



Spa

Benchmark Survey report

January-March, 2010

Introduction

Ernst & Young Spa Benchmark Survey

We are pleased to share with you here the results of Ernst & Young's spa benchmarking survey for first quarter 2010.

Per detailed year-end analysis for 2009, hotel spas showed a strong performance at the end of the year. This positive trend for Dubai hotel spa performance appears to continue through Q1 2010. We invite you to turn the page for more detailed analyses.

This report tracks and compiles the performance of leading Dubai 5-star hotel spas, and the results are presented on a monthly and year-to-date basis in UAE Dirhams and US Dollars. Inside the pages of the report, we track ten key metrics, designed to calculate specific spa operational performance. Some of these metrics are in use internally at spas, while some others are recommended due to their commonality across different types of spas to allow for benchmarking.

This monthly Spa Benchmark Survey has been started as an additional service to the hospitality sector to complement our ongoing monthly Middle East Hotel Benchmark Survey. The EY Hotel Benchmark Survey presently comprises key performance indicators from within major cities and resorts all across the Middle East and North Africa region, and is now in its sixth successful year.

We are confident that the Spa Benchmarking Survey will replicate the success of our Hotel Benchmarking Survey; and both the reports in tandem will provide hotel/ spa operators, owners/ investors and developers alike with invaluable information which can profitably drive their management and investment decisions.

As always, we would like to gratefully thank all of our data partners who have kindly and generously contributed their time and expertise for detailed brainstorming discussions during the development process of this new initiative; and shared their spa performance data to allow for the creation of this report. Your invaluable support, encouragement and continued participation are greatly appreciated.

We thank you for your patronage to date - and look forward to hearing your thoughts.

Sincerely,



Paul Arnold
Principal
Head of Transaction Real Estate Advisory Services- Middle East
Ernst & Young

Disclaimer

The Spa Benchmark Survey was developed and is maintained by Ernst & Young's Dubai office under the direction of Paul Arnold, Principal of the Transaction Real Estate Advisory Services division. It is intended for informational use only. The reader should consult his or her professional investment advisor, attorney, or accountant before making any decision or taking any action based upon the information presented in this document. Benchmark data is provided by individual hotel/spa companies.

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Key Insights

Based on the inputs provided by our data contributors, followed by discussions with spa operators in Dubai, the following are key insights from our survey results:

- ▶ The positive trend noted in spa performance in last quarter of 2009 continued through the first quarter of 2010. Aggregate revenues (revenues generated by treatments, retail sales, fitness and related memberships, and other charges) for Dubai hotel spas in Q1 2010 were evidenced to be 45.5% higher than spa revenues in Q1 2009. Spa treatment revenues were approximately 70% higher and number of treatments booked was approximately 62% higher in Q1 2010 as compared to Q1 2009.
- ▶ Year-to-Date Average Treatment Revenue per Treatment Sold (ATR) stood at AED 372 for overall Dubai hotel spas in Q1 2010 versus AED 355 in Q1 2009, signifying an approximate 5% upsurge. While spa ATR declined by approximately 3% across overall Dubai hotel spas from January to March in 2009, it increased approximately 4% in 2010 over the same period. Please refer to charts in the year-on-year comparison (Q1 2010 versus Q1 2009) section of this report for more highlights on key improvements this year over previous year.
- ▶ Given the increased emphasis on operational and business process improvement at spas this year, trends in Revenue per Available Treatment Room Hour (RevPATH) should be carefully studied as this metric directly opens doors for revenue management techniques. RevPATH can be used for accurate analysis of a spa's utilization as it allows for fair comparison of varied spa services/ products/ treatments as well as different types of spas by comparing revenue generation over a universal metric – one-hour of time. Year-to-Date RevPATH in Q1 2010 for overall spas came in at AED 77, reflecting a 5.5% increase over the AED 73 RevPATH in 2009 over the same period.
- ▶ Year-to-Date utilization of treatment room hours for overall Dubai hotel spas was approximately 25%. Utilization of treatment room hours reflected a marginal improvement of approximately 1pp from January to March.
- ▶ Year-to-Date utilization of therapists' hours for overall Dubai hotel spas was 54%, reflecting a marginal decline of 0.5pp from January to March. However, utilization of therapists' hours increased by 6.5pp in Q1 2010 compared to Q1 2009, which is indicative of better scheduling and higher staffing efficiencies achieved in the current year.
- ▶ Year-to-Date percentage split of spa treatments booked by hotel guests versus non-hotel guests is 61% and 39% respectively. On a monthly basis, the percentage of hotel guests visiting the spa ranged between 60% and 62%, which is higher than the 48% to 58% range witnessed during all the months in 2009.
- ▶ Year-to-Date retail revenue component of the total spa revenue stood at 10.6% for overall Dubai hotel spas. On a monthly basis for Q1 2010, retail revenue percent contribution to total spa revenue was consistently lower at city hotel spas than beach hotel spas. The retail spend per booking increased approximately 13% from AED 54 in January to AED 61 in March for overall Dubai hotel spas. Retail sales remain an under-exploited component of spa operations. With improvements in spa performance in the last two quarters, it would benefit spa operators to apply increased attention to sales efforts with the goal of maximizing profits from this high-margin revenue stream this year.
- ▶ Per feedback and request from data spa partners, in addition to monthly averages for performance of beach and city hotel spas, we have illustrated the spread between highest and lowest performers in the market. The objective is to provide deeper insights into market trends so as to aid spa operators' internal analyses and decision-making. Please refer to charts in the trends (Q1 2010) section of this report.

