



THE MIDDLE EAST & AFRICA: *United Arab Emirates*

ECONOMIC CLIMATE

2009 and 2010 have been a yin/yang experience. 2009 was definitely yin with guests being a lot more cautious with spending which reflected in reduced hotel capture rates whilst 2010 has been more yang and seen a positive turnaround with business levels returning positive. As hotel capture rates dropped due to reduced hotel room rates, the local external market was able to help sustain business levels. The residents in the UAE still retained their high net worth and with the right kind of offers still frequented spas. Local residents don't like to be treated like tourists and pay tourist rates, so creating loyalty incentive schemes and low period specials allowed treatment numbers to remain stable, although retail levels dropped as resident guests are less likely to purchase spa retail.

Another sign of the strong local market has been the increase in the number of day spas. Day spas continue to open and achieve positive growth. Local UAE business women are being drawn to the industry as it is seen as an attractive part-time business and they are succeeding through their strong local contacts and networking for these ladies-only spas. Gentlemen only spas have also seen an increase; however one concern is that many of the smaller day spas do not adhere to the local law of male to male and female to female therapists. Most 5 star establishments strictly adhere to the local rules and the smaller day spas and salons risk negatively affecting the reputation of spas in the region.

Although hotel capture rates were lower in 2009, there has been a positive return of hotel guests in 2010 as room rates have returned to previous levels. Hotel guests purchase of retail in the spa has also returned to 2008 levels. The economic climate also created the opportunity to streamline operations by looking at smarter staffing options, increasing therapist utilization % and reducing operating costs. Many spas in the regions are now more efficient as a result.

STATISTICS

Overall Dubai suffered a reduction in spa revenues in 2009 of approximately 30% which mirrored food and beverage and hotel revenue declines across the region. It is always interesting to see how spa revenues reflect hotel operations and the challenge for spas operating in hotels has been to increase internal capture rates during quite times and build external business levels to offset the typical cyclical nature of the hotel industry.

2010 however has been a completely different story with revenue returning to near 2008 levels. Once again this reflects a return in hotel occupancy rates. As rates increase, so does the internal capture rate. The challenge facing the UAE in the near future is the expected increase in the number of spas, particularly with new properties opening. The UAE has always had high occupancy levels due to high demand and the relatively low number of hotel rooms. In Dubai alone there will be 15,000 new rooms coming into the market in 2010 which will dramatically impact business levels since the anticipated number of travelers into the region is only predicted to increase 3% over 2008 numbers.

INNOVATION

Spas tend to be looking towards technology to drive innovation. The market seems to have been flooded with medical/wellness devices which have a wide range of claims. Equipment ranges from lipotropic devices and body contouring equipment, cold laser, massage, tanning and steam. The benefit of these devices is debatable however the question remains 'is this kind of trend good for the industry'. Obviously this equipment reduces labour costs, however they are more suited to the salon environment rather than spa. Salons which are calling themselves spas confuse consumers and with spas suffering from consumer ignorance in many parts of the world, legitimate spa experiences may be affected.

If spa becomes flooded with gimmicks then the credibility of the industry will suffer. I personally feel innovation should be coming from developing more legitimate physical therapies and therapeutic treatments rather than artificial equipment. The spa industry has only touched the surface of developing truly unique spa experiences using different raw materials and techniques.

Jumeirah is working on developing a bespoke wellness offering through its spa brand Talise. We recently launched our Integrated Medical Centre as part of the Madinat Jumeirah with a full team of medical staff, an onsite pathology laboratory and other innovative diagnostic tools. Programs have then been developed to combine spa experiences with the wellness experiences. For example we offer a 3 hour optimal health assessment which combines full blood and wellness diagnostics, a medical consultation, a lifestyle consultation, a spa treatment and health assessment report - all within 3 hours at the spa.

To compliment the integrated medical centre we also launched a new spa menu which takes the therapeutic element of the treatments to a new level. Each treatment has been enhanced with either therapeutic ingredients or techniques to allow guests a much more legitimate healing experience whilst still enjoying all the luxury spa elements. We are finding the return rate for guests much higher as guests feel the benefits and are happy to return and take more treatments.

Jumeirah has also been working towards developing an accurate forecasting tool based on hotel room rates, occupancy, seasonal trends, external business levels and previous business levels. By being able to accurately forecast business levels we have been able to better plan staff levels and promotional activities to maximize potential revenues.

SUBMITTED BY:

Jeff Butterworth
Wellness Director
Jumeirah
Dubai, UAE
Jeff.Butterworth@jumeirah.com
www.jumeirah.com

