



Horwath HTL™

Health and Wellness

Health and Wellness Market Report Germany

October 2014



Introduction

Horwath HTL Health and Wellness has prepared the following report, which examines wellness related hospitality business opportunities in Germany.

In order to identify potential opportunities, Horwath HTL Health and Wellness; (1) analyzed the current tourism landscape, (2) defined what wellness tourism is and who wellness travelers are, and (3) analyzed the current state of the global wellness tourism industry, paying particular attention to Europe.

Taking this analysis one step further, Horwath HTL Health and Wellness determines if the development of wellness related hospitality businesses would make sense in Rügen, one of Germany's most visited island destinations, with over 5.8 million nights sold in 2013 (Statistisches Amt, Mecklenburg-Vorpommern, 2014).

Tourism Landscape

In 2013, over 31.5 million international visitors arrived in Germany (UNWTO, 2014), with 71.6 million overnights (BDO, 2014). Largely dominated by European travelers (76%), the top three source markets for Germany in terms of overnight accommodation in 2013 were the Netherlands, Switzerland, and the USA. The highest growth was recorded from the Arabic Gulf States (+20%), Israel (+16%), and Russia (+16%) (BDO, 2014).

With an overall countrywide occupancy rate at approximately 67% in 2013 (+1% vs. 2012) (STR, 2014), Germany's hotel industry is ranked among the top three countries in continental Europe. According to STR (2014), Germany's Average Daily Rate (ADR) in 2013 was at EUR 94 (+1% vs. 2012), and the overall ADR in Europe was at EUR 101 (-1% vs. 2012). According to Smith Travel Research, Revenue Per Available Room (RevPAR) grew by 2% in 2013 in Germany (STR, 2014) to EUR 63.

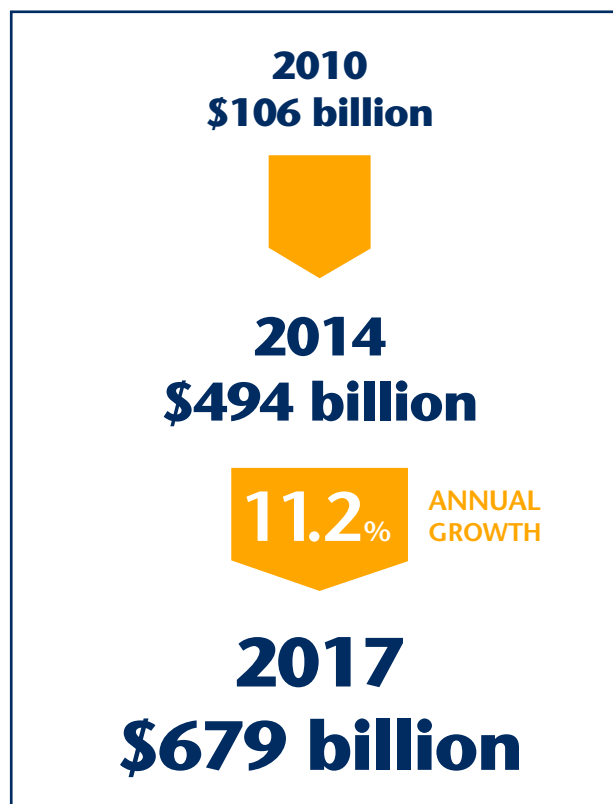
The World Travel Organization forecasts a global growth of international travelers by 3.3% per year until 2030, which can be primarily attributed to an increase in travel from emerging economies.

Wellness Tourism & Wellness Travelers

The Global Spa and Wellness Summit defines wellness tourism as “travel associated with the pursuit of maintaining or enhancing one’s personal well-being.” Furthermore they define wellness travelers as people who seek physical, mental and spiritual well-being during their travel. They are also likely to be influenced by environmental and social awareness. Their needs are addressed through healthy eating, holistic spa services for mind and body and personal growth including eco-friendly activities. Non-wellness travel is described as including the following; unhealthy food choices and over-indulging, travel stress, excessive drinking, poor sleep and disruption of a regular fitness routine.

