendency particularly in luxury facilities. Also, more effective treatments have been required. Although people are still more likely to expect stress reduction or relaxation for spa treatments in Japan, they tend to require more effective treatments, such as ones for relieving fatigue, etc.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

In general, vast investment was held down in every sector in Japan after Lehman's fall. Although hot spring inns had attracted foreign investment recently, everything has been restrained since the earthquake happened on the 11th of March, and it has decreased the number of tourists and domestic demand, let alone investments.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Because Japan basically has many hot springs and Japanese people love it, there are a variety of types of spas in Japan. They will change form and become spas, which have Japanese styles as well as the advantages of global spas, centering on hot springs. Japan has had a hot springs recuperation called "TOJI" since ancient times and also, it has the high life-expectancy rate because of healthy food. There is still a different degree of interest between medical and wellness spas, but wellness spas will be developed more in the future.

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## Asia: Malaysia

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

I think the local consumers in the country are getting more educated with good spas; I don't think they are looking for more varieties, but the basic is still the most attractive (i.e.: body massage). Our spas in the city have a higher percentage of walk-ins compared to the year before. In the foreign sector, I found Russian consumers are very generous with their time spent in the spa.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

For investors to feel comfortable investing, government support is very vital. Therefore, below are the assurances from the government; needless to say, the government is expecting a lot from the wellness industry in the coming few years.

For the definition, the medical and wellness spa industry is yet to be regulated under Ministry of Health. For the future projection of the spa industry, much detail can be downloaded from [www.pemandu.gov.my](http://www.pemandu.gov.my) - this is also published in the **Company Economic Transformation Programme** Book available at MPH:

### **A Roadmap For Malaysia**

Five cities have been identified as potential locations for dedicated entertainment zones: Greater Kuala Lumpur/Klang Valley, Genting Highlands, Penang, Langkawi and Kota Kinabalu. As Kuala Lumpur will attract more expatriates, a vibrant entertainment industry will be an integral part of its liveability. The existing entertainment zones are not sufficient to cater to the expected growth given the average weekend occupancy rate of the city's night clubs is 85 to 90 percent. In syndication with the Greater KL/KV NKEA, it was agreed that the potential location for a new entertainment zone will be the area surrounding Central Market. This area will be designed to attract tourists with 24-hour facilities, adequate public safety, transportation and infrastructure, and yet it will remain segregated from residential and religious areas. The establishment of a new entertainment zone will be administered by the Master Plan Department of DBKL. DBKL will work together with relevant bodies to attract private nightclub operators to invest in the gazetted entertainment zone. The Licensing Department of DBKL will facilitate the issuance of the licenses for these nightclubs to start operations in the dedicated entertainment zones.

### **Funding**

Total funding requirements will be RM276 million which will be fully private-sector funded.



## Impact

Six new nightclubs, each with a capacity to cater to at least 900 club visitors per weekend night are targeted to start operations by early 2012. Two nightclubs will commence operations in 2013 and 2014 respectively. By 2014 there will be at least 10 nightclubs in the new entertainment zone. The expected impact of this will be RM0.7 billion in GNI and approximately 5,614 jobs by 2020.

## EPP 9a: Developing Local Expertise and Better Regulating the Spa Industry Rationale

Malaysia's spa industry has experienced the fastest growth in the region for the past five years, even though its consumer base has been predominantly domestic (55 to 60 percent). Our spa industry is expected to reach RM830 million by 2020, mainly driven by increasing tourist arrivals of 1.5 times. However, skills requirement and service delivery remain the most pressing issues hindering potential growth. We have only a limited supply of workers and training facilities to create an appropriate talent pool, especially for local spa therapists. Immigration policies to attract foreign spa therapists are very stringent, given the current freeze on hiring foreign semi-skilled workers since 2008. In addition, the spa industry is currently unregulated and the quality of customer services varies widely between establishments.

## Actions

In order to address the shortage of skills, the private sector will take the lead to develop three centres of excellence (CoEs) as training centres to produce local therapists in the spa industry. Three potential locations have been identified based on proximity to spa establishments: Greater Kuala Lumpur/Klang Valley, Johor and Sabah. The first CoE is expected to begin operations by the beginning of 2012 to train 500 therapists annually. During the first three years of establishment, these CoEs will train local spa therapists. Once fully operational, the three CoEs will be able to produce 1,500 local therapists annually. With this increase in local supply, the aim is that by 2018, the ratio of local to foreign therapists will be 70:30.

In summary, the spa industry is expected to reach RM 830 million by 2020, which is mainly driven by increasing tourist arrivals. Amongst the main initiatives under this project is the establishment of Centres of Excellence to produce local therapists and regulation of the spa industry by the National Spa Council. The total GNI impact of this initiative is RM 0.4 billion with an expected 3,500 jobs created.

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# YTL HOTELS



## Asia: Thailand

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

In the past year, despite the political and socio-economic challenges that have impacted the industry as a whole, we have noticed certain areas of growth in particular from emerging markets i.e. India, Russia, Middle East and China. In a year of decline, these countries actually increased in terms of room night production, reflecting not only their stronger economic spending power, but also their interest in wellness. Overall, guests are staying longer, and they are now diversifying their needs with stronger spending in areas of anti-aging, rejuvenation, physiotherapy, and in particular how to grow older and yet maintain a good quality of life. This is something we excel at in terms of addressing these needs through our broad range of services and emphasis on educating about wellness and longevity. We have seen more younger children, and baby boomer parents bringing their children along, especially father with daughter/son or mother with son or daughters.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Hotel/resort spas have long been the mainstay of the Thai spa industry, and with the continued construction of hotels and resorts across the kingdom this is definitely where most of the investment is going. There has been a significant growth in investment of 'beauty' related businesses, primarily fuelled by dermatologists opening their own 'spa' related businesses, focusing on external beauty.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Thailand is the largest spa market in the Asia Pacific region, when looking at 'real spas.' If you add in the traditional massage centers and the beauty sectors, other countries may well top the total number. However, the support of the Thai government and the cohesiveness of the private sector in maintaining a professional industry perspective is key to the continued growth and development. Presently, from both the private sector and the government side there are three industry standards under development, each with a very different target sector, and each with its own role. The Thai Spa Association, through its involvement in all three of these standards, is endeavoring to ensure that these standards are appropriate to the industry, and cohesive and uniformly beneficial to the industry, on a local, regional and international level.

The boom in hotel spas is expected to slow somewhat as hotel/resort operators look at the market saturation and query if having a spa is the essential profit centre that it has been in the past. For name brand hotels, yes, it seems to remain an essential element, but some of the more 'boutique' independent operated hotels are now bypassing these outlets.



Also the steady and progressive move away from external beauty to internal beauty is becoming evident in the long established spas, as they continue to evolve their own market positions, and with changing expectations of long standing clients. External beauty for the most part is being left to the more clinical environments (still with a spa edge), as spas are focusing more and more on the body with the face being less important, or perhaps being seen as an area of specialization that is best left to others.

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## Asia: Thailand

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

The consumers continue to grow in sophistication and therefore are more and more discerning and demanding in terms of:

- Programs, treatments, and classes achieving wellness results
- Depth and range of therapists' and practitioners' expertise
- Authenticity, sustainability, and depth of the methods and processes

Consumers clearly show a growing interest and openness to try new methods and to embrace a truly holistic approach to their personal health and lifestyle. Consequently they take more responsibility for their health and are more involved in co-creating their individual life-enhancement process. They spend more time for repeat visits as well as for longer stays and make bigger commitments to lifestyle changes and even to long-lasting life transformation. Program individualization and flexibility are essential to retain this customer (rather than just a value added).

Customers ask for more education, in-depth and long-term development processes as well as more take-home value. They ask for innovations and a wider range of options such chelation, hormonal treatments and fertility programs. They learn rapidly, want to go deeper, and do not want to be limited in any way. As another example, the expectations regarding variety and quality of yoga and similar classes are increasing rapidly. We also have more guests asking for emotional support and healing. While the biggest demand continues to be on the more physical aspects, especially weight loss, fitness, and detox, an increasing number of guests want to work in tandem on the emotional and spiritual components and they are definitely more committed to pursuing an ongoing healthy lifestyle rather than a quick fix.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

In comparison with the still enormous capacity requirements for the coming years in the region's mainstream tourism segments (business and group leisure travelers), the wellness segment remains small. While basic spa/fitness/yoga services are now a minimum requirement for most mainstream hotels and resorts, wellness is still a niche that is sought after predominantly by the sophisticated and affluent traveller. The wellness segment requires sophisticated operators with real expertise and commitment: while many developers and investors recognize the attractions and long-term upside of offering wellness, they are aware of this and pursue the traditional mainstream priorities as long as their present demands for growth remain.

So investments in the wellness segment keep growing at a faster rate than in most other tourism segments, but they will not become a major sector in the industry in the foreseeable future.

#### WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Tourism in Thailand has been very unstable for several known reasons. Most importantly, the devaluation of the EUR and GBP vs. THB has led to a significant decrease in average rates and overall spending. While some of this decline from Thailand's prime European markets has been compensated with high volume, low spending and mostly Asian visitors, most upmarket service providers have seen a clear decline in average rates and revenues over the past couple of years. So this trend has surely affected Thailand's spa and wellness segment negatively in the short- to mid-term.

However, while macroeconomic and political stability are not expected to improve in the foreseeable future, there are numerous potential upsides that will benefit the country's tourism sector as fluctuations of currencies and other things will go both ways (not to forget that Thailand has seen much worse and is resilient particularly in tourism). In the mid- to long-term, Thailand's spa, wellness and health tourism sector has a head start and will become even more competitive. It is strongly positioned in this segment and recognizes its significant growth potential. The industry and government are fully aware of that and related private investments as well as government programs and investments are at an increase.

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## Asia: Regional

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In general, 2010 was a good year for hospitality consulting and management. Consulting projects started to gain momentum as developments were re-started and new projects came online.

Over the course of 2010, Spatality observed an increased interest from property developers and individual investors unique and forward thinking spa solutions that incorporate a full platform of spa and wellness services. Property developers and investors in our region of focus (Asia Pacific, China, India, the Middle East and Europe) understand that global consumers (not only luxury or upper class individuals) are demanding products and services that allow them to live a healthier life. Along these lines, we have also observed more and more developments being planned that combine a hotel, real estate development (1st or 2nd home) and spa in India and China.

Through inquiries, we have observed an increase in requests for hospitality solutions that were “round,” authentic to its location and activity driven. In addition, we have observed heightened interest in destination spa development. Therefore, we believe that the days of the diamond caviar face scrub or the beach vacation are finished as tomorrow’s consumers will demand result-oriented treatments and practices or experiences that offer lasting memories.

According to Deloitte, “The Lifestyle Sector has consistently outperformed the mass market in the Americas in terms of revPAR by over 25% since 2003.” Based on our observation in the markets that we serve, we believe this to be the case as well. The appetite for traditional hotels and resorts in developed markets is reducing although traditionally designed hotels still pose great investment opportunities in developing cities throughout Asia, India and East Africa. All be it, consumers all over the world are currently in search of innovative, dynamic and engaging products. For example, The Upper House in Beijing, The Shilla in Seoul or The Sukhothai in Bangkok: all three examples offer unique aspects that you would not find at a “typical” resort or city hotel.

We are not sure how this will take form in the hotel and spa industry, but we do not believe that the common development practices of the future will revert back to previous “traditional” models. Over the next three years, the hotel and spa industry will begin to see products pushing the envelope to deliver aspirational products both in terms of hotel and spa. Consumers want to re-fill their emotional bank account through life experiences.

Although property developers and individual investors understand the shift in consumer demand, they are having difficulties committing to the idea of developing a product that is different, such as a destination spa or independent hotel. They want, dream and desire to develop these types of focused properties, but when it comes to moving forward many get cold feet and elect to develop a traditional luxury resort. Why is this?



People, especially investors, are afraid of the “unknown.” Today’s hospitality investors have difficulties wrapping their heads around the concept of a destination spa or hotel that does not carry an international flag. There currently is not enough source financial material in the marketplace to support destination spa or independent hotel investment. Yes, there are trends on medical tourism, preventative medicine and the statistics on wellness spending but all in all, potential developers view this as not enough to shift from “red” to “black.” In addition, investors are often turned off by the typical investment horizon of a destination spa facility, as this tends to be slightly longer than that of a typical branded resort.