Key Performance Indicators:

January 2010

Currency : AED

Month of 2010 : January

Key Performance Indicators	Dubai Beach Hotel Spas	Dubai City Hotel Spas	Dubai Overall Hotel Spas
1 Average Treatment Revenue per Treatment Sold	371	363	368
2 Average Daily Treatment Revenue per Treatment Room	961	757	873
3 Average Daily Treatment Revenue generated by Therapist	1405	938	1185
4 Revenue per Available Treatment Room Hour (RevPATH)	82	59	72
5 Utilization of treatment rooms' hours (as a percentage of available treatment room hours)	26.2%	21.0%	23.9%
6 Utilization of therapists' hours (as a percentage of available therapist treatment hours)	57.4%	50.9%	54.5%
7 Fitness and membership revenue (as a percentage of total spa revenue)	30.7%	41.9%	35.8%
8 Retail revenue (as a percentage of total spa revenue)	12.7%	7.5%	10.7%
9 Treatments booked by hotel guests (as a percentage of total treatments booked)	67.5%	53.9%	62.4%
10 Treatments booked by non-hotel guests (as a percentage of total treatments booked)	32.5%	46.1%	37.6%

Currency : USD

Month of 2010 : January

Key Performance Indicators	Dubai Beach Hotel Spas	Dubai City Hotel Spas	Dubai Overall Hotel Spas
1 Average Treatment Revenue per Treatment Sold	101	99	100
2 Average Daily Treatment Revenue per Treatment Room	262	206	238
3 Average Daily Treatment Revenue generated by Therapist	383	256	323
4 Revenue per available treatment hour (RevPATH)	22	16	20
5 Utilization of treatment rooms' hours (as a percentage of available operation treatment hours)	26.2%	21.0%	23.9%
6 Utilization of therapists' hours (as a percentage of available therapist treatment hours)	57.4%	50.9%	54.5%
7 Fitness and membership revenue (as a percentage of total spa revenue)	30.7%	41.9%	35.8%
8 Retail revenue (as a percentage of total spa revenue)	12.7%	7.5%	10.7%
9 Treatments booked by hotel guests (as a percentage of total treatments booked)	67.5%	53.9%	62.4%
10 Treatments booked by non-hotel guests (as a percentage of total treatments booked)	32.5%	46.1%	37.6%

Note: Fitness and membership revenue percentages indicated only for spa operations in sample that include fitness component