For the wellness traveler, those activities, practices, and environments that promote greater wellness define the sole purpose or motivating factor for their trip and destination choice. The secondary purpose of a wellness traveler is simply to seek the maintenance of wellness while taking any type of trip, whether it is for business or for leisure.

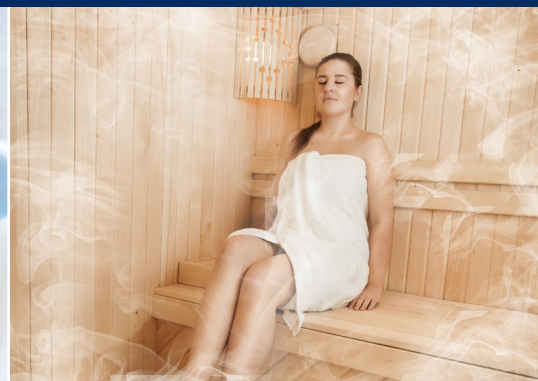
In 2004, Mary H. Tabacchi of Cornell University and the Survey Research Institute of Cornell University prepared a survey of destination spa users and standard vacationers with the intent of “determining the differences in perceptions of physical and mental energy levels, physical fitness levels, and perceptions of connectivity between destination spa users and standard vacationers with similar demographic and psychographic characteristics.” The study, which had a sample set of 1,000, uncovered many interesting differences that still hold true today; one of those differences regarding how destination spa users and regular vacationers view a destination spa and what items they value. Destination spa goers valued; (1) quality and variety of fitness and exercise programs, (2) hiking and other outdoor activities, (3) healthful food, and (4) cleanliness. Standard vacationers valued; (1) massages and pampering, (2) luxury, and (3) a beautiful, natural, warm location. Although this information is dated, Horwath HTL Health and Wellness believes that its findings are still consistent with today’s consumers. We believe that wellness travelers place value on items such as surroundings, on-property interaction and quality of the wellness offering, whereas classic vacationers place most value on items such as level of service, the luxury level of the in-room product, and the expected weather. As of 2010, the Stanford Research Institute valued the global wellness industry at USD 1.9 trillion, which includes the spa industry that was valued at USD 60.3



Source: SRI International, 2014

billion and the global wellness tourism industry that was valued at USD 106 billion. As of 2014, Stanford Research Institute reported that the value of the global wellness tourism industry had reached USD 494 billion, which is comprised of revenue generating from lodging, food and beverage, activities and excursions, shopping, in-country transportation, and other services. By 2017, the value of the global wellness tourism industry is forecast to reach USD 679 billion, representing 11.2% annual growth from today’s current value.

One way to capture wellness travelers is through the development of a destination spa, wellness retreat and/or bathhouse. Destination spas can trace their roots back to the era of traditional Greek and Roman bathing, (additional information on the history of destination spas is available in Destination Spas: Understanding the Wellness Benefits) and are resort or hotel type businesses conceptualized and operated around the approach of total wellbeing. At destination spas and wellness retreats, accommodation is generally sold per person through packages that include accommodation, three healthy meals per day, a selection of spa and wellness treatments, and daily activities. Packages are typically designed to target a specific health goal, such as detox or weight loss.

