



EUROPE: *Austria*

CURRENT SITUATION

The tourism industry in Austria is very strong. With a population of about 8 million people Austria managed to handle approximately 125 million touristic overnight stays and 32 million arrivals in 2008, the big majority of guests coming from foreign countries. In the western (alpine) regions of Austria the touristic infrastructure is significantly higher, with a professional hospitality business and intelligent logistics (transportation system). The Austrian spa and wellness industry originated to a large extent in the local hotel industry. This is why the number of spas is high compared to international standards, and the average size relatively small. In 2009 more than 900 (!) hotels in Austria identify themselves as Wellness Hotels. According to professional critics, however, only about 350 of them meet today's high quality spa standards. The top 50-100 hotels deliver high end spa and wellness experiences and contribute significantly to the extraordinary reputation of the Austrian trendsetting health and wellness hotel industry.

The winter season 2008/09 has brought surprisingly good results, some areas have even grown compared to last year. Thus, the expectations for 2009 are not too pessimistic, estimating an overall reduction of tourism income in Austria of approximately 3 - 5 %. For 2010, stagnation on the 2009 level is being predicted.

SPA CATEGORIES

Due to Austria's natural resources, its medical history, and the recent touristic developments, thermal spas, medical spas (cure tradition!), Resort spas, and hotel spas are the dominating categories within the spa industry. Day spas have no relevance in the business yet.

CONSUMPTION AND SPENDING PATTERNS

Unlike other renowned wellness destinations, Austria has developed an extensive free-flow culture within its spas. A variety of (usually thermal) treatments is being offered without extra charge. Hotels often calculate that they get higher occupancy rates because of their wellness areas, and thus many do not get sufficient spa revenue directly from spa treatments. In the high end spa businesses treatments and product sales are significantly more important. This is why on this level a reduction of overall guest expenditures can be well observed, particularly in retail spending. Basic treatments and classical treatments are requested more, nonsense treatments (hot chocolate) are sought after significantly less. The need for personal consultation is on the rise. Similarly, package deals are becoming more important in the sales process, particularly for couples and families.

REVENUE SHIFTS

Despite the crisis most of the projects are carried out on schedule. No major cancellations of spa projects are reported yet, however there are less projects in development compared to 2007 or 2008. According to a recent survey of Austrian banking institutes, 19% of the entrepreneurs in tourism are still willing to invest, whereas in other industrial sectors this figure has come down to practically zero. Current investment plans are less hardware driven but rather focus on improving strategies, contents and conceptual designs in the spas.

It may be an advantage of the present condition of the Austrian spa industry that huge infrastructural efforts and enormous investments have already been made before the crisis. In addition, the cost-benefit ratio is known to be strong in Austria, especially in the 4-star sector. Being confronted with the current economic crisis, this particular initial situation may allow the spa industry to slightly reduce the infrastructural investments during the crisis, while at the same time improving the service, marketing and conceptual qualities of its businesses.

Austria's geo-strategic position is seen as an advantage in the current situation. Tourists from main incoming markets (Germany, Netherlands, Italy) are now less likely to book far-away international destinations and rather go on wellness-weekends within shorter distances, booking more frequently and spontaneously. 21% of the Austrians are planning to spend their vacation in their own country this year. This is 50% more than in 2007.

As a consequences of the current global situation, some analysts predict a renaissance of the wellness vacation in the Alps.

SPA AND WELLNESS RELATED PROJECTS

Generally speaking, no major project has been cancelled. Some re-investment projects in existing spas have been delayed due to the financial market situation. Three major thermal spa projects are being built right now for approximately €80 – 120 million each. In addition, about 10 major spa projects are under construction at the moment. 5-10 further projects are in the phase of development right now. Apart from these major and trendsetting spa projects, numerous spa extension and modernization projects are under construction.

OPPORTUNITIES

Crisis and recession stimulates the selection process within the industry. Internal weaknesses will be detected easier. The quality of guest-consultation processes will improve and the marketing efforts (particularly for long term and repetitive clients) will be intensified. Business plans will be rewritten according to the changing economic situation. Finally, and most importantly, the service quality will further improve.

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