Key Performance Indicators:

February 2010

Currency : AED

Month of 2010 : February

Key Performance Indicators	Dubai Beach Hotel Spas	Dubai City Hotel Spas	Dubai Overall Hotel Spas
1 Average Treatment Revenue per Treatment Sold	348	393	365
2 Average Daily Treatment Revenue per Treatment Room	1018	896	965
3 Average Daily Treatment Revenue generated by Therapist	1423	1054	1247
4 Revenue per Available Treatment Room Hour (RevPATH)	79	68	74
5 Utilization of treatment rooms' hours (as a percentage of available treatment room hours)	25.6%	22.1%	24.1%
6 Utilization of therapists' hours (as a percentage of available therapist treatment hours)	55.1%	46.6%	51.3%
7 Fitness and membership revenue (as a percentage of total spa revenue)	33.5%	39.3%	36.1%
8 Retail revenue (as a percentage of total spa revenue)	11.8%	5.9%	9.4%
9 Treatments booked by hotel guests (as a percentage of total treatments booked)	65.6%	50.3%	59.9%
10 Treatments booked by non-hotel guests (as a percentage of total treatments booked)	34.4%	49.7%	40.1%

Currency : USD

Month of 2010 : February

Key Performance Indicators	Dubai Beach Hotel Spas	Dubai City Hotel Spas	Dubai Overall Hotel Spas
1 Average Treatment Revenue per Treatment Sold	95	107	99
2 Average Daily Treatment Revenue per Treatment Room	277	244	263
3 Average Daily Treatment Revenue generated by Therapist	388	287	340
4 Revenue per available treatment hour (RevPATH)	22	18	20
5 Utilization of treatment rooms' hours (as a percentage of available operation treatment hours)	25.6%	22.1%	24.1%
6 Utilization of therapists' hours (as a percentage of available therapist treatment hours)	55.1%	46.6%	51.3%
7 Fitness and membership revenue (as a percentage of total spa revenue)	33.5%	39.3%	36.1%
8 Retail revenue (as a percentage of total spa revenue)	11.8%	5.9%	9.4%
9 Treatments booked by hotel guests (as a percentage of total treatments booked)	65.6%	50.3%	59.9%
10 Treatments booked by non-hotel guests (as a percentage of total treatments booked)	34.4%	49.7%	40.1%

Note: Fitness and membership revenue percentages indicated only for spa operations in sample that include fitness component

Key Performance Indicators:

March 2010

Currency : AED

Month of 2010 : March

Key Performance Indicators	Dubai Beach Hotel Spas	Dubai City Hotel Spas	Dubai Overall Hotel Spas
1 Average Treatment Revenue per Treatment Sold	374	398	383
2 Average Daily Treatment Revenue per Treatment Room	1174	861	1037
3 Average Daily Treatment Revenue generated by Therapist	1696	994	1350
4 Revenue per Available Treatment Room Hour (RevPATH)	99	66	84
5 Utilization of treatment rooms' hours (as a percentage of available treatment room hours)	29.6%	21.6%	25.9%
6 Utilization of therapists' hours (as a percentage of available therapist treatment hours)	58.5%	52.4%	56.0%
7 Fitness and membership revenue (as a percentage of total spa revenue)	36.9%	43.1%	39.3%
8 Retail revenue (as a percentage of total spa revenue)	13.9%	6.9%	11.4%
9 Treatments booked by hotel guests (as a percentage of total treatments booked)	63.4%	52.4%	59.6%
10 Treatments booked by non-hotel guests (as a percentage of total treatments booked)	36.6%	47.6%	40.4%