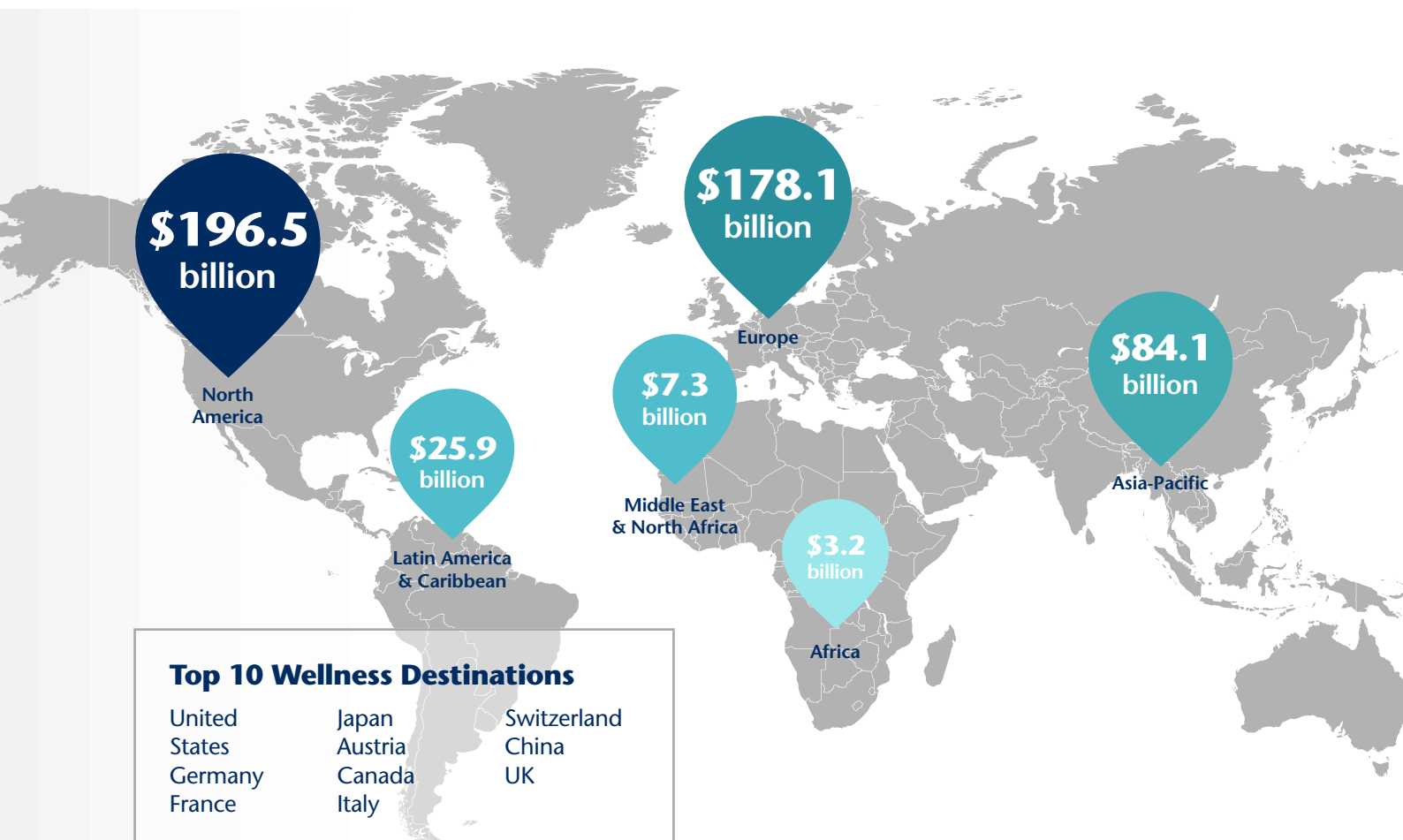


Wellness Travel in Europe

According to the Global Spa and Wellness Summit 2014, two out of five trips by Europeans are motivated by wellness. In terms of the number of wellness travelers that are of European origin, Germany has the largest number of wellness travelers followed by France, Austria, England, Italy and Switzerland. With more than 49 million wellness trips in 2012, it is predicted that the German wellness tourism market will experience an annual growth rate of 4.7% until 2017 (Global Spa & Wellness Summit, 2014; SRI International, 2014).

Popular destination spas and wellness retreats in Europe include but are not limited to: SHA Wellness Clinic, Palace Merano, Ayurveda Parkschlösschen, Terme di Saturnia, and Brenners Park.

The map below displays wellness tourism expenditure in 2013 by region. It is important to note that although Europe is ranked 2nd, the region produced the highest number of wellness related trips in 2013.