In 2010 and in China, Asia Pacific, India and the Middle East, the majority of investment capital was directed towards the luxury 5-star segment. Hospitality investors, especially in India, China and the Middle East invested heavily into luxury products both in developed and un-developed cities. For example, in 2010 there were approximately 4,689 guest rooms in Doha, Qatar (HVS, 2010). 77% of these are of the 5- to 4-star level (HVS, 2010) and luxury hospitality development is increasing at a rapid rate. In 2010 and in India, 5- to 4-star hotels account for over 63% of the total guest room inventory (HVS, 2010). The focus on 5-star or luxury developments is not new to the hospitality industry although this focus is expected to shift, especially in developed cities and even countries as competition intensifies and products are forced to differentiate. An example of this is Qatar 48, a 48-hour stopover promoted by Qatar Airways that offers special visa clearance and leisure programs to entice leisure and heritage tourism in Doha while traveling on long-haul flights.

Currently, there is a gap in the marketplace for conceptually interesting and engaging 3- to 4-star hotel and spa products. Over the past years, developers have pushed the envelope in terms of upfront investment, architecture, and finishes, but not in terms of concept. A conceptually engaging hotel, resort, or spa does not need to be a capital-intensive project. Some examples of this are The Chedi Muscat, The Mandarin Oriental Munich and 60 Thompson in New York City.

As the middle class segments of India and China rapidly expand and Western citizens continue to be cost-conscious, demand for quality 3- and 4-star hotels, resorts, and spas will grow. Travel and tourism activity in China and India between 2010 and 2015 is anticipated to grow by 73.5% and 53.1% respectively (World Travel and Tourism Council, 2010). Growth in the US is only anticipated to grow at 18.9% during the same period (World Travel and Tourism Council, 2010). Both in India and China, the domestic consumer largely supports this high growth.

Concepts or developments that are: value or activity driven, rooted in a healthy lifestyle, culturally friendly (website in multiple languages & native speakers available), designed with a sense of place and affordable to construct will be successful. Concepts both for spa and hotel should appeal to a sense of adventure, cater towards an independent spirit and deliver a lasting memory (Deloitte, 2010).

When developing a concept for a resort, hotel or spa there are four key components to consider.



**THESE ARE:**

- The concept needs to be supported by people who know how to work or have previously worked in the geographic region of the proposed development. Understanding the psyche of the target market is of great importance, especially in India and China.
- Concept development needs to be supported by local talent. All growing economies have very talented and creative people. These people need to be un-earthed, trained and utilized. This not only benefits the concept, but the growth of the industry as well.
- The traditional ex-pat approach often fails. Although it is often of importance to place ex-pats in high-level management roles, ex-pats often cannot understand the local culture and do not accept concepts that are not aligned with Western norms.
- It is of critical importance to “act globally but think locally” when working in the markets of tomorrow.

In conclusion, it is believed that the hotel or resort experience will continue to merge with spa and wellness. Consumers in growing markets and economies will not seek a hotel experience and a spa experience. Consumers will request a complete package that merges the positives of a hotel experience and a spa experience into an affordable and consistent “non-fluff” package. This is in terms of room accommodation, food and beverage, spa and wellness, activity platform and staff service culture.

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# Australia

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

There has been a broadening in the cultural diversity in customers. We are seeing a large increase in visitation from the Chinese community but also from Koreans, Russians, Americans (USA), and numbers from South East Asia and Arabic countries. More people are enjoying a bathing spa experience with their families. With the introduction of a Turkish Steam Bath (Hammam) earlier in the year customers have been requesting advice on how to use the facility. There is an interest in this cultural bathing and bathing practices. Spa customers are wanting to see some new treatments and some active change in spa menu offerings.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Hotel spas are continuing to grow. Most new accommodation facilities nowadays are including a spa and these are being located in prime areas of the facility (like the top floor of multistory hotels). Franchise spas, like the fastest growing franchise “Endota Spa,” have seen significant investment in new and renovated spas.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

There is still plenty of growth in the spa market as consumers increasingly include spa as an element of their health and wellbeing routine. In particular the expansion of the male audience has a long way to go as the image of spa as a female zone has eroded. The growth of bathing based spa facilities, like Peninsula Hot Springs, helps greatly with this change in attitude as it is a relatively easy first step. Many famous football teams and other sports teams are using hot springs as a part of their recovery from matches. ASPA has seen a significant growth in membership up 40% in 2011.

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# Australia

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Most guests who visit Gwinganna Lifestyle Retreat are motivated to visit because of stress or the effects of stress on their wellbeing. This has not changed over the past year, however during the GFC we had strong growth and this is continuing, we are seen as the 'rescue solution'. In general guests request center on finding solutions to what is creating disturbances in their life, sleep continues to be a very big issue for most.

Requests are centered on more meaningful wellness therapies and the treatments in the Spa that offer spiritual insights are very popular. We are seeing an increase in requests for physiotherapists, gestalt therapy and Journey practitioners. Our guests are looking for personal growth support how to operate in a busy life more effectively and look to all different modalities for this need to be met.

However the biggest request we have is for assistance. Guests now more than ever are looking for guidance to make the right choice about which practitioners/therapists to visit. Our typical guest is looking for our professional advise about how to utilize the time and money spent at the retreat to achieve the most favorable outcomes for their individual needs, for the most part when we point them in the right direction they will purchase.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Although there are pockets of investment in spa and wellness these tend to be operated by the passionate individuals who are involved in the industry. There is a slight increase in holistic medical Doctors working alongside complimentary therapies in Wellness style clinics. The big investment players are few and far between. Of course every hotel of note has a spa, these vary in quality of services offered.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

There is enormous potential but requires some regulation, customer awareness and investment from the tourism bodies.

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# Australia

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Where wellness is the focus, spa operators are looking more closely at the product brands they are partnering with to make sure there is a fit with the experience they are offering. We've seen a greater acceptance of, and demand for, chemical-free products from our spa clients, online customers, and the media, both in Australia and internationally. Increasingly, our customers absolutely get that our products are both chemical-free and highly anti-aging. This growing acceptance of the efficacy of chemical-free products has been a big turnaround for us in the past 12 months.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

In Australia the lucrative resource sector continues to attract the most investment capital. The fruits of the resource sector, however, lead to increased investment in other areas including in the spa and wellness arena, where I think investors are trying to think outside of the box. Capital investment in the wellness and spa arena seems to be about finding a niche and offering a unique point of difference. We're seeing an increase in organic spas, themed rooms, demand for specialist treatments, and excellence in therapists.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Increased demand and increased accessibility is seeing the spa and wellness industry come of age in Australia. As it expands, the level of professionalism is also increasing. Spa operators are looking to align with authentic brands that walk the talk and offer comprehensive business support and high quality training. They are looking for brands that they can build a mutually beneficial, long term relationship with to help them offer the consumer amazing experiences befitting of their promise. Spa operators are specializing, finding their own niche in the marketplace rather than trying to be all things to all people.

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## Europe: Austria

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Please don't forget, that I am NOT a spa operator or something similar; we do not have customers directly ... but from our point of view as space artists and ritual designers we see increasing demand for high-quality and authentic spa concepts in Austria. It could be the Alpine Style Wellness but also the Mental Balance Company with holistic approaches. And, coming out of the crisis, consumers want to find new solutions for stress management. We also see new fields of applications of the spa-idea in business life/companies (burnout-prevention) and medical contexts (therapy-completion). Generally we recognize more connections between spa and the "real life" of a high-speed-society.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

On the one hand, the biggest projects realized during the last 12 months have saved their financing aspects before the crisis, so it was in fact no big deal to invest e.g. 120 million € to (re)build the new Therme Wein (which was of course also good for us!). Projects with a financing base in 2008 and 2009 (which should be realized nowadays) still have financing problems, so they are skipping mostly on the wrong places ... But the financing conditions for smaller projects are getting better and better each day, so we will see growth of a lot of small- and middle-sized day spas in Austria during the next years.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

The spa community in Austria is confronted with the awakening chance of facing the essential basic needs of our high-performance society: Learning Labs for Stress Reduction and Stress Management. "Reducing stress" and "refilling energy" have replaced the simple "treating oneself" or doing something for the body as the number one reason for booking. Right behind the biggest economical crisis in the last decades, the spa of the present (and no longer only the spa of the future) experiences new requirements and chances: I see a new social responsibility for the spa community, in Austria and around the world.

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## Europe: Austria

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

The market segment of LOHAS is growing in Austria in the past year. Spa customers really look on what they spend their money. The customers are more aware of the sustainability of spas. This reflects on the one side that they require products which are natural without any artificial additives. Austrian spas tend more and more to have their own product line with its own branding and a direct regional focus. On the other side, they care about the ecological footprint when visiting a spa: how is the energy produced (solar energy), waste prevention, consumption of water, etc.

The quality of service is very high in Austria; however, the guests expected even more to be a “unique customer” among all others. As a result the spas have to provide more professional and individual consultation. As a result spas invest more in the education of their staff to cover this particular need.

The saturation of smart phones in Austria reached a very high level. The way of “how to use a mobile phone” has completely changed. The phone is a 24-7 companion for all market segments even for the generation 50+. Services of spas have to be bookable at any time without the limits of opening hours.

Consumers appreciate and strongly make use of the possibility to make reservations online themselves and to buy products via the Internet. Online vouchers are popular as people buy them for Christmas and birthday presents. Certificates such as the PCI certification for a secure handling of credit card information are requested and will be an absolute must have for suppliers in the near future, due to the fast growing online business.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

The focus on investments is everything, which creates a unique guest experience. Spas provide the guests with high-end spa equipment to create a luxury ambiance that they never forget. The most important factor besides the environment to give a memorable experience is the spa staff. Education and training will be more and more important to run a profitable spa for happy and satisfied spa-goers.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Wellness in general is a relevant topic in Austria and more and more understood as health protection. The government financially supports health protection and with this encourages wellness tourism in Austria. Besides thermal baths, that have been an integral part of the recreational activities in Austria



for years, there are an increasing number of day spas entering the market. Most resorts and hotels offer a specific themed spa and special signature treatment referring to their immediate environment. Beauty treatments are coming, but traditional treatments such as massages are still in strong demand.

In some regions such as Styria, there is a very intense concentration of wellness operations, mostly thermal baths. These businesses try to differentiate from each other by targeting different consumer groups (families, teenagers, pensioners, etc.) or offering extraordinary services such as exotic treatments. However we also see in these regions that only these businesses which are able to differentiate will survive.

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## Europe: France

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Want to be surprised with innovative effective treatments. Willing to pay the price.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Unique locations. Fast developing destinations. Spas become more and more design conscious with penchant for wellness and beauty.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

People want more as their lives get more stressful.

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**FOUR SEASONS**  
*Hotels and Resorts*

## Europe: Germany

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

People are stressed out. Burnout is one of the top diseases nowadays. Many of our clients use the personal consultancy we offer on our website. The requests are very diverse. However, it is obvious that people are not only looking for a pampering spa experience but have health issues that they want to take care of, so they choose the competence of holistic health resorts. Also, many people become very open with their quest for growth in a spiritual sense.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Health Resorts!

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Wellness in Germany is not a niche market anymore but well established. 9 out of 10 people visit a day spas or thermal baths several times a year. Detox programs are in strong demand. For 30% of the people taking wellness vacations, the offering of mental programs is very important. 15% of those see yoga as the best way to relax mentally.

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## Europe: Germany

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

One of the most noticeable changes is the growing focus on quality and image. Clients want to do their part for a more green and sustainable environment, using the highest quality in their projects. At the same time the image benefits from that approach. It's a kind of social commitment to work with sustainable, green, and environmentally friendly materials in order to push your own positioning and marketing position forward. The need for a trustful partner and perfect concepts, which they don't have, are crucial to stick out of the crowd and be authentic.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Investments in the commercial area are considering more a long-lasting character focusing on perfect, stable, and sustainable concepts. Another huge potential market for investments is the private health and prevention side. Although people are aware of the growing importance on health and prevention, investments lag behind. That will change noticeably in the next few years. At the same time different governmental social programs are in discussion, developing manageable cooperation activities with the private industry. It's clear that the spa and wellness industry would benefit from these consequences, offering customized solutions with good quality, timeless concepts and a clear focus on health and beauty.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

There is a need for more private places with ample space, away from the crowd consumption to get back to individual enjoyment in a generous special setup. Customers are striving for more unforgettable moments to relax and to come down, focusing clearly on prevention. Due to lacking time and resources people want to relax and do something for their health status at the same time – experiencing a real added value.

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**KLAFS**  
MY SAUNA AND SPA



## Europe: Germany

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Less interest in beauty, more interest in body & mind

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

The creation of separate spas to ensure perfect tranquility for adults as well as unrestricted quality time for families with their children

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

A very strong growth for quality spas.

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★★★★★



## Europe: Germany

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Spa customers tend to look deeper into their KPI's and expect profit center consulting and solutions. Alongside a booming central European labor market, HR solutions and outstanding aestheticians become a major source for sustainable success and differentiation.