Currency : USD

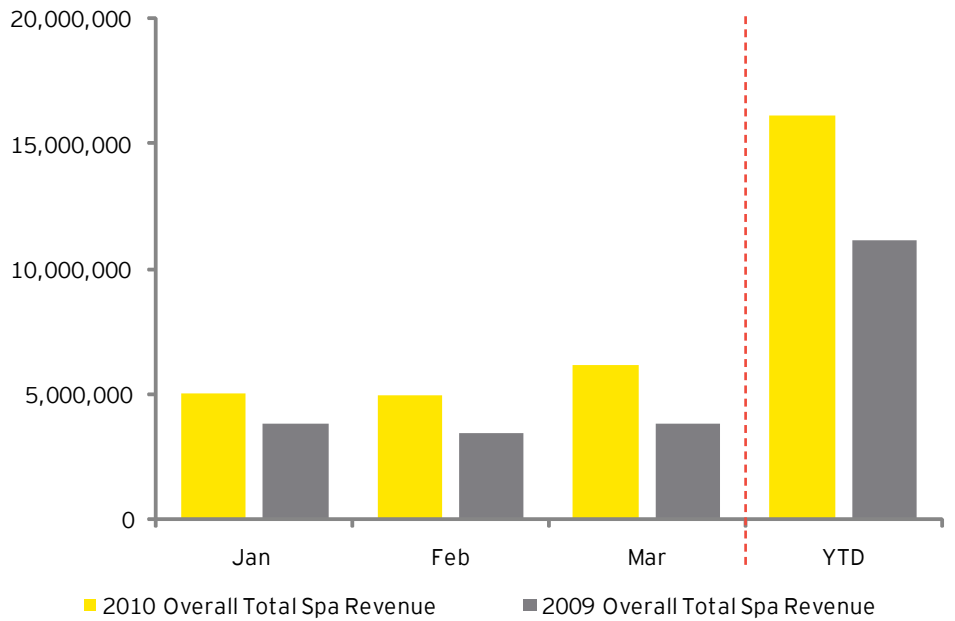
Month of 2010 : March

Key Performance Indicators	Dubai Beach Hotel Spas	Dubai City Hotel Spas	Dubai Overall Hotel Spas
1 Average Treatment Revenue per Treatment Sold	102	108	104
2 Average Daily Treatment Revenue per Treatment Room	320	235	283
3 Average Daily Treatment Revenue generated by Therapist	462	271	368
4 Revenue per available treatment hour (RevPATH)	27	18	23
5 Utilization of treatment rooms' hours (as a percentage of available operation treatment hours)	29.6%	21.6%	25.9%
6 Utilization of therapists' hours (as a percentage of available therapist treatment hours)	58.5%	52.4%	56.0%
7 Fitness and membership revenue (as a percentage of total spa revenue)	36.9%	43.1%	39.3%
8 Retail revenue (as a percentage of total spa revenue)	13.9%	6.9%	11.4%
9 Treatments booked by hotel guests (as a percentage of total treatments booked)	63.4%	52.4%	59.6%
10 Treatments booked by non-hotel guests (as a percentage of total treatments booked)	36.6%	47.6%	40.4%

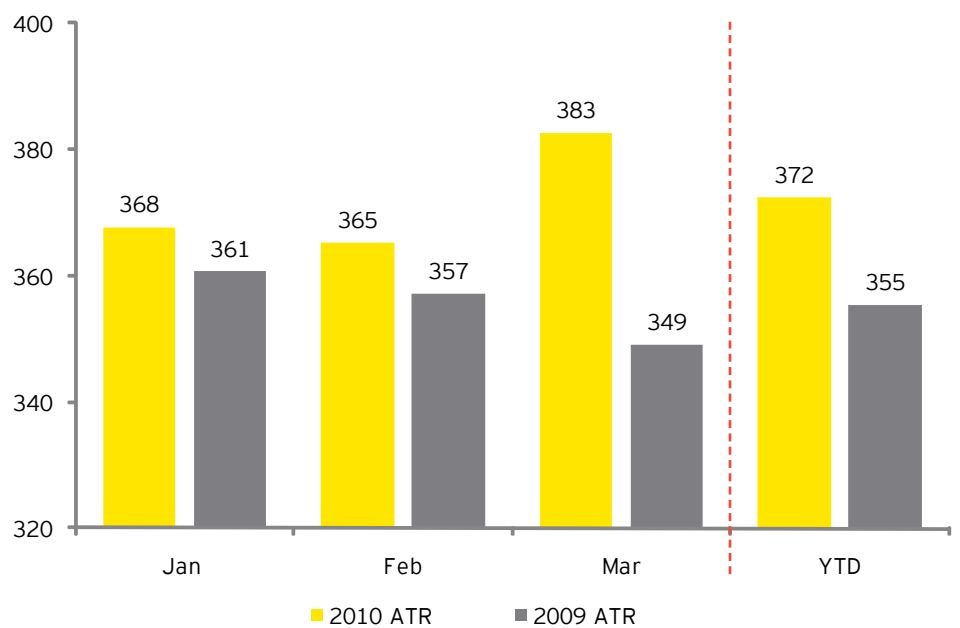
Note: Fitness and membership revenue percentages indicated only for spa operations in sample that include fitness component