Source: SRI International, 2014

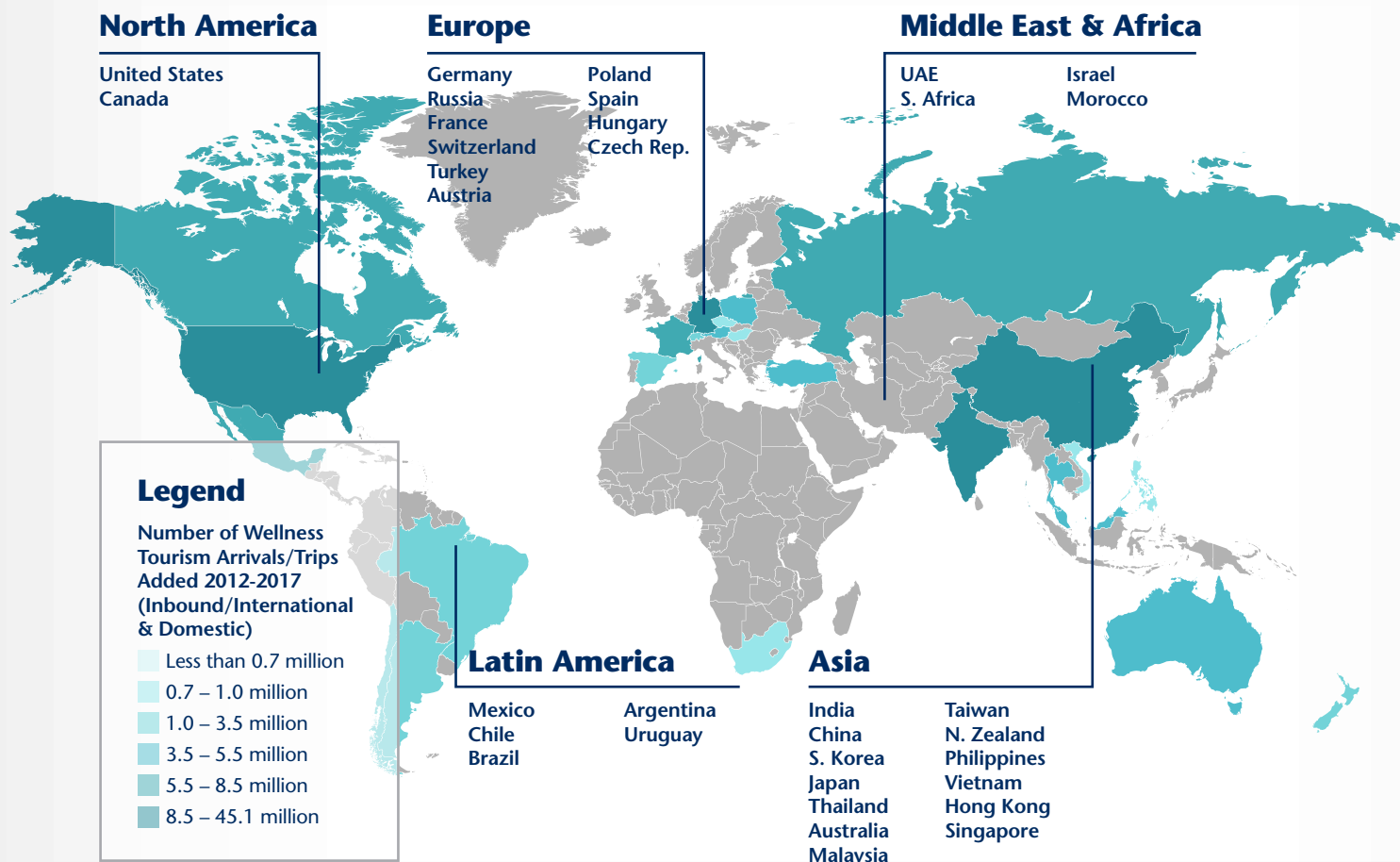


The map below, which was also provided by the Global Spa and Wellness Summit displays the outlook for wellness tourism between 2012 and 2017. It is important to note that parts of Europe, North America and North Asia, are all individually forecasted to add between 8.5 and 46.1 million wellness trips between 2012 and 2017. It is also important to note the growth potential of Asia.