With consumers spending on spas and professional skin care growing, more quality in design, treatment, and staff, specialized and professional age preventing solutions are expected. In a global comparison, however, Germany remains the spa country of wellness and relaxation, natural experiences, and "soft" solutions in anti-aging.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Investment in spas both in size and design are rising significantly again. Traditional beauty institutes turn into modern city and day spas.

The traditional German and Austrian thermal spas and huge sauna villages are upgraded with a high number of premium treatment rooms and holistic medical services.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Alongside the German demographic development and the dramatic increase in the elderly population, medical spas, medical clinics and high performing aging-defying skin care solutions will see a significant increase.

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## Europe: Germany

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Self-consciousness. Customers do tend to be more exact in voicing their requirements. It seems that education has had quite an effect on the professionals in the industry, and they have moved on from merely relying on some expert's advice to making their own decisions, based on the enhanced knowledge they now have gathered. Customers become more of a kind of "pusher," saying that they are not content with what you can offer them, asking you to do more. In the case of my own product, Dornbracht, it means more compliance with local regulations, more ecologically sound solutions, and more tailoring to local needs. In a sentence, the major change is less of a change than a development, no longer saying "we welcome you to the spa industry as a supplier" but much rather "provided you make the extra effort, you may have a chance and become a supplier!"

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

The upmarket sector of all industries circling around non-work related time is growing, be it leisure industry as a whole, or tourism and travel. Germany is enjoying steady numbers still when it comes to customer spending. Even in trying times such as 2010, people with a comparably high number on holidays, in connection with a disposable income above average, are willing to spend to make this precious time a good one. Investment is of course due to follow such spending, and numbers are said to be increasing in 2011 and beyond.

Spa and wellness are newcomers still, and the major reason is perception of the spa in Germany itself: The word spa is totally disconnected from wellness, which is regarded an industry and entity in itself. Wellness is nowadays highly diluted term, describing any product (!) from mineral water to shampoo, and it has to a large extent lost its original and true meaning. Asking for the importance of the spa in Germany, you will most probably get a lot of answers dealing with wellness instead. The word once came into being in the German speaking part of Europe to try and create an attractive vehicle as a marketing tool for the new health conscious consumer of the eighties and nineties. And it has done its job very well over the past decade, with the effect that wellness now stands for an attitude of a customer, and much less for a state of mind. Spas on the other hand are the luxurious thing still. It is the extra, the icing on the cake of a weekend spent at a lovely hotel. Spas are not part of any daily consideration in the greater population but an elite event. It also makes spa and investment on a high-end level. Compared to the hotel industry, spas are perceived rather on the four- and five-star level, and rarely do you witness large-scale investment in spas of a lower market segment.



## WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Quite surely, spas are going to be spreading all over Germany at a rapid pace. The question at this point remains, though: Are we seeing the democratic spa making it into daily life, or is the head start of the luxury (day) spa of such a momentum that spas in Germany will for a long time be for the rather affluent people? To me, there will be a split into two, just like we are seeing in every comparable industry to date: the spa rather tending to the needs of Mr. and Mrs. Ordinary (excuse my arrogant term) will take first place, when it comes to numbers built and operated. The dedicated spa, with an entry fee matching treatments and equipment, will stay smaller in numbers but enjoy the higher investment, as there will always be the customer willing to spend more on individual design and personal consultation. To Dornbracht, this definitely is the customer to tend to; we do see a very promising future here, and have used the last year to make our decisions accordingly: spas to us stand for more individuality, proven results for an educated customer, highest product quality for affluent investment, and, last not least, keeping the fun and joy in the spa.

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## Europe: Greece

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For a number of reasons Greece was presented in the world's press as the one and only country responsible for the corruption and collapse of the universe.

Is Greece that strong and we did not know it? Of course, this is not the case. Greece is a European country with an upscale lifestyle suffering from interior defamation. Maybe also, it is that Greece lent its weaknesses to become the battleground for the antagonization between the Euro and the US dollar. In simple words, since all European countries share the Euro as currency, it is not possible to make an overnight devaluation of the national currency. The only way to mirror lack of sufficient funds is to reduce substantially the salaries, and take any luxury out of the picture. The European Union, democracy, and strong labor benefits all seem unable to protect the existing social structure.

This new situation occurred after our very successful Olympic Games and after a long period of spending. During this period Greeks were great consumers or even spenders. We were used to luxury hotels and spas and the entrepreneurs invested in such luxury, expensive spas and retreats. Now the same clients are aware of their well-paid jobs or their successful business. There was an educated, internationally trained and with working experience, second generation of wealth or nouveau rich who spent even more. This clientele today has much less money, and more seriously, they feel guilty spending any cent to buy things which were generously offered to them before, as fringe benefits and as a balance to their expensive, precious and limited leisure time. They also face losing their properties, jobs and even their beloved ones.

### SPA BUSINESS IN GREECE TODAY

Big expensive spas with a minimum of personnel and no clients: this is the reality. Spa business today in Greece suffer from reduced funding, lack of psychological interest, lack of cheap labor, lack of worst case or survival scenarios, lack of vision. Nobody understands what is going on. Nobody has the solutions. It is long lasting but... interesting torture. Greeks were always great in dealing with chaos. And this situation makes them feel like home. But finally, how do we survive from this crisis?

1. Extremely low prices. This is a simple reaction. The most important thing, though, is to make the client plead not guilty when using luxury spa facilities. Prices need to be much lower than those for bed and breakfasts, offered as an absolute gift: a gift to remind them, silently, but explicitly at the same time, of their real status.
2. Alternative experiences. In a much different way from what they were used to by now, alternative experiences are the master key to release them from guiltiness. They need new things in a more sophisticated, but not expensive, packaging.



3. Minimize expensive consumption. It should be available but not advertised and not encouraged. Under these circumstances, consumption of expensive items and products seems kitsch and provocative.

4. Alternative pleasure with minimal cost. Idealism, philosophy, culture and art come back. There are many things we can enjoy for free. It is time to include them to our expensive spa products.

5. Effective management. For Americans this is the best, if not the only, way to survive. Greeks were never good in management. They were however good in philosophy and imagination. They trained and educated abroad, faced scientific management and now they use it in combination with philosophy and imagination. We need low cost, unique, non comparable, with maximum impact, alternative products and services not available elsewhere, and new tactics to stay side by side with precious clients in this transitional period.

#### GREECE AND INVESTMENT OPPORTUNITIES

Greece is always a beautiful Mediterranean country. It is a European country with strong cultural origins and a brand name recognized with just a symbol: Acropolis. There are also other trade names figured out by the picture of Santorini, Myconos, Creta, Alexander the Great, Hippocrates, Socrates, Aristotle and so on. The ranking is random. There are so many names well known to all of us. Thalassotherapy, vinotherapy, oil and honey from the rich Greek nature. Gifts from the Ancient Gods of Greece. All the above together with new concepts make Greece the ideal place for summer retreat. A good old recipe with a twist could take off any investment in Greece. Now, during the economic crisis, investing in Greece seems more tempting than ever. The investment opportunities are many and they are all there.

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*Le CONVIVIAL Luxury Suites & Spa*

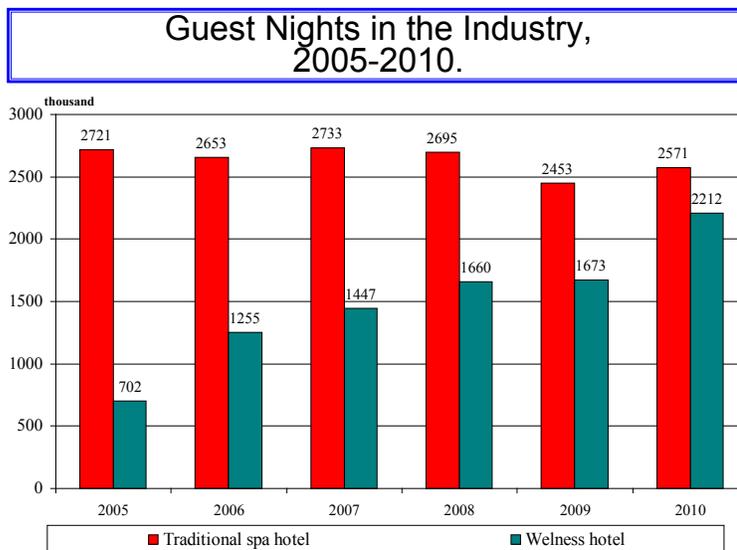
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## Europe: Hungary & Central Europe

WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Within the Central and Eastern Europe (CEE) region the share of revenues deriving from spa treatments is well below the hotel or spa (bath entrance) revenues. An alignment to international trends has already begun; domestic consumers need more and more wellness treatments, but foreign tourists still buy more treatments than domestic tourists. Health care background became more important among domestic wellness consumers. Medical tourism is very successful among foreign tourists, mainly dental services, but also many different types of surgeries.

Consumers like to get complex tourism services: combining wine tourism with spa tourism is a good example, because Hungary has a lot of excellent small rural wineries. 2010 was the first year when the number of wellness guests was significantly higher than the number of traditional spa hotel guests, but in the guest nights still the traditional hotels are the market leaders. The trends are demonstrated by the following diagram:



WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Most of the foreign direct investment is put into car factories (Mercedes, Opel – engines, Audi), and into infrastructure. In the spa and wellness industry the most investment capital goes to hotel and indoor spa constructions. The big hotels are wellness hotels, and there are foreign investments, but their share is less than in other CEE countries.

A year ago the biggest indoor spa in Europe was finished in Hajduszoboszlo, and this year 6-8 more new indoor spas have been finished (e.g. Cserkeszolo, an enlargement in Sarvar), or will be finished, so Hungary expects to grow significantly in the number of spa-goers and foreign tourists.

#### WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

The financial downturn is over, and the industry is growing. Revenue generated by domestic tourism is rapidly increasing. The number of foreign visitors also increased in 2010 by almost 20%.

Hungary has more and more new and modern indoor spas (baths with great pools and treatment rooms) and 4- and 5-star hotels (generally also with treatment rooms supervised by medical doctors) were built as a result of the developments in the last decade. In January 2011 a new program, the Szechenyi Development Plan, was launched to modernize the country. The first priority of this plan is developing the spa and wellness industry. It is focusing on effectiveness, modernization, innovation and complexity.

There will be projects to redesign the traditional treatments according to world trends, but using the strong heritage and medical spa background. A NGO (Tourism Knowledge Center) started to develop complex spa treatment packages and the knowledge is based on the natural fruits of rural Hungary and medical researches, which can properly measure the effects of the treatments (including the effect of the thermal water), even on molecular level.

Based on the medical spa trends the traditional Central and Eastern European spas may contribute to the renaissance of the traditional spa-visiting, if they can provide modern, evidence-based treatments beyond the traditional spa treatments. In the future, according to the national strategy, the spa and wellness industry will get closer to its medical background, and offer medical wellness treatments based on strong medical background.

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## Europe: Italy

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Professional customers are instinctively and constantly looking for new rituals and products. Indeed their real need is for business support and promotional activities which can help them be more profitable and attract and maintain a loyal customer base.

Consumers' requests are now focused on three major topics. The first is the search for natural, sustainable green formulas and for a transparent communication on active ingredients and on the commitment of the company to sustainable and ethical projects. The second and third are the search for visible rejuvenation and slimming treatments as well as the request of de-stressing pampering rituals. One comes from the desire to remain young and attractive, and is combined in some spas with small surgery or dermatological treatments. The other expresses the need to recover from frantic life rhythms, from everyday lack of time and care for oneself which is indeed what spa is really about.

There is also a growing request for affordable spa experiences. The Italian spa world initially attracted very affluent people. Now due to many new promotional activities, the spa temples are opening to a growing number of lower-budget customers. Discovering built in travel and vacation packages, special-price entries to wet locations, late opening hours for workaholics. Younger people and families, these are creative ways to attract and nourish confidence when entering places which sometimes do still intimidate and are perceived as unaffordable. Gift certificates as well as gift boxes and websites such Groupon are helping to diffuse the spa culture and services, favoring the communication of spas which very often do not have the funds and the capability to promote themselves.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

In all sectors in Italy, the recent economical crisis has caused a reduction in investments; in the wellness arena there is a very interesting dynamism. Many thermal centers are trying to modernize their facilities and increase their wellness and beauty offers. In tourist locations 3 to 5 star hotels are adding the spa component in order to be more competitive and also to de-seasonalize their offer. Last but not least many beauty centers are going through a process of renovation of their interior design and menu in order to enhance the quality of the customer's experience.

The region which has understood and transformed this potential into countless projects is Trentino Alto Adige. "Spa" means a wide range of possibilities different in size but similar in the mission of delivering well-being, from completely modernized public locations to luxury hotels which have added huge wet facilities with pools, water attractions and spa rooms as well as niche wellness centers with a sauna and a couple of rooms in smaller hotels to help guests enjoy their stay at best.



