



Hungary & Central Europe

BACKGROUND

The situation in Hungary and Central Eastern Europe (CEE) is very similar. Spa tourism started in the 19th century in Central Europe, with Hungary being an integral part. At that time, the Kingdom of Hungary consisted of present-day Hungary, Slovakia, Transylvania, and the northern part of Serbia. It contained famous spas such as Postyén, Herkulesspa, Tusnad Spa, and Magyar-kanizsa. The significance of Hungary in the 19th century spa-world is clearly reflected in the fact that the Spa World Association was founded in Budapest in 1937.

The current spa and wellness industry in this region is divided into traditional spas and spas for international consumers. Budapest, the richest capital city in the world when it comes to thermal waters, has its traditional renewal spas as well as some specialty spas like the Hévíz, with a natural thermal lake and Egerszalók, with a Pamukkale-like salt hill. More and more indoor spas have been built in compliance with international standards. Unfortunately, approximately 60% of the market of spa businesses have not made much progress in the past 50 years, although modern outdoor pools are becoming more and more prevalent.

ECONOMIC CLIMATE

The current financial downturn has had little effect on the majority of people so far, and it hasn't had a dramatic effect on local spa consumption. Revenue generated by domestic visitors did not decline until the middle of 2009, although the increase in recent years did not seem to continue. In the last half of 2009, however, revenue has changed with approximately 15% fewer visitors using spas compared to a year ago.

The number of foreign visitors has decreased slightly, but not on special holidays (like Easter). Also, there was a disruption in flights to Héviz, the best-known Hungarian resort, but in April the flights restarted. Now it appears that the number of foreign visitors will continue to drop because of the financial crisis, although this may also constitute an opportunity for Hungary and CEE, which has had a long tradition with spa-tourism and low prices. We are an inexpensive alternative for people who decided on more expensive destinations in the past.

Within the CEE region, the share of revenues derived from spa treatments is well below that of hotel revenue or spa revenues in other areas. An alignment to international trends had already begun but due to the current economic crisis, this process stopped. While people are still visiting spas in hotels, they are less eager to try new treatments.

Hungary and the CEE has had the opportunity to use its relatively low priced offerings as an attraction to the more cost-conscious European market. A focused marketing strategy would also



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help promote the spas in CEE. It is, however, very unlikely that this area will ever regain its position as the market leader it once was in the first half of the 19th century.

STATISTICS

The most interesting statistic is the strong position of the wellness and medical spa hotels in relation to other Hungarian hotels. In 2009, 7 million guests spent 18.3 million guest-nights in Hungary. The number of guests decreased by 8.3% and the number of guest nights decreased by 8.4%. However, in 2009 the number of guests in wellness hotels only decreased by .7% and the number of guest-nights actually increased by .3%! Despite the crisis, one of the biggest indoor spas in Europe, located in Hajduszoboszlo, as well as 6-8 other new indoor spas in Hungary expect to see significant growth in the number of spa goers and foreign tourists.

Demand for the more expensive services did not decline. The customer seems to be willing to pay for quality. Also interesting, there is growth in more extreme services such as a nightbath. Demand for higher priced and quality services seems to continue. We are also noticing a positive result from the taxation holiday voucher that is being used to help increase domestic tourism.

INNOVATION

Hungary has many new and modern covered spas. 4- and 5-star hotels have been built as a result of the developments in the last decade. There are plans to redesign the traditional treatments according to world trends, but at the same time preserve the strong heritage and medical spa background from this area.

An Innovative Tourism Cluster NGO is trying to develop complex spa treatment packages and know-how based on the natural fruits of the region. Also there is effort to promote medical research that can properly measure the effects of spa treatments (including the effect of water) even on a molecular level. Among treatments, the Crio sauna and oxygen bath are the newest break-through items. Budapest and Eger have renovated their traditional Turkish spas. They are amongst the most impressive in the world when it comes to traditional spa pools. Based on trends that are showing increased interest in the medical spa arena, traditional Central and Eastern European spas (such as the Gellért, Széchenyi, Rudas) as well as sanatoriums may likely contribute to the renaissance of traditional spa-ing.

SUBMITTED BY:

Dr. Tamás Várhelyi
Director, College Professor, CMC
Tourism Knowledge Center, Szolnok College
Szolnok, Hungary

+36.30.943.1041
varhelyit@hotmail.com