Year-on-year comparison Q1 2010 vs. Q1 2009

Aggregate Spa Revenue (AED)



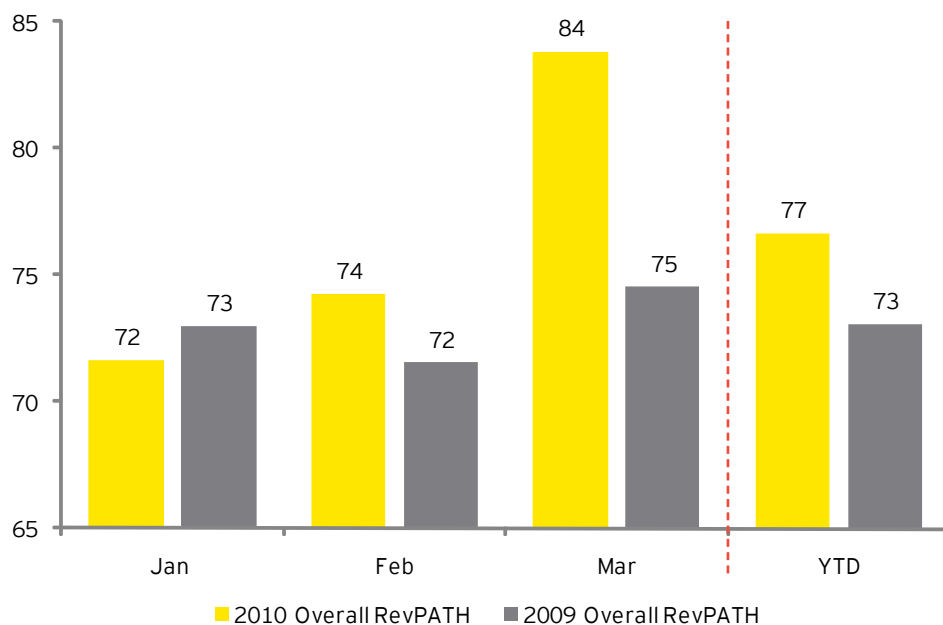
Average Treatment Revenue per Treatment Sold (AED)