Important investments in design and architecture have been made to add value to the guest experience and to increase distinctiveness and competitiveness. Merano Thermal Baths, opened in 2005 and designed by Matteo Thun, is an exceptional example of how sustainability and modern design can combine to revive a tradition that dates back to the 19th century, and enhance the contact with nature as well as interaction with other people. This has changed the perception and the value of the spa world, which includes not only the pools, the spa and the medical center but also bistros and a park to favor socialization. A destination for aristocrats has so become an open and accessible location for families, couples and kids.

#### WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

The spa market in Italy is a land of opportunities, with an impressive potential in terms of attractiveness and countless challenges to modernize and improve the quality of service, in order to be appealing and competitive towards demanding national and international customers. The ability to transform ancient traditions into a contemporary innovative profitable business model will determine the future of this segment.

Educational and marketing competences need to be fed with investments and passion, as well as an optimistic vision of the future, which the recent crisis has of course recently decreased. A wider offer which includes lifestyle and prevention consultation, cross marketing opportunities, “shop and spa” packages, the ability to do public relations and enhance the international visibility are key elements not only for destination spas but also for urban spas to attract Italians as well as international guests vital for their business.

Last but not least, among the many different strategies and creative business solutions, a “retail revolution” could definitely help spas to perform in sales, allowing for the raising of funds for education and modernization. Competing with luxury stores and perfumeries is not easy but a boutique, appealing approach can help urban and destination spas to maximize credibility in product recommendation, and to increase consumer satisfaction as well as improve the business success and profitability.

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## Europe: Latvia

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

The political instability, terror attacks, and climate cataclysms in Moscow have created a higher inflow of Muscovites to Jurmala. The number of guests for one week stays grew by 40%. According to the Latvian tourism association, the number of Russian tourists grew by 79% compared to 2009.

Our customers are increasingly open to energy healing and alternative therapies such as Aura Soma, Kinesiology and Bach remedies, guests are interested to learn more and we see higher seminars attendance rates on these topics, and increase in consultation sales by 17%.

Taking a wellness break with the whole family is becoming the main reason why guests choose Amber SPA Boutique Hotel. Clients want to be able to benefit from a detox or weight loss program together, sharing the wellness journey. The most surprising requests are mothers wanting to bring babies to the treatment room, so while the baby is sleeping, mum is getting a massage.

The motivation for starting a wellness program is shifting from weight loss to detox and addressing various health symptoms such as hormonal imbalances, gastro-intestinal issues and chronic fatigue. Clients are more demanding and information savvy, asking questions and doing personal research on the benefits of diagnostics and treatments. Recently we noticed a trend of doctors and medical specialists making use of one week's wellness programs to adjust personal health and learn more about alternative therapies.

For the local spa clientele, price is the most important decision making factor. The rationale is choosing the best quality within the lowest price range, and the motivation is often wanting quick result. Online discount coupons, local analogies to wahanda, such as atzklaides clubs, have become an increasingly popular way to buy services such as SPA treatments online, in form of "last minute hot deals."

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Latvia is a country that has been most affected by the global economic crisis, in the European Union with a GDP decline of 26%. Investment is happening on a low scale, and economy is generally stagnant. A new regulation that came in effect summer of 2010, that one is able to receive a permanent residence when investing 70,000 Euros in Latvia; this has caused an increase in property and minor business investment, especially amongst Russian businessmen. Investment in logistics and port terminals is most attractive, as the Baltics is the only free economic zone within the EU.



There is low investment in spa and wellness sectors as the local market is very small, the seaside resorts are affected by seasonality and there is little information flow on wellness heritage and opportunities in Latvia. The only international brand in present in this segment is ESPA.

#### WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

An inbound of cheap airlines will create an increased interest of new markets entering Latvia, discovering the strong heritage, abundant nature and easy logistics, perfect for spa and wellness holidays. Latvia is increasingly becoming more popular amongst tourists from Scandinavia, U.K., Ireland, Germany, Italy, Spain and France. The pleasant experience is supported by generally high service standards, education, English language and good value for money.

New air routes are opening, connecting Latvia to the Middle East and Caucasus, creating stop over opportunities and high interest for longer stays amongst tourists from Armenia, Uzbekistan, and Georgia. For the ex-Soviet countries, Latvia's most unique selling point is being able to provide European standards yet be widely Russian speaking. It is regaining its reputation of being a true bridge between the East and West, and for entrepreneurs from the Caucasus is an easy entry point to European market.

With increased investments amongst Russian entrepreneurs, easy access, Jurmala is regaining its reputation of being an ideal wellness resort for families and professional athletes. With Russia hosting the next Olympics and World Cup, Jurmala is a high interest area to be chosen as a training base, historically famed for being one of the best training bases throughout Soviet Union. Wellness is an integral part of the training process; therefore upgrades of existing bases and creation of new resorts are in feasibility phases.

There will be development of abandoned tradition wellness/rehabilitation "sanatoriums," creating mixed used facilities and wellness resorts according to international standards. Spa and wellness educational programs are expanding with the Latvian Spa School getting ITEC accreditation, preparing well-educated spa labour.

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## Europe: Sweden

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

When it comes to hoteliers, as we are both a B2B company and end user company, we see that they are much more careful; instead of contracting for the complete project, they do it in parts, if satisfied, the consultant gets the next step. It has come down much more to a price, instead of quality issue. Many smaller consultants are dumping prices to get projects.

For end users we see that they are more result oriented, having a greater interest in not only pampering but also in more lifestyle coaching, even from the therapist (that is, IF they are confident in their therapist). We also see an increased interest in advanced noninvasive beauty, and again in nutritional and life style coaching along with the advanced beauty treatments (as they are understanding that beauty also comes from within). Still, customers are requesting simpler menus, however not sure how responsive we are. Continuously, chemical free products are increasing.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

India, China and Middle East (not Dubai). Saudi Arabia is really booming at the moment, and so is India and China. We are seeing an increased willingness to invest in day spas (compared with hotels) from independent owners in the Middle East, where there are more wellness focused offerings compared with pampering hotel spas.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Wellness is the future; we see that it is either regimen-driven beauty and spas OR wellness spas that will grow. Or why not a combination of both? We find this not only from the actual requests from both consumers and investors, but also in the general mindset of the consumer where we see a huge trend in the growing interest to learn how to live a healthier lifestyle and the importance of accurate information, preferably science-based.

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## Europe: Sweden/Scandinavia

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Customers are looking at the kind of support they will receive from the supplier that they have chosen. Competition continues to increase in regard to the overall quality of spa service expected by the consumer. Having skilled and professional therapists that provide home care recommendations after a treatment is very important and also demands more of a spa partner in terms of education. This is very important for the future. We have always emphasized the importance of servicing support and education/training so the quality of treatment is high and remains consistent.

We see fewer “trend-treatments” in Sweden and Scandinavia to “spice” up menus. For example, we have in the past received a request for chocolate treatments. Spas now understand the meaning of quality (wellness) treatments and the importance of “real,” effective, and traditional spa treatments. We are seeing a back to basics approach. The consumer is more aware of what is on the market and what to expect, therefore the quality of products and service is very important for the consumer to return for additional visits. Menus are simplified, easier for the guest to understand.

Last minute bookings are becoming more common; consumers do not want to plan too far in advance. Bath rituals are popular, where the guest receives a “taste of spa” and a selection of spa products to take home. Duo treatments are increasing. New spas are building larger treatment rooms to accommodate two or more guests. The social media aspect of the spa business is growing very fast. Spas are marketing on the internet to reach new clients, sending last minutes offers via email, SMS, Facebook and Twitter.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

We see a change in design and the way new spas are being built. Swedish Scandinavian design is utilizing materials such as stone, wood, and water, and bringing nature into the spa is becoming more popular as well.

Sweden has moved through the economic crises and now there is an economy for new investment in spa/hotel projects. We see beautiful new spas coming and the future looks very positive for spa growth. Newly built spas are also looking for pre-designed spa concepts to implement. Other trends attracting investment capital: larger treatment rooms, more duo rooms being requested, more and more VIP spa suites. It is also important to create more efficiency within the spa using online booking systems, scheduling programs, and payroll systems that save time and money.



## WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

A focus on enhancing the connection of the four cornerstones of spa: for example, a spa guest who works out also will receive recommendations on food and spa treatments.

Strong “basic” spa (wellness-oriented) treatments and signature treatments.

Simplifying spa menus.

Hamмам is getting more popular—Sweden has a strong sauna culture—this is a trend Swedes love!

Competition in the marketplace by providing high quality products and treatments and knowledgeable, skilled therapists.

Focus on results! Both for face and body treatments.

Choosing your partner, product, and supplier carefully.

All aspects of eco-friendliness are important for the future.

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K E R S T I N  
F L O R I A N

## Europe: Switzerland

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

I did observe three major needs of spa visitors:

First, there is a need for more intimacy and privacy during their stay (couples, friends, ...) Second, there is a need for social interaction due to media development and people staying at home, using their iphone, computer, and internet tools to communicate with people instead of making "real" friends. Third, concerning treatment quality it is of utmost importance to focus on the individual needs, the daily needs of the guests, and tailor made programs are increasing along with holistic concepts.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Within spa investments I do see a greater focus on the quality of material used and the sustainability, longevity, authenticity and uniqueness of material used. Most investment is also made in the education of staff a key factor alongside with customer satisfactory in every company.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Spas with a key competence, a unique architecture that promotes the health of their guests while considering workflow and energy levels. There will be a clear difference between medical health offers and balancing wellness offers. Guests are more alert of new offers and spa treatments; this higher conscience will force spa provider to make a clear statement of the key elements (concepts) of their businesses and what can those offers do for the customers.

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## Europe: United Kingdom

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I think one of the overwhelming changes is that the spa industry in itself is failing to meet customers' expectations, with more and more people wanting to consider total wellbeing rather than just a regular massage to help alleviate stress or pain.

Whilst spa converts recognize the importance of having regular massages, so often the quality of the massage fails to reach expectations and one feels like “another piece of meat on the slab.” There is really little connection between the therapist and the client—this is not about talking or even listening, it is about a level of intuition on the part of the therapist to recognize the emotional needs of the client. This is probably in the main downside to employers pushing massage therapists to work too long hours doing something that requires a huge amount of emotional as well as physical energy.

Secondly I think that customers are looking for authenticity. Regular spa-goers know what works for them and what does not, and find it irritating to be “sold” unnecessary services and products. Five-star customers are paying high prices for spa treatments and expect to receive value for money with considered, honest advice and no “up-selling.”

Thirdly, I get the impression that there is a movement away from Botox© and fillers and that customers are looking for a truly natural/organic way of anti-aging, through diet, exercise, detox, anti-stress, mindfulness, meditation, yoga, Pilates, etc. It is becoming recognized that the former is really just a “sticking plaster” approach and that a truly holistic approach to wellbeing has much greater longevity in the youthfulness stakes and is less likely to come with the caveat of potential damage to the body.

Following on from this, I think one of the growing sectors will be wellbeing and spa, rather than just spa itself. A holistic approach to wellbeing means the integration of medical services, both in terms of traditional and complementary treatments. Whilst I am, personally, most concerned with the high end market, I can see a real need for total integration of traditional and complementary medical practices with spas as a new approach to medical health in the U.K. primarily prevention rather than cure.

We have an obesity problem in the U.K. as severe as that of the U.S. (we are the fattest nation in Europe), we have huge social problems connected to alcohol and drug abuse, and large numbers of the population suffer from depression caused by high levels of stress due to work and financial worries. People are not listening to the government about the long term side effects of this behavior and if spa-going was more available to a greater number of people, together with tried and tested treatments such as massage, acupuncture, exercise, nutritional advice, etc., the health of the nation would begin to improve and the cost to the National Health Service and taxpayers would diminish.



But this is an ideal and requires a major paradigm shift. I believe those that can afford it will continue to spend on keeping their bodies in the best possible condition through spa, exercise, nutrition, counseling and ensuring that they pay attention to their bodies and seek medical advice in good time to help prevent disease.

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## Europe: United Kingdom

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

As a result of the economic situation in the U.K. and the significant cuts in public sector spending, there is an air of caution in respect to discretionary spending. Guests are still seeking a spa experience but there is undoubtedly a greater awareness of getting value for money.

One of the growth areas has been an increase in spa packages which combine a spa visit, a choice of treatments and a meal in Thermae Bath Spas's Springs Restaurant. The combined package offers a savings for the customer than if they bought all the elements separately.