If Asia were to produce the same number of wellness trips as North America or Europe, this would represent an approximate growth rate of 70%, from Asia's current level. Given the overall growth of international travel by Chinese citizens, Horwath HTL Health and Wellness does not feel that a 70% growth rate over

5 years is unreasonable. According to The China Travel Monitor 2014, travel destinations that the Chinese wish to travel to include USA, Switzerland, Germany, and Australia (SRI International, 2014). Horwath HTL Health and Wellness feel that the Asian market will grow in importance for the overall wellness tourism industry.

Looking at the current German wellness inventory, it is clear that the majority of the inventory is concentrated in central, west and southern Germany. The northern part of Germany, which is less dense and mostly known for its seaside resorts, does not offer a destination spa or wellness retreat that attracts both domestic and international consumer interest.



Source: SRI International, 2014



Rügen

Rügen is located off the Pomeranian coast in the Baltic Sea. It is linked to the mainland by road and railway and is characterized by numerous sandy beaches, lagoons and open bays. Rügen is ten times larger than Sylt, the German holiday island, but only has three times as many inhabitants. Rügen offers exceptional landscapes and facilities.

UNESCO has awarded the status of a World Heritage Site to the Jasmund National Park, which is famous for its sandy beaches and chalky cliffs, the main landmarks of Rügen Island.

In 2013, Rügen realized a total of 1,231,633 arrivals, of which 706,234 overnights stayed in Sellin, and their point of origin largely originated from; (1) Berlin area, (2) Hamburg area, (3) North Rhine-Westphalia, and (4) Saxony-Anhalt. According to the United Nations and as of 2012, the total population of these areas was 25.42 million, and all of these areas are within reasonable driving distance of Rügen. Rügen is largely supported by domestic tourism (representing approximately 96% of arrivals (Statistisches Amt, Mecklenburg-Vorpommern, 2014)); however, the number of guests from Sweden, Switzerland and the Netherlands has grown significantly over the past years.

According to the Ostseebad Sellin, the community had in 2013 a total of 1,667 hotel beds, which accounts for 21% of the total number of beds on Rügen. Currently, only two hotels in Sellin have a five-star rating and the average hotel occupancy in 2013 was at 44% with a highpoint of 80% during the summer season.



Conclusion

In conclusion, it is clear that Rügen offers a vibrant seaside, great national parks, world famous views, quaint fishing villages and numerous public gardens and parks. By combining all three items; the natural surrounding, interesting on-island tourism, and a wellness retreat, guests of both German and other nationalities would be offered a great product and wellness rooted experience. Horwath HTL Health and Wellness believes that Rügen embodies all the aspects that wellness travelers require when comparing destination spas and/or wellness retreats locations including; (1) organic

and picturesque natural surroundings, (2) a conducive climate for outdoor activities, and (3) proximity to key cities and/or international airports.

As European travelers nowadays prefer to have shorter excursions rather than overseas holidays, and Germany and the bordering countries see Rügen as a great destination for holidays, Horwath HTL Health and Wellness concludes that Germany is prime for wellness development, and Rügen is a great starting point!

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As a Director for Horwath HTL Health and Wellness, Matthew is responsible for the delivery of wellness-based market research and feasibility studies for projects ranging from wellness communities and wellness resorts to bathhouses, urban hotel spas, resort spas, and luxury fitness clubs. Additionally, he oversees all marketing and communication related activities, including the production of wellness-based industry reports. Matthew has worked across Asia, Europe, and North America, and co-authored the chapter, "Spa Feasibility – Steps and Processes" which was included in the first spa management textbook titled *Understanding The Global Spa Industry: Spa Management*, published by Oxford University Press. Matthew holds a Bachelor of Science and Arts in Business Administration from the University of Denver, USA, with a concentration in Finance.

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As a Consultant for Horwath HTL Health and Wellness, Olivier is responsible for conducting market research analysis and drafting feasibility studies for wellness-based hospitality projects. His specializations include financial forecasting, investment analysis, and development strategizing. Olivier holds a Bachelor of Science in International Hospitality Management from the Ecole Hôtelière de Lausanne, Switzerland, with a concentration in Finance.