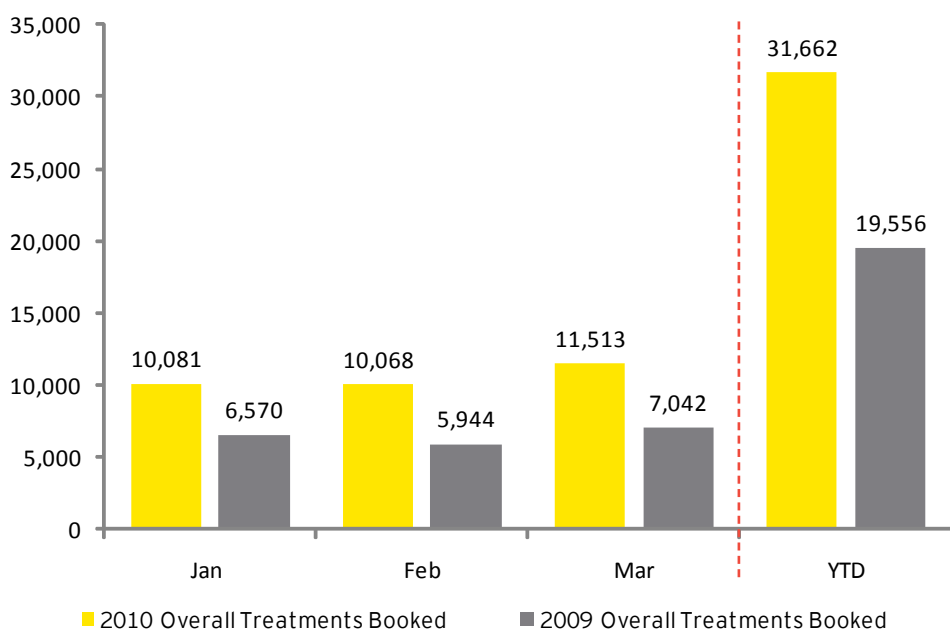
Year-on-year comparison

Q1 2010 vs. Q1 2009

Revenue per Available Treatment Room Hours (AED)



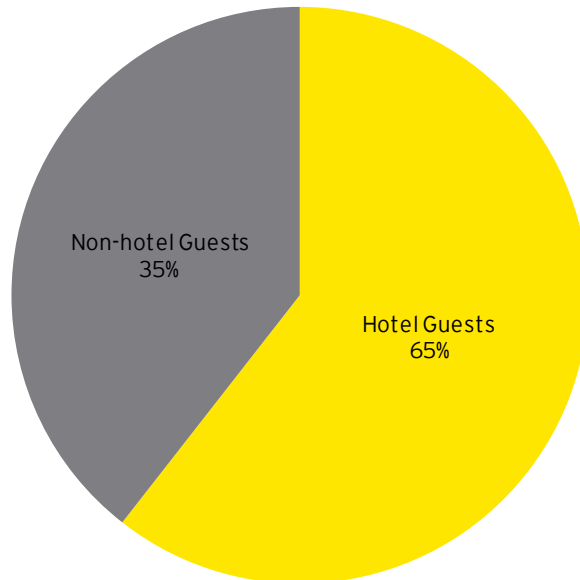
Number of Treatments Booked



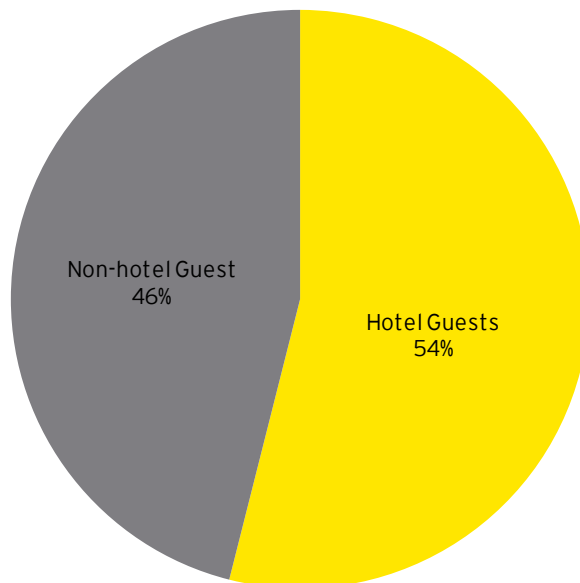
Year-on-year comparison

Q1 2010 vs. Q1 2009

Percentage Split of Treatments Booked by Hotel Guests vs Non-hotel Guests in 2010