Over the past year, it has been encouraging to see a growth in the number of first time spa users, in particular male customers, which bodes well for repeat business in the future.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Natural thermal spas—increasing awareness of the benefits of thermal water will stimulate investment in spas that can offer this natural resource.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Slow, steady growth based on:

- new customers wanting to enjoy a spa and wellness experience
- repeat business
- increase in short break holidays incorporating a spa and wellness experience

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## The Middle East & Africa: South Africa

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

I operate a 1000 square meter spa and wellness centre in a five-star hotel environment (RadissonBlu Hotel Waterfront, Cape Town). There has been a significant increase in return/regular clients. Ratio of hotel guests: outside guests has shifted from 50:50 to 30:70 in the last 18 months. This has resulted in an increased uptake of wellness programmes/interventions such as weight loss, stress management, and skincare courses. Here are some additional comments from my Senior Therapist:

- More male clients are willing to enjoy other treatments which therapists recommend. They enjoy grooming themselves.
- A lot more sport massages are booked. Most clients coming in have bad posture and/or neck and shoulder tension.
- More gay couples come to the Spa instead of going to male only salons/spas.
- Clients look for quality treatments. They do not mind paying for a good treatment.
- Clients look for affordable products, but that are still results driven.
- Clients are proud to support proudly South African products.
- Clients enjoy a truthful and trusted relationship with their therapist and this means they will easily book any treatment recommended by the therapist.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Undoubtedly the hospitality sectors as far as spas are concerned. Investment by the private sector and “operators” is mainly into salons.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

We are bouncing back from the protracted downturn, for example in my Spa & Wellness Centre there has been a 33% increase in turnover for April (2011 vs. 2010). The future will be even brighter if we focus on quality (differentiating factor). Also, listen to the consumer and give them what they want without jeopardizing authenticity and a results-driven approach. If the bigger spas (1000sqm +) continue to rely solely on service and retail revenue generation, the business will always remain fairly marginal; we need to leverage wellness and the emerging field of energy medicine, and look for ways to ensure annuity income.

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**quantumspa**  
feel the energy

## The Middle East & Africa: UAE

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

More male guests than female over the past three years - 60% and 40% respectively. Most requests have moved towards body treatments or massages than facials in spa bookings.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Human capital would be our best investment in training and development on spa services (including product retails, etc.). I do not believe in hard-ware investment, especially on wet areas. Providing a proper and pleasant relaxing area is most important in a spa environment.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

It is time to consolidate rather than grow...smaller spas could be doing better in their financial reports than the mega or bigger spa establishments. In particular, medi-spas would be greatly affected by non-popularity (concepts could be great, but not practical in most city spas, including hotel and resort establishments). Life-cycle is definitely very short for medi-spas, and very costly in its operations as well.

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## The Americas: Brazil

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

It's impressive how fast the Brazilian spa market is developing. When compared to 5 years ago, this industry has definitely grown over 20% per year. That is a result of the increasing "wellness culture" of the population, especially in big cities. It has really changed the way people look at the spas, which are more and more becoming part of people's day by day life.

As time goes, the services offered in the spas are being explored by the press, people are getting more interested in the benefits of going to spas, spas are becoming attractive places for events and social meetings, and the overall wellness lifestyle is increasingly depending on the spa offers. All this perspective has brought a new milestone for the spa industry on the customer's view: If everybody goes, why wouldn't I? What does a spa actually offers that everybody is talking about it?

For instance, the Spa Week, an event organized by the Brazilian Spa Association, jumped from 14 spas participating in the first edition in late 2009, to more than 100 spas early this year, with over 20 thousand people participating. This brings up the following situation: customers are starting to develop more and more of the spa services and structures. Even though there is a large percentage of new customers for spas, there is still a great number of spa-goers that are trying different spas, different services and different experiences in alternative locations, which requires the Brazilian spa industry to be both educative (for those new clients) and professionalized (for those exigent spa-goers). This fact has positioned this market to be at the same time new and less explored on one hand professional and well structured on the other hand, which certainly generates a great amount of opportunities for entrepreneurs and professionals of this area.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

One sector that has for many years represented (and still represents) an enormous growth is the beauty and cosmetic industry in Brazil. The Brazilian cosmetic industry is the third largest in the world, behind the U.S. and Japan, and still attracts a large capital investment, as the Brazilian population is very "beauty oriented."

In the recent years, we've noticed that much of the attention of the beauty market is being targeted to the spa industry, which, besides offering beauty services, also brings different relaxing and wellness experiences. This fact has also brought the attention of large typical cosmetic brands, equipments, and accessories to focus in this market, therefore attracting more exposure and investments. In line with this expansion, the Brazilian spa market is constantly bringing national and international



players to this market, which sees a big opportunity for the development of new business models in this new and growing segment. For instance, O Boticario, one of the largest cosmetic brands in the country, with over 3000 stores, has just launched a new spa model, still focusing on the sale of products, but now bringing different room services and experiences inside the store.

#### WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

As just mentioned above, the Brazilian spa market is experiencing a strong growth, mainly by virtue of the development of the culture of wellness care and search for life quality. As a result of that, this industry brings various business opportunities for the different market players:

- Spa operators are facing a natural organic growth for their established businesses
- Spa chains are able to exploit the demand for spa services by launching franchising models or partnering with hotels and condos
- Spa consultants have a large and unexplored market to operate, especially in the hotel industry, which is pushing the growth of the spa industry by virtue of the big upcoming events in the country: Olympics and World Cup
- Spa suppliers have a still low competitive market to show the quality of their products and capture the growth of this industry
- Cosmetic companies now find a new market for their products, both associating their brand to this interesting segment (as O Boticario did) or selling products for the majority of spas that don't have an agreement with any other brand yet
- Spa schools and educators find a extremely large market for their services and offers, being able to bring strong standards and quality for this new and still unprofessional industry
- Investors are able to explore new opportunities related to this market or analyze potential acquisitions of the many small companies or spa chains that already exist and successfully operate in this segment

Many other opportunities could be identified for the future look of the spa market in Brazil. It is of interest to mention that this industry involves spas (with over 1000 facilities in the country) and aesthetic clinics, the majority of facilities in the country (over 3000), which are focused in aesthetic services and body beauty procedures. It represents a market with more than 4000 facilities focused in wellness and beauty, definitely representing a large opportunity for any business related to those segments.

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## The Americas: Canada

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

We understand from our clients that spending was sluggish throughout most of the year, although the latter part of 2010 did see a slight economic improvement with the strong Canadian dollar, which kept spending going, especially on feel-good products and services that help people feel relaxed, balanced and in tune with their health. Loyalty programs and promotional discounts were also on the top of list, almost a requirement for spas to gain new customers.

In 2010 there was a high concentration of new requests for enhanced database security (PCI/PA DSS), loyalty programs, in-room booking, web booking and mobile devices for internal and external use (staff and guest functionality). The ability for a paperless environment was also a popular request, supporting green initiatives and well as the latest technology.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

According to The Conference Board of Canada (CBoC), the wholesale and retail trade sector was the best performing sector within the Economic Performance Index, finishing slightly ahead of the financial sector. Meanwhile, the tourism sector ranked sixth in terms of economic performance. We found that there was substantial investment in Canada by corporate hotel/resort chains in the likes of new construction properties with spas, or new construction spas in an existing property. Spa and retail branding was also a major focus for investment, as was web presence and social media.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Although Canada's population is only one tenth the size of the U.S, we anticipate steady investment to continue in corporate hotel/resort development, as well as corporate taking back management of their existing spas that were previously managed by a third party operator. In addition, Canada is expected to become a world leading Wellness Travel destination. Wellness Travel focuses on health and a sense of well-being. Activities include spa treatments, healthy food, and indoor and outdoor fitness activities.

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# The Americas: Latin America

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## CURRENT STANCE

Recently, a slight resurgence from the economic struggles and recession experienced around the world has incited the majority of spa development and investment in Latin America to reignite. The number of properties we refer to as “spas” is still at approximately six thousand. Revenues have sustained themselves at an estimated 2.7 billion dollars of which is comprised of new and established spa and wellness facilities, from day spas to destination hotel locations. However, one finding I’ve come to realize during my past two years of extensive travel to this region has been the increase in the number of properties known as “Esthetic Clinics”; a setting equally evident 15-20 years ago in countries that today house a large number of spa facilities like the United States.

If we were to take a moment to go back in time, in the 80’s and 90’s, French and European inspired esthetic clinics co-existed in plenitude adjacent to massage locations known as “parlors” or bodywork clinics. There were very few day spas and resort spas as we know them today. In most high-end hospitality properties, the spa was really an extension of the Health Club/Fitness Center consisting of a few converted treatment rooms usually located next to the gym. While I’ve encountered several of these types of locations in many of the business hotels I frequent, the fully developed and well-designed hotel spa is still at its fastest growth level in almost every major destination in Latin America.

As tourism continues to grow and a new wave of middle class consumers emerge in Asia, Brazil and other fast growing economies, the level of demand and expectations for state-of-the-art spa facilities will undoubtedly generate opportunities for first class spa development in Latin America. Going back to the already vast market of esthetic clinics, these full service spa “seeds” are alive and well. These kinds of facilities are the majority in countries like Venezuela, Colombia, Chile, Argentina and Brazil. For years, these locations have been an integral part of a beauty maintenance routine for women in most urban areas across the region. The esthetic clinic size and service quality varies by city and by neighborhood.

In Brazil alone the number of these facilities ranges between 3,000 and 4,000; if developed correctly these properties could dwarf the approximate 1,000 hotel and day facilities currently in existence. With two major world events happening in the same country with a separation of just a few years (FIFA World Cup and the Olympic Games), coupled with one of the fastest growing middle classes in the world, Brazil is poised to experience an explosive growth. Nonetheless, all good things will always carry a caution label and that is that Brazil is not quite like the rest of Latin America! Almost continental in size (with diverse geographical areas that can make you feel you are visiting several countries in one), you will encounter one of the most protective business markets in the world. To do business in Brazil, it is best that you establish Brazilian partnerships even as it pertains to manufacturing, depending upon your type of business.



## THE REST OF LATIN AMERICA

After a couple of years of dealing with a recession that crippled hotel occupancy, the H1N1 Virus and a drug war, Mexico's spa industry is slowly but surely back in place and now embracing a second season of growth. This is evident when we observe the number of hotel/spa developments that have recently opened or reintroduced themselves to the construction pipeline. Areas such as San Miguel de Allende, Huatulco, Playa Del Carmen and Mexico City have benefited from such growth. Below is just a snapshot of recently opened projects and new launches coming soon:

Secrets Sanctuary, Dominican Republic / January 2011  
Papaya Playa, Playa del Carmen, Mexico /June 2011  
El Dorado Sea Side, Cancun, Mexico /June 2011  
Secrets Conejos, Huatulco, Mexico /July 2011  
Now Jade, Cancun, México /July 2011  
Liverpool Polanco, Mexico City /August 2011  
Hotelito Desconocido, Puerto Vallarta, Mexico / August 2011  
Now Sapphire, Cancun, Mexico / September 2011

Concentration in “eco-spas” and “boutique” properties is a highlight of the entire Latin American territory development map especially in Mexico, Costa Rica and Peru. Projects recently opened by hotel companies like Orient Express (in Peru) and independent investors (Guatemala), are a great example of sustainable building. Machu Picchu's Sanctuary Lodge highlights the region's majestic natural environment and the rich archeological value of the nearby ruins. In Antigua, Guatemala, the developer has converted a colonial building into a hotel and spa while keeping the historical value and splendor of Casa Santo Domingo. Similar developments are now in construction or just opened in Dominican Republic, the Caribbean, Argentina and Chile. Similar developments are now in construction or just opened in Dominican Republic, the Caribbean, Argentina and Chile.

## OPPORTUNITIES

### MEDICAL AND WELLNESS TOURISM

With medical costs significantly lower than most world countries, excellent facilities in major cities and well-trained medical personnel in countries like Chile, Argentina, Mexico, and others, medical tourism has seen increased revenue growth in existing state-of-the art facilities. A combined effort between government, medical service corporations and private investors could materialize this opportunity, hence competing with countries with similar offerings in Asia.

Wellness tourism is another great opportunity for the region. Latin America has an array of destinations located in beautiful natural and unique territories, from thermal water centers to extensive coastal, rain forest and mountain retreats. The biggest challenge, however, is the lack of trained service providers to perform multidisciplinary therapies. With so many unique locations to develop and promote, a successful wellness destination will need the support of their local government/Dept. of Tourism or a very talented operator capable of providing their own marketing and education to capture an acceptable occupancy.

## TRANSFORMING THE ESTHETIC CLINIC INTO FULL-SERVICE DAY SPAS

There is a viable opportunity for individuals who are knowledgeable and capable of upgrading one or several well-known and well-positioned esthetic clinics into full service Day Spas, with branding being a vital part of such an endeavor.

## FRANCHISES

The notion of “know-how,” consistency standards and training for therapists is scarce in the region. An affordable franchise value proposition with local or regional support could open the door to investors trying to enter the spa industry and who prefer not to just hire an opening consultant. However, said franchiser would need to provide educational training and supply chain at the local level.