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Welcome to Horwath HTL, the world's number one hospitality consulting network.

We are the industry choice: a global network offering complete solutions across all markets.

Since 1988 Horwath HTL has gained extensive market knowledge through involvement in thousands of projects globally. We use this experience to bring the maximum value to any assignment.

Horwath HTL has become synonymous with quality, service, impartial advice and expertise. We are known for always provided the highest level of service to our clients.

Whatever your requirements, large or small, national or global, Horwath HTL can help you succeed.

At Horwath HTL Health and Wellness, we demonstrate specialized expertise in the following:

- Wellness Communities
- Destination Spas
- Wellness Retreats
- Lifestyle & Wellness Centers
- Bathhouses
- Resort Spas
- Urban Hotel Spas
- Medical Spas
- Health & Fitness Clubs
- Day Spas

Benefits of working with us:

- Experts in spa, wellness, and health-based development who have contributed to the realization of world-class hospitality projects across the globe
- Multi-disciplinary team of in-house professionals from finance, market research, brand development, architecture, interior design, and hospitality management
- Extensive network of hospitality, spa, health, and design professionals
- International company representing various nationalities and languages with experience working across Asia, Europe, the Middle East, and North America

Our Services

At Horwath HTL Health and Wellness, we specialize in three key areas: Market Research & Feasibility, Concept Development and Executive Recruitment.

Market Research & Feasibility

Given the distinctive consumer profile and rapidly-evolving nature of the health and wellness market, our team's expertise reflects a demonstrated knowledge of global travel and tourism, barriers to entering the highly competitive and specialized health and wellness market, and industry trends of the past, present, and future.

A nuanced understanding is applied to each new project, its competitive marketplace, and an optimal positioning strategy for maximizing its operational potential. Our team of skilled researchers, analysts, and business professionals will initiate an in-depth site and competitive analysis along with a concentrated investigation of significant statistics and international development benchmarks in order to create a tailored business plan with detailed demand analysis and financial forecast reflecting the unique needs and potential of each project.

- Site Analysis
- Market Research
- Competitive Analysis
- Positioning Strategy & Target Market
- Service Platform Recommendations & Unique Facility Features
- Marketing Strategy
- Architecture Program & Adjacency Diagram
- Demand Analysis & Financial Forecast
- Investment Analysis

Concept Development

The concept is the underlying vision for a facility, which drives its unique layout, menu of services, professional product selection and service philosophy. It is the perfect balance of creativity combined with strategic thinking and operational sensibility that determines a detailed, well thought out concept and ensures consistency across not only each facet of the health and wellness facility development but synergy throughout the overall property. Horwath HTL Health and Wellness provides the creativity to develop those distinctive theme, design, service and menu touchpoints that turn an ordinary wellness experience into one that is distinctive and captivating.

Wellness Hotels

- Overall Development Concept
- Positioning Strategy
- Cultural & Design Influence
- Initial Look & Feel Recommendations
- Rooms & Accommodation Concept
- Food & Beverage Concept
- Human Resource Philosophy
- Service Culture & Employee Standard Recommendations
- Wellness Concept
 - Treatments & Service Menu
 - Wellness Program Platform
 - Professional Product Line Recommendations
 - Sequence of Service with Initial Location Specific Service Touch Points

Hotel Spas

- Concept Statement
- Positioning Strategy
- Cultural & Design Influence
- Unique Facility Features
- Initial Look & Feel Recommendations
- Treatments & Service Menu
- Professional Product Line Recommendations

Executive Recruitment

The team and its leadership is one of the most important factors to the success of any spa, bathhouse, wellness center, and wellness-centric hotel and resort. It is vital to ensure that the leadership positions have the correct skillsets and expertise to guide the team and drive profits. Horwath HTL Health and Wellness, led by a team of hospitality professionals with multiple years of experience in developing, setting up, opening and managing hospitality establishments, offers executive recruitment to support you in identifying the best fitting candidates for your senior management wellness positions.

- Senior Wellness Team
- Recruitment Selection Process
- Detailed Interviews
- Candidate Presentation



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