



EUROPE: AUSTRIA

CURRENT STANDING

The Spa and wellness industry in Austria continues to be very strong. Deeply rooted in the traditional European medical cure tradition and its numerous thermal baths, Austria became an early adopter (some say pioneer) of the modern wellness industry in the late 1980s. Ever since then it has built up its position as a potent player in the international spa and wellness market. The hotel market in Austria has always been dominated by privately owned businesses; hotel chains have been hardly noticeable till recently. Consequently, the average hotel size in Austria is smaller, and the hotel density higher compared to international standards. A great number of hotels have added spa and wellness offerings to their portfolio, a trend that continued even through the financial crisis. According to a renowned hotel testing company there were close to 700 wellness hotels in Austria by 2005. In 2012 more than a thousand hotels claimed that wellness label for themselves, an increase of 50% in 7 years. Not all of them are high quality, of course, but they all indicate the outstanding significance of the wellness industry in Austria. According to the Austrian Tourism Bank, 44 out of a 100 4-star and 5-star hotels in Austria offer Wellness in some form, 14 of them as a core business. Hotels with a dedicated wellness priority are 50% bigger than the average hotel with 150 versus 100 beds respectively. Similarly, the occupancy rate of dedicated wellness hotels is approximately 25% higher, the revenue about twice as high as in the average 4- or 5-star hotel in Austria. So far, so impressive.

This euphoria triggered an unparalleled investment boom in the Austrian wellness industry during the last decade. A great number of thermal spas were built or re-built, high quality wellness hotels and health resorts were developed. However, the boom also led to significant over-building and over-spending. A considerable number of enterprises are still suffering from these exaggerated and often one-sided investments in expensive wellness infrastructure.

ECONOMIC ASPECTS

Austria is a small country in the center of Europe. With a population of hardly more than 8 million, Austria welcomes more than 36 million tourists annually, producing a tourism revenue of over € 21 billion every year. This is approximately 5% of Austria's gross domestic product. It goes without saying that the domestic market cannot produce these figures, so the large majority of tourists comes from out of the country. Traditional source markets like Germany are stagnating (on a high level); others are slightly breaking down, for example, Italy, due to its current economic problems. Other markets, mainly the new middle classes in the eastern European countries and Russia, are growing rapidly and are together responsible for a continuous growth of the domestic Austrian spa and wellness market. This is particularly true of high end spa offerings.

SPA CATEGORIES

Due to its particular tradition and natural resources, thermal spas are still an important factor in Austria's spa industry. Big investments have been made in the eastern part of the country with considerable economic success, particularly in the early phase of the boom, but a saturated market can be discerned today. Medical spas are clearly on the rise, the demand is constantly increasing. High labor costs in Austria, particularly for professional staff, force medical resorts to be an expensive high-end product and to remain only a segment in the overall spa market, however prestigious and lucrative. Austria's medical spa market clearly profits both from the reputation of its medical tradition and the intactness of its natural surroundings. As described above, the resort spa and hotel spa sector constitute the backbone of our domestic spa

industry and will continue to do so in the near future. Day spas are on the rise, particularly in urban settings. They were practically nonexistent in Austria a decade ago.

INNOVATION

Competition triggers innovation. It is not surprising, therefore, that numerous innovative ideas, offerings and wellness concepts originate in Austria. Wellness clusters and public subsidies support innovative ideas and developments. Architecture and design have become an important distinguishing factor in younger spa projects. A new interpretation of the traditional alpine style has been developed lately: young, functional, colorful and consequently local in its materials and products. An increase of outdoor programs can be observed in many spa menus, obviously due to the growing nature deficits of western society. Similarly, burnout and lifestyle management programs are on the rise as a consequence of the evident new demand. Unfortunately, in many cases these are not professionally developed yet (as honestly multi-disciplinary and holistic offerings).

CHALLENGES & OPPORTUNITIES

Austria's spa industry has faced enormous quantitative growth during the last two decades. Numerous flagship hotels and medical resorts have been developed on an internationally renowned level. However, too many projects have been realized on a similar 4-star level with similar architecture and similar offerings. There was too much belief in the mere development of exchangeable infrastructure. Many of these wellness hotels are finding themselves in a stagnating or negative price spiral today. All these undeveloped hotels are now at the threshold of truly content-related developments and strategic progressions in order to redefine their individual USPs. A big challenge, no doubt.

But this challenge also implies big opportunities. And these lie in the very structure of the Austrian family-owned small scale hotels. All relevant offerings in these hotels are intensely interwoven with each other - the cuisine, the room structures, the community rooms, the wellness department, indoor and outdoor - so that the concept for such a wellness hotel needs to be developed as a whole. And this is exactly what the experienced customer demands today: one style, one goal, clearly defined target groups, seamless treatment, sleep, food, nature and educational concepts in a community-building and personalized small scale setting. All this can be delivered by this kind of hotel business far better than by any international hotel chain. Here lies a great opportunity for the Austrian wellness industry in the years to come.

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