## WINE COUNTRIES

Chile and Argentina have vast territories to develop a great combination of hospitality, wellness tourism and viniculture. Some new developments such as Chile’s “Ruta Del Vino” with a historic train, hotels & spas and winery tours have become one of the most visited tourism destinations in the country.

## HOSPITALITY DEVELOPMENT IN URBAN AREAS

Hotel spas are scarce but there are fast growing segments of the industry in urban destinations across Latin America: most development is now taking place in Mexico City, Panama City, Bogota and Sao Paulo.

## EDUCATION

With some rare exceptions, there is no formal professional massage and esthetics certification or licensing in most of Latin America. In many cases, skin care education is still provided by skin care companies. There is a great opportunity for international schools to buy the few established education providers in these countries and work in partnership with the local Department of Education to develop a nationally recognized certification program.

## ASSOCIATIONS AND OTHER INDUSTRY ORGANIZATIONS

With the exception of early startups in Argentina, Brazil and Mexico, there are no formal Spa Associations or similar trade organizations with the exception of beauty or salon driven trade groups. There is a great opportunity for established groups in the countries mentioned above to create local chapters in neighboring countries by identifying local industry leaders to co-chair organizational efforts.

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## The Americas: United States

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Our customers are our students. What we have found is that there has been an increase in students who have come from the corporate industries such as real estate and investment banking who are looking to pursue a career in spa and wellness.

Esthetics is definitely on the rise as a license to achieve. A lot of students are coming in with capital to gain a license, and then open up their own small businesses. They are coming to us very sophisticated after researching many programs and school offerings. There are many advanced education requests. 80% of our students are now enrolling in multiple programs rather than one program now such as massage and esthetics.

We are building better relationships with the spas in our area and offer industry appreciation events at our schools to further the relationship into extern/intern and job placement programs, helping the students get “real world” industry experience before they graduate.

We have a strong advisory board to help us create a better, higher level of education for our students to make sure we are in line with the demands and changes of the spa and wellness industry today. This helps to constantly evolve the curriculum. We are trying to expand on just getting a state board license by implementing strong business curriculums and customer service programs before the students graduate.

The advisory board together with the industry’s demands helps us to remain cutting edge and allow us to launch new innovations, keeping the students in line with what the industry requires.

The medical spa sector in southern California continues to grow. We are investing money this year into our Master esthetics program, bringing on a medical director and also implementing the Murad Inclusive Health Center program for our students to benefit from.

Student population continues to rise. In the past five years, the field of medical and specialized Esthetics and Massage/Bodywork has continued to boom requiring Estheticians/Massage Therapists to seek out continued education. In fact, according to the U.S. Department of Labor statistics for 2008-2018, Skin Care Specialists will experience an estimated 38% growth as consumers become more concerned with their personal appearance. Massage therapists’ employment is expected to grow by 19% from 2008-2011, as people learn more about the benefits of massage therapy. To meet the needs of this rapidly increasing segment and the demand for qualified Estheticians/Massage Therapists, we host advanced, specialized workshops.

The demand of much needed spa and wellness professionals is also due to baby boomers and day spa/community chains growing such as Massage Envy. Also hotel spas and cruise ships continue to grow in size, creating a demand for more jobs for graduating students.



We have invested 2.5 million in the re-fit of one of our larger schools in order to reflect the growth of the spa industry. The U.S. is evolving into European standards of training, discipline and commitment, taking a more inclusive, holistic approach. We are positioning spa and wellness as a PREMIER career for the future. Currently we are enrolling international students and also giving our students the opportunity to obtain an ITEC qualification so that they can work globally in the future.

The future of our curriculums is to keep in line with luxury and medical spa resort standards. We are also looking to give our students a global experience by taking them overseas to learn modalities at their source and further enhance their understanding of the spa and wellness industry globally.

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## The Americas: United States

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The hospitality industry and the spa sector in particular continue to emerge slowly from the challenging times faced in the last couple of years. The growth is incremental and we foresee this trend to continue in the near future as well. As anticipated, the slowdown has impacted consumer behavior in several ways. All stakeholders in the business, skincare brands, equipment suppliers, therapists, contractors and so on have experienced various degrees of transformation to adapt and succeed in the new environment. As providers of skincare products and services globally, we have observed some unique trends that will significantly impact the business in the coming years. Key trends in the US are summarized below.

**The need to define the mission of spa around wellness has been identified and debated by experts for a long time now.** However, in the implementation of this concept, spas have experienced varying levels of success. Our experience shows that the primary reason is lack of consistency amongst all the touch-points that a client experiences during a spa service. Consumers are increasingly willing to spend on wellness as awareness about the consequences of accelerated aging is rising. With changing client behavior amidst the economy, we see a change in the adoption of wellness concepts in the business. Spas are seeking ‘integral solutions’ for wellness as replacing past practices of bits-and-pieces implementation of this concept. We see skincare product and treatment providers to be at the forefront of partnering with spas in the implementation of the integrated approach. This would translate into capability building that would involve much more than formulating products in the lab. Integration of a particular spa treatment service with other wellness offerings in a spa (e.g. yoga classes at a destination resort, spa marketing and CRM initiatives) will define client loyalty.

**Brand licensing by product companies.** Inquiries for branded spas are getting generated across many countries in the world. The merits of branded spas have always been around the consistency of message, image, marketing, treatments etc. In addition to these established benefits, we see a vast opportunity of branded spas in elevating the image from a spa to that of a ‘lifestyle center’. A lifestyle center is a place where clients experience treatments, purchase take-home products, get lifestyle education/ classes on all aspects of a balanced lifestyle e.g. yoga, meditation, diet, and so on. This model offers tremendous cross-selling opportunities to spa-goers, yoga customers, and retail buyers thus widening the client base for the business. As investors better appreciate this objective, the demand for branded lifestyle centers will rise. Some attempts are being made by spa operators towards franchising and these will drive standardization in the business. However, the value offering by franchisors remains weak thus preventing consolidation in the industry. Branded lifestyle centers on the other hand would thrive in customization while retaining the brand’s core message.

Implementation of the lifestyle center concept in other countries makes our belief stronger about its potential in the U.S. market too.



**A new look at oils.** There has been drought of innovation in product formats in the skincare cosmetics business in the past few years. While there have been some creative twists, the dominant product formats have remained virtually unchanged e.g. shampoos and conditioners for hair, creams for the face, lotions for the body and so on. It has always been about the ‘secret breakthrough ingredient’ in the same old product format. We see a great interest amongst spas and clients when a new product format is presented with credible evidence of efficiency. Traditional product usage practiced for thousands of years in the East will be the benchmarks that will help manufacturers in offering trustworthy new product concepts and formats in the future. We see oils leading the way in this direction. A recent article in the Off-Duty section of the Wall Street Journal (Feb 12-13, 2011) encourages readers to, “..toss your moisturizer in favor of deeply hydrating nectars (no, they won’t make you break out)...” In our personal experience, all our recent top sellers have been innovative formats like hair oils, eye oils and night-time oils. These products have generated the most media inquiries and compliments from users. All these products have been inspired from traditions in India and adapted for the western world.

Going forward, we see manufacturers devoting attention in product format innovation as consumer interest rises exponentially.

**Web creates opportunity for professional skincare and spa brands.** Google and social media on the web have created unique opportunities for professional skincare and spa brands to reach their target audience in much more efficient ways than was ever possible in the past. Brands with unique positioning are now able to engage more deeply with their target audience without needing large marketing budgets. Facebook offers sharply differentiated brands an opportunity to showcase their message and brand philosophy in unique ways, helping them acquire fans at a rapid pace. Telling an interesting story, educating fans about the core message of the brand and showing interesting applications in their lives are ways in which consumer engagement can be built. We have experienced such a rapid growth in the fan base for SUNDĀRI. Interestingly, we also find that brands mimicking the social media behavior of mass market and department store beauty brands tend to show lower fan engagement.

We have exciting times ahead as we are going to see interesting models through which sharply positioned professional skincare and spa brands will use the web to segment the market and gain followers.

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## The Americas: United States

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Lots more deal searching as evidenced by Groupon/Living Social etc.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Technology still ahead of the game here for investment.  
It is about driving efficiencies in marketing or revenue production.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Continuing to expand into more offerings, trend is up not down.

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## The Americas: United States

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Consumers are getting more savvy on massage and seem to be more educated on what they want regarding types of massage and bodywork. Whether through the media, friends or therapists, they are learning about various modalities and starting to understand basic concepts of things like reflexology or Thai massage. We have also seen an increase in longer session times. We have a good percentage of our members upgrading to 1.5-hour or even 2-hour massages.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

I know of two massage franchise companies that have been acquired by investment companies—Massage Envy and Elements Therapeutic Massage and another that has new investors Hand & Stone.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

It's interesting to assess the growth of the spa and wellness industries and to note what led this growth. In the U.S. over the past two decades, spa and wellness growth was a grassroots movement. It was started by individuals looking outside of the accepted norm and saying that way of thinking medically doesn't work for them. It was led by the first pioneers in spa and wellness that existed in small pockets all over the country. It came from everyday folks that received their first spa service and kept returning because of the positive results they experienced, and then, from those people telling family and friends.

This grassroots movement has now created more consumers for spa and wellness services than ever before. An average U.S. spa consumer has more knowledge about benefits and more awareness about being proactive in maintaining their own health. Research is starting to shine a light on various spa services, particularly massage therapy. More hospitals have added or considered adding adjunct complementary services. The future for spa and wellness services looks bright regarding consumer demand, if the services are affordable.

The future for staffing spa locations is not so bright. If consumer demand continues to grow, spa businesses will experience a lack of educated professionals to meet that demand. For the past 6 years, enrollment/graduation numbers from massage therapy schools has continued to decline. Schools are closing and the annual numbers of graduates shrink. Qualified spa managers and directors are difficult to find at this point as well.



It would seem to me that we need a national campaign that outreaches to potential future students (and crosses diversity lines) educating about the validity and potential of various spa careers. The reality is that even high school career counselors don't know enough about spa careers to be able to share with their students. There is potential, we just need to tap into it.

I will highlight an example for you. Two years ago, I attended the American Cosmetology Schools Conference. I was looking at recruiting materials from Great Clips and Supercuts and on one piece it said that "40,000 open cosmetology positions went unfilled last year." This particular piece was addressed to potential students.

Spas could be in this same position in the next few years if united focus isn't given on developing educational outreach strategies that highlight those spa careers that are the heart of most spa businesses.

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## The Americas: United States

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The business climate in the U.S. remains well documented globally, but recent reports such as one from *Standard and Poor* showing the U.S. to be doing worse than most major economies will continue to cause great caution when it comes to major investments. We are, however, definitely seeing a pickup in interest, although very little of it is for work in the continental U.S., which confirms that many U.S.-based architects and consultants are looking outside the country for work. Private homeowners seem much more willing to spend than commercial investors, again suggesting that pockets of the economy are doing well with home spas becoming somewhat of a trend in high-end homes.

The news here is still dominated by high unemployment figures, of which areas, like Las Vegas, are higher at 14% than the national average of 9-10%.

The residential and commercial real estate markets still seem to be the driving force in the U.S. economy, and both are still struggling. Home foreclosures still seem to be on the rise and the unsold inventory of existing homes will prevent any new home construction from revitalizing the economy. Again, Las Vegas leads the nation in foreclosures, while home values have dropped 40-50% from their peaks a few years ago. It could be 10-20 years before prices return to the levels at which they were.

Consumer confidence is up based on press reports, as well as manufactured goods in the U.S., although companies are still reluctant to hire while they are having fewer workers do more. The reluctance of the government to address the deficit will harm inward investment as well as restrict the ability of commercial entities to raise project finance.

One of the pockets that seems to be bucking the trend is South Florida, where new hotel projects are still under construction, occupancy at existing hotels is high and rates are frequently beating pre-crash levels. Many of the condominium projects that remained empty are closing, frequently to bulk buyers of multiple units, although they then rent out the units, which cause concerns to individual owners in the same buildings. The past three months have seen sales close at a much higher pace than at any time in the past two and a half years. Funding for these purchases is from consortia with cash to invest, many of whom are from the booming South American countries.

One positive note we have seen during the recessionary years is that U.S.-based, global hotel operators are using the slowdown to reassess their positions in the marketplace. These vary from operators who had traditionally subcontracted the operation of their spa facilities seeking to bring them in house. This is driven by two factors: brand protection and a desire for consistency is one, the other being a desire to maximize profits from properties.