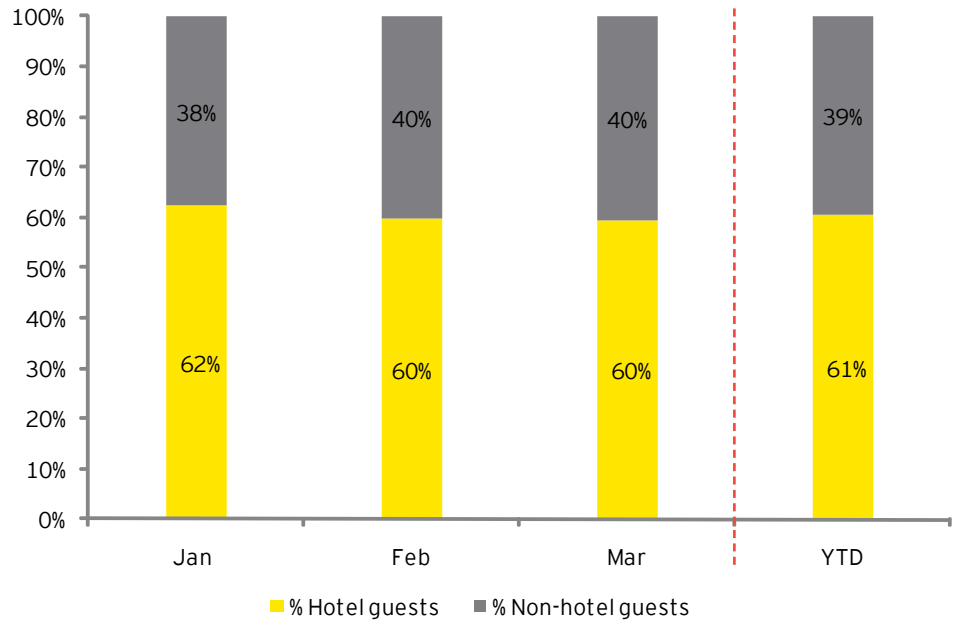


Percentage Split of Treatments Booked by Hotel Guests vs Non-hotel Guests in 2009

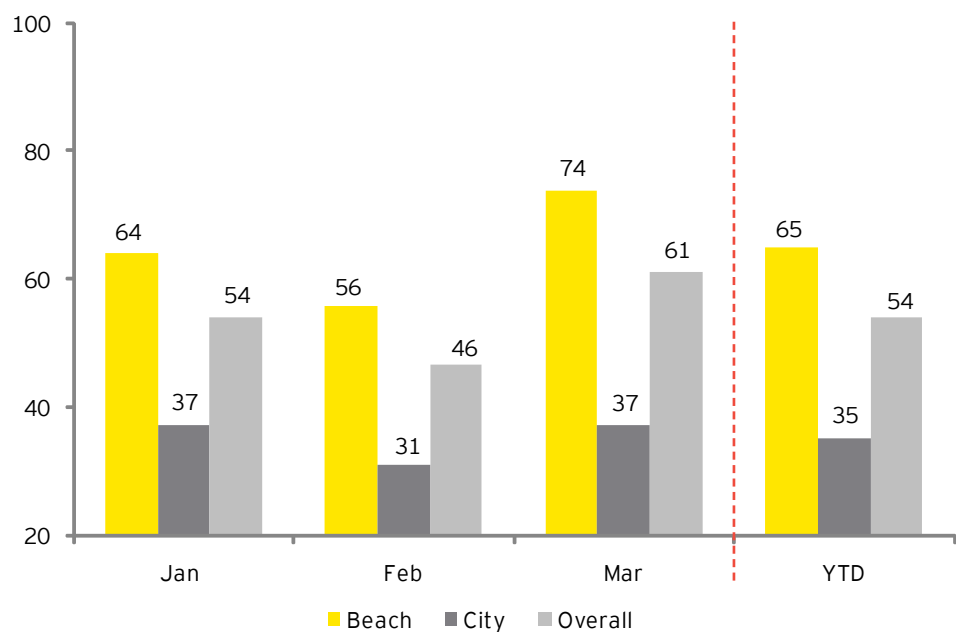


Trends Q1 2010

Percentage Split of Treatments Booked by Hotel Guests versus Non-hotel Guests (Overall Dubai Hotel Spas)