We are seeing more and more operators seeking to establish 'standards' or 'benchmarks' in their offerings and slowly but surely, operators are beginning to look more to the European spa model, where aqua thermal, 'do it yourself' therapies play a bigger part in the spa offerings. As the high capital cost of these facilities is being understood in relation to guest satisfaction and levels of usage, particularly in relation to keeping guests coming in to use what is seen as the free or low cost options, they may then start to consider secondary spending on treatments and products. This logic has long been understood in Europe, where the 'wellness' concept of a spa is better understood, as well as the removal of the association between spas being perceived as expensive places to visit, so somewhere to be avoided if budgets are being watched by the guest. The high capital cost of wellness facilities is also being better understood with regard to the relatively low revenue costs, particularly in areas where labor costs are high, but property costs (compared to Europe) are still relatively cheap.

Much is being discussed globally about whether a spa should be a spa or a wellness center, and many operators are seeking to use the 'wellness' word as a way to differentiate their facility from the often ambiguous 'day spa' which could offer little more than a nail bar and beauty station. Sometimes the two words are being combined to Spa and Wellness Center, thus begging the question from guests yet to understand the concept and opening the door for interaction at the spa reception, where the differences can be clearly explained and therefore a one-to-one selling opportunity created.

Operators are working hard to get the message across to designers and architects who still seem to be resisting change to embrace the new thinking which requires more research and a far deeper understanding of 'wellness' and all that it entails. As the recession fades and projects once more come to life, it will be interesting to see how the 'new thinking' reverts to mainland U.S. projects which will inevitably begin to gain momentum in 2012 and beyond.

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## The Americas: United States

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Note: We are a hospitality management recruiting firm. Our customers are hotels, resorts, destination spas, resort spas, hotel spas, and day spas in need of management staff. We have noticed several trends this year:

- Some of our U.S. clients are expanding overseas and have asked us to conduct searches for spas in France, China, The Maldives, and the Caribbean. Most of these clients sought a spa operations professional who already had worked outside of the U.S. in a non-consulting role.
- Although spa operations directors/managers remain the most sought-after spa professionals, the demand for experienced spa marketers emerged as a strong second—Chief Marketing Officer, VP of Marketing & E-Commerce or Director of Marketing.
- Overall, we observed more movement among spa professionals than in the previous few years. During the past several years, professionals in secure positions were reluctant to move to a new property or firm, fearing that the weak global economy would lead to layoffs, and that the most-recently hired person was the most vulnerable. This led in turn to pent-up desire for career advancement and variety.
- In part as a consequence, attractive professional openings now attract unusually large numbers of qualified applicants, leading to fierce competition. Employers have the luxury of interviewing large numbers of qualified candidates. They tended to dismiss spa consultants or unemployed candidates in favor of professionals with day-to-day operational and financial responsibilities.
- We know many U.S. spa professionals who seek to expand their careers outside the U.S., but offshore firms tend to shy away from them, not wanting to risk hiring someone whose experience is limited to the U.S. market. Conversely, non-U.S. citizens wishing to obtain positions in the US face the increasingly steep obstacles associated with gaining permission to work in the U.S., and U.S. employers tend to seek candidates with experience in U.S. markets and U.S. employment laws.
- Hospitality companies seeking new managers—whether in operations or in sales/marketing—are conducting longer, more thorough searches in what they perceive as a buyers' market. They utilize Skype interviews, background and credit checks, more comprehensive reference checking, more in-person interviews, language proficiency tests, and homework assignments. We see an up-tick in demand, but a greater up-tick in high-quality candidates pursuing opportunities.
- As the overall level of management competency continues to increase in a world of greater financial pressures, we observe consolidation of positions at all levels. The search for a Spa Director morphs into a search for a Director of Spa & Recreation or Leisure Operations. The positions of Senior VP of Spa Operations and VP of Spa Operations combine into one position.



- Anecdotally we observe that growth at the luxury end of the spa business seems to continue at a steady, but slow, rate.
- Meanwhile, we observe new, steep growth at the other end of the market. For example, a Massage Envy franchise just opened in our hometown.
- Perhaps it is premature to predict, but it would not surprise us to witness a long-term trend towards the mass market, as has happened over the past decades in the hospitality and travel industries.

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# The Americas: United States

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Our agents are asking (for their clients) and making requests for spas with strong yoga programs and meditation, but in a more upscale way. Not your basic yoga retreat. Also, people are asking to travel to these places and really get away: maybe not as far as Asia but around the U.S. to make time to really unplug from their frantic pace.

In addition our new boot camp the Ranch at Live Oak Malibu is going gangbusters and has been sold out several months in advance. The boot camp concept is really taking off.

In addition, I am currently at the Sha Wellness Clinic, and there are several Americans here to work on getting rid of stress, to lose weight, and help with sleep disorders.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

That is a hard one as money is still tight, but spa investment is now a must for every new resort I have seen planned, and also many are expanding existing resorts to keep up. The destination spa market is a much harder concept and new ones are struggling.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

It has never been better and is still greatly untapped! I think the whole male market, whether it is husbands or, as I just observed four men here at Sha, men in their 40's needing to get in better shape. They came as a small group, leaving their wives at home. They are working out, learning new exercises, and playing cards together! And then there are mommy makeovers for young moms after giving birth.

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## The Americas: United States

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Customers are looking more and more for places that serve all of their skincare and overall wellness needs in one convenient location. They want the spa ambiance combined with medi-spa type treatments that marry the idea of beauty and science. This can include treatments such as medical-grade facials and peels, massages, and even wellness evaluations performed by estheticians that understand the body as a connected whole to better help clients optimize their results.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

More customers understand that facials are not a luxury and, just like cleaning your teeth, should be incorporated as part of a health ritual. Just as you go to the dentist every six months, so should you see your esthetician every 6-8 weeks for a facial to maintain healthy, beautiful skin.

Product-wise, plumping and other anti-aging benefits continue to be the most common requests from our customers. We've also had numerous requests for treatment cosmetics, which is why we created Hybrids, our line of treatment cosmetics, which has been a big hit. Customers love the idea of products that provide a little coverage while helping diminish fine lines and wrinkles and help shrink the appearance of pores for a flawless face. Make-up that's actually good for your skin is in high demand.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

People are beginning to embrace an Inclusive Health philosophy – one that looks at the body as a whole and addresses youth and vitality through topical care, internal care and emotional self-care. I believe that spas and salons will begin to incorporate even more traditional spa services with integrated wellness care to address all three of these areas in clients. Treatments that focus on strengthening every system in the body from a cellular level up will become more and more common, resulting in not only younger-looking but also younger-feeling clients.

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## The Americas: United States

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Since we deal with owners and asset managers, our requests have more to do with how to rethink the value of spa assets. With so many spas now underutilized for reasons related to both the economy and having been overbuilt for the size of the hotel, we have been asked to come up with new programming that considers possibilities outside the traditional hotel spa.

Outside of the traditional hotel spa market, we have had the most requests for wellness spas this year than in past years. Potential new clients are now including more health practitioners. They are not asking for medical spas, rather they see the trend toward full service wellness and are looking for newer models in programming that include a wide range of services and facilities.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Funding is still tight. Much of what we have worked on are preconstruction phases to get financing in place.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

The U.S. economy is still sluggish which is slowing down any investment capital from being deployed. While the economy is improving, it will take another year for any serious shift to be released for both the new and existing hotel properties, some of which have not seen any improvements, for quite sometime. All of the RFP's that we have responded to for wellness centers are also waiting for funding with very few exceptions.

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## The Americas: United States

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Customers have become deal and discount seekers with the arrival of group-buying sites in the past two years. It is difficult to fully understand at this stage if regular spa customers have become deal seekers or if deal seekers have become regular spa customers. Option one would be a disaster for the industry as our margins would be further eroded and would put a lot of spas out of business. Option two would be the goal officially pursued. The key word here is “regular.” A deal seeker that does not become a regular customer at normal margins becomes a marketing expenditure without ROI. I am hopeful that option two is happening for us:

- The most thoughtful reviews we have received in the past 6 months have been coming from group buying customers “surprised” at how well they were welcomed despite the fact that they received 50% discount. This kind of exposure makes it all worth it.
- Most group-buying customers are actually happy to be upsold given the deal they just received.
- Our group buying customers returned to YeloSpa at a rate of 40%.

Customers continue to be better informed and concerned about their health. The fact that we specialize in sleep therapy puts YeloSpa immediately in the health and wellness category rather than pampering. So our customers come in with real issues and concerns and are happy that we have a team trained and educated to address them. I see that as a major change in spa customers for the past three years. And it is accelerating. I also think that the recession has made it necessary for clients to “justify” a spa treatment to themselves. This is why more customers consider serious spas as preventative care.

For us, skincare started as a new request and has become a very fast growing new business. We offer the regular skincare services such as facials and waxing but with a Yelo twist:

- Full organic line from Eminence. Customers appreciate the fact that the DNA of our products is close to the DNA of their skin.
- Fast and result-oriented (acne, anti-aging etc.) treatments for men and women.
- Very reasonably priced.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

The mobile commerce (smartphone apps) and group buying e-commerce are definitely the sector attracting the most investment these days. With stratospheric valuations of group buying sites such as Groupon at \$25 billion, investors are flocking like sheep into this sector.



In spa and wellness, I see more and more operators investing in very expensive skincare technology and devices. In terms of massage therapy, nothing can really replace the qualified human touch.

#### WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Given the huge pressure on margins these days, here is the way I see the future of the spa industry:

- Regular days spas will have to become way more efficient in terms of costs management in order to survive. Concretely this means that water-based treatments are going to be tough to keep, therapist commissions will be under pressure, and rents will have to be kept in line.
- High-end day spas will continue to attract a wealthy and affluent clientele in search of exceptional service or environment. But the key word here is exceptional. High-end brands will have to really justify the high-end prices. Affluent spa customers are becoming way more demanding and fake luxury will not cut it.
- I perceive a demand for wellness in places usually not associated with health and wellness such as airports, malls, and corporate office space. Xpress Spa has capitalized nicely in the airports.
- In Europe and in France in particular, I see a real demand and need for more wellness. The market is segmented in two categories there:
- Spas: usually high-end and tough to access.
- Instituts de beautee: specialized in skin care. Usually low-end and part of women's routine.
- What lacks is an accessible spa (speed, price and availability) that provides both wellness and skincare. French people are usually amazed and pleased to see the availability of these places in the U.S.

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## The Americas: United States

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

The last year has provided many the opportunity to reflect on... What is needed to provide the same service and experience with less? “More is not better”; spa directors have streamlined product brand selection and retail, creating clarity for the guest and for the provider. Education, service and special events are more critical than ever to drive retail sales. While education funding is limited together we have found ways to increase education and therapist confidence. Menus have been reduced in size and replaced with no-nonsense treatments that speak clearly to what the treatment provides. New treatments have been added to address immediate concerns such as aches and pains, non-surgical facelifts and multi-service treatments.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

The business sectors attracting investors are the clean technology, biotechnology and software industries. Within the hotel sector the overall growth is planned for China and India. Investments within spas are evident with the major rebranding of spa concepts within the luxury hotel segment. Corporations are investing in spas more heavily than in the past. Spas are a leading story for hotels to attract guests. Health and wellness: properties are introducing programs throughout the hotel that are wellness-oriented, i.e.: the healthy meal program at Fairmont Scottsdale. There is more investment in larger space for spa and wellness to include spa pools, fitness areas, yoga rooms and larger relaxation rooms.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

We believe that there will be continued interest and growth in the spa and wellness sector. We hope to continue to see a better merging of nutrition, exercise, mental well-being, and care of the face and body integrated not only into spas but also into wellness and medical centers worldwide. There will be a continued emphasis on corporate spa concepts leveraging worldwide distribution, consistent services and global pricing. Simplified menus and clear retail strategy with home care programs will be focuses. Result oriented treatments will continue to flourish in the day spa market as well as in luxury and resorts. There will also be an emphasis on sustainable products and treatments, using sustainable materials, organic and wild crafted ingredients, and reduced packaging and hotel utilities.

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K E R S T I N  
F L O R I A N



# Global

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

La Residencia Hotel: Spain

Now asking the price of the treatments and products. Not booking as many treatments, just one or two rather than one every day. More health oriented treatments requested in general.

Maroma Hotel: Mexico

Most of the customers are looking for an added value to each service for the price their paying, it wasn't like that before. More customers are looking for natural and organic treatments specially prepared with local products.

The Mount Nelson Hotel: South Africa

Due to the change of our recently launched brochure and treatments we can see that the customer focuses on spoiling a partner or oneself as a frequent request. The duration of the treatment increased and with the change in the menu and adjusting the prices we are on our way to be a more Luxurious Spa then to be comparable to the salon and city spa around us.

We try to achieve an image upgrade and customers are recognizing it. Hygienic aspects, welcome ceremonies, guest handling make a visit more special as the all over experience is much more complex than it was before.

The statistics are showing a cautious spending and the luxurious get away are rare. Focus is Massages 45 min to 60 min. Guests are asking a lot for specials and learning about our monthly newsletter. Awareness for a tough market lets the customer start to negotiate and trying to get the best price. As we are still in a metamorphose of recognition of a major change we sometimes lose a customer against a much cheaper offer from a "not direct" competitor.

2010 the top five was

- 1) 50 min Therapeutic Massage (comparable to Deep Tissue Massage)
- 2) 45 min Spa Pedicure
- 3) 45 min Spa Manicure
- 4) 30 min Destress Express Massage
- 5) 80 min Therapeutic Massage



2011 the top five is:

- 1) 60 min Deep Tissue Massage
- 2) 50 min Therapeutic Massage (is still included in the packages and as well for old vouchers)
- 3) 60 min Spa Pedicure
- 4) 60 min Librisa Deep Cleaning Facial
- 5) 45 min Librisa Back and Neck Massage

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

La Residencia Hotel: Spain

When it comes to the spa and wellness arena then feature treatment rooms are of high interest, particularly if technology is able to reduce the human involvement thereby saving running costs, i.e. floating rooms, etc. The Spa & Wellness areas at LRS that could attract most investment are the indoor pool, sauna, steam room, jacuzzi. This part of the Spa completes the whole Spa experience and are what people expect.

Maroma Hotel: Mexico

Health - Wellness Spa's and Medical Tourism, Wellness and health culture in Mexico is growing fast and providing a quality and professional service with very high standards just like any part of the world or even better.

The Mount Nelson Hotel: South Africa

Investments in the spa sector in my eyes is a comprehensive theme. A spa should invest in really good relaxation and wet areas.

The sauna families and wet area's should be an attraction on its own and really reflect the "SPA, Sanus per aquam" ethos. Why not constructing a Sauna experience that is guided and safe for each customer, implement a charge for a stunning time off without high staff costing and generating another revenue? You can book a guided tour and a unguided tour at specific times to not clash and calculate the staff costings much better.

Spa investment should focus on less staff costs and still have the possibility to generate revenue. Freelax floating i.e. is a treatment without much staffing but high in possible revenue. This can be sold as a skin supportive healing facility or as a stress decreasing or preventing tool. It as well could be sold as a deep relaxation for body mind and spirit, implementing light healing would make it even more communicative to possible consumers. It is a high investment but the return is easier and the staffing cost is not very high.

Treatment rooms should be multi-functional, spacious implementing wet area such as shower facilities and have to be couple friendly.



## WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

### La Residencia Hotel: Spain

Spain has over 90 health resorts or thermal spas, some of which date from remote antiquity and have been in use through the centuries. All these establishments offer besides curative treatments for a wide range of maladies, a diversity of hotels and sport and recreational installations. During the recent construction boom plenty of hotels were built mostly accompanied by wellness areas. Therefore there is a clear split between established traditional Spas mostly frequented locally and an abundance of new wellness offers being visited by tourists. Generally the established Spas are there to stay, whereby the newer facilities are undergoing a natural filtering process (quality over quantity).

### Maroma Hotel: Mexico

A good promising future regarding wellness, and that is because of the natural beauty in Mexico, more places are focused on Yoga and wellness retreats , Wellness centers, health resorts and assisted living facilities.

### The Mount Nelson Hotel: South Africa

In South Africa the spa industry is very price sensitive. At the moment the focus is very much onto chemical peels, laser therapy and high tech and less versus spa experiences. I believe there is a change coming soon that leads towards environmental awareness, going green and being pure. You might not turn a laser person into a green frog, but a bigger crowd of customers will be seeking for purity rather than chemicals especially in the spa environment away from salon treatments.

The difference will be as well to seek for highest service standards, having a clear concept, education and definitely hygiene. A better education of the spa staff and implementing safe and highest hygiene is mandatory for the future. A laser therapy in a green environment is not harmonious and it is essential that in the future the profession and offer is specified. Spas will need to understand this and salons will feel it as well.

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# Global

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

Our customers are seeking more and more information about wellness in general. If they are getting a massage – they want to know the best ones suited to their needs and why. If they are getting a facial, they want to understand why one works better than another. It is imperative that our staff stay up to date and can answer these types of questions knowledgeably. Customers are time pressed; this sometimes leads everyone to go to shorter treatments – we have not necessarily found this to be the answer. Our guests don't want time wasted. Once they have made spa time a priority (invested in it) – they want it delivered perfectly with the results intended. They still have the 60 or 90 minutes but they want perhaps more time on the table and fewer “frills” at least for the regular day guests. Holiday guests still want the total experience with foot rituals etc.

Our customers are incorporating spa into their lives – they see us more as one of the partners in the health. This likely goes hand in hand with the demands for more information but they see us as part of the things like inflammation or pain management or simply staying active with the passions they have (e.g. being able to ski better or recover more quickly). Our spas are more often being used as a club or after-work place to meet. They are fun places.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

Growth countries for hotels and spas continue to be China, Middle East and Eastern Europe (former USSR countries). There are a few investors who are seeing the slower time as an opportunity to add spas to resorts (or upgrade them), getting ready for the anticipated growth in the next few years. We do have to look for new and differentiating ways to improve profitability with luxury spas either in design of the facilities or approach to services.

WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

Strong growth potential in all areas. We have not seen any serious declines in demand throughout the economic downturn indicating that our guests have made spas a priority. I think health will become the new luxury at all levels – and spas will be a key component of that.

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**FAIRMONT  RAFFLES**  
**HOTELS INTERNATIONAL**



## Global

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WHAT ARE SOME CHANGES YOU HAVE NOTICED IN YOUR CUSTOMERS THIS PAST YEAR? ARE YOU SEEING ANY NEW REQUESTS FROM CONSUMERS?

There is a surge of new developments in emerging markets including China, India, and other countries in Asia, Northern Africa and Latin America. China has become Starwood's second largest hotel market with over 60 hotels open and 86 in development. We are opening 40 new hotels in Asia this year. This international hotel development is healthy for our spa growth since less than half of our North American full service hotel developments include spas, compared with around 80% internationally. It is a true challenge to build, open, and operate hotels and spas in newly developed markets, but we are able to leverage experienced regional teams and a growing workforce of employees with expertise in our existing hotels.

The advantage of having a first-mover advantage in developing countries is that we are establishing a connection with the global travelers of tomorrow. By 2015 China will have 100 million outbound travelers (the same number that visit France each year), becoming the largest travel market in the world.

WHAT SECTORS DO YOU SEE ATTRACTING THE MOST INVESTMENT CAPITAL THESE DAYS? WHAT ABOUT WHEN IT COMES TO THE SPA AND WELLNESS ARENA?

**Rising Expectations of the Spa Consumer:** Around the world, all of our spa directors speak to the rising expectations of the spa consumer and the need to provide the highest levels of service in order to be competitive. Consumers are looking for the best value for their money and have high expectations both in terms of the quality of treatments being offered and the level of service.

**Deep Discounts:** Consumers are more and more looking for discounts and deals for their spa experiences. Websites are popping up globally that use social media leverage to drive large volumes of business to spas (and other businesses) at deeply reduced prices. The spa industry must tread carefully in these waters for risk of completely devaluing the services they offer.

**Where Does Hydrotherapy Fit In?** Hydrotherapy has been squeezed out of many spas due to challenges with cost and sustainability and difficulty in sales and marketing. Consumers are starting to notice its absence and see hydrotherapy services and facilities as a real value add for a spa as well as a mark of authenticity.

**Greening and Sustainability:** Consumers want to lighten their load on the planet, spa leaders are passionate about the planet and interested in making positive changes with respect to greening and sustainability, and even large corporations are moving towards more sustainable operations. Starwood has announced the most aggressive sustainability goals in the industry, pledging to reduce electricity usage by 30% and water consumption by 20% by the year 2020.



## WHAT IS THE FUTURE LOOKING LIKE FOR SPA AND WELLNESS IN YOUR COUNTRY?

**Branding is Not Enough:** Our strength has been our strong portfolio of brands. However, these brands are only as good as their ability to help us create deep connections with our customers. The ability to engage with our associates and customers in a meaningful way is the most important factor in our success and our focus for the future.

**Spas Worldwide Becoming More Gender Neutral:** In the Western hemisphere, the stigma of spa as a primarily female activity has all but disappeared. While women still make up the majority of spa-goers (in no small part driven by beauty services that are still more appealing to this segment), spas are just as attractive to men who enjoy the facilities and therapeutic massage services. Visiting a spa is seen as an act of self-care for both genders.

In the Asian countries, the gender bias goes strongly in the other direction, with men making up the largest percentage of spa-goers. But these countries are also seeing more women come to the spa and are seeing men branch out beyond the traditional massage services.

**Spas Going Shallow and Deep:** With pressures from the global economy, spas are stretching in multiple directions. Some are moving towards health care, aligning themselves with hospitals and other medical services. Hospitals are also adopting alternative care centers with spa-like facilities and services to respond to a growing recognition in the scientific community of the importance of holistic aspects of treatment.

Other spas try to stay at arm's length from health care systems which may be controlled by governments or big business insurance companies but try to offer a better option with more personalized service and a focus on lifestyle and prevention.

On the other hand, the medical cosmetic spa market also continues to grow with non-medical spas feeling the pressure to add cosmetic services such as injectables and laser treatments to follow the proven success of this business model.

Within our portfolio of brands, we do not skew too far in any one of these directions but we do vary the offering of each spa depending on the specific market segments that have relationships with each of our brands. The spa industry in general will continue to have to reconcile the segmentation into these different identities.

**Sleep, Food, Mood, Exercise:** Wellness has evolved from being only a physical dimension of health. While the past several decades have focused on food and exercise as the two primary keys to wellness (the fuel and maintenance of the body "machine"), today's wellness programs incorporate aspects of psychological wellbeing such as mood, emotion and mindset, and stress the importance of sleep, rest and recovery.



**Food Takes a Central Role:** Food is taking center stage not only for its role in health, but also for its impact on planetary wellbeing. There is a growing awareness of the challenges of factory farmed food and a movement towards vegetarianism and other more sustainable food choices.

**Innovation:** Notwithstanding the distinct segmentation of the industry, the spa offering has become somewhat homogenous. Unique features of specific spas, such as offering Asian specialties, hot stone treatments and couple's facilities, have all become standard operating procedure at spas worldwide. There is an opportunity for spas to branch out with a unique perspective on the spa experience and do something that will set them apart from the competition.

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# Global

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The Leading Hotels of the World – with a portfolio of more than 430 of the finest hotels, resorts and spas in 80 countries – offers spa-goers a global selection of 97 Leading Spas in 30 countries and the Caribbean. The accredited spas have met strict standards that luxury consumers have come to expect from the Leading brand.

Across the collection, we see a move to highlight the unique aspects of each spa, whether through the use of organic elements, culturally inspired modalities, or healing rituals. Guests are increasingly more concerned with prevention, and they avidly seek to be educated and to incorporate a new healthy style in their life, along with the wellness and fitness elements; therefore the spa itself would be seen as a place where beauty, cure, prevention, and maintenance are not regarded as luxuries, but as necessities. The latest requests are especially related with complete personalized programs where they want to feel completely transformed, top to toe.

During this past year, we see that men have changed their attitudes towards spa treatments, embracing the aesthetic as well as the health benefits. Among the service providers across Leading Spas, ESPA, for example, has developed a special range of products for men's facials. People are also looking for more organic and natural product choices now. Social networking and consumer reviews are an acknowledged part of marketing strategy.

In the investment and development side we look for new spas in Argentina, France and the Dominican Republic in 2011/2012. In design and innovation we see an increase in spa villas with in-room gyms and private plunge pools as well as venue treatment areas in gazebos, cabanas and private beaches. Spas strengthen their core mission in the planned renovations to expand treatment and medical facilities. Also, more luxury 'destination spa' type experiences with stays of 4, 7 or 14 days are promoted to focus on 'better aging,' well-being, slimming and nutrition.

Regarding the future, we believe there will be even more diversity in terms of the variety of spa services and guest experiences. The spa becomes a place to socialize, to feel good, a getaway, a place where guests can learn more about themselves and how their bodies are functioning. It is also a cocoon of peace and indulgence, a place where pains and aches are alleviated, a place that offers a sense of 'belonging', rather than simply being a place that one visits on the odd occasion.



We also see destinations becoming more ecoconscious and more eager to identify with the health and wellness traveler; for example, the spa development in Mauritius, South America (Brazil, Argentina), Dominican Republic, and throughout the Asia/Pacific region. There will be a growth in marketing to the out-bound business from Russia as travel from the Middle East and Japan may be affected by political and environmental instability. We are truly a global spa market and everyone is tuned-in to adapt to changes in business based on the dates of Ramadan, local festivals and current events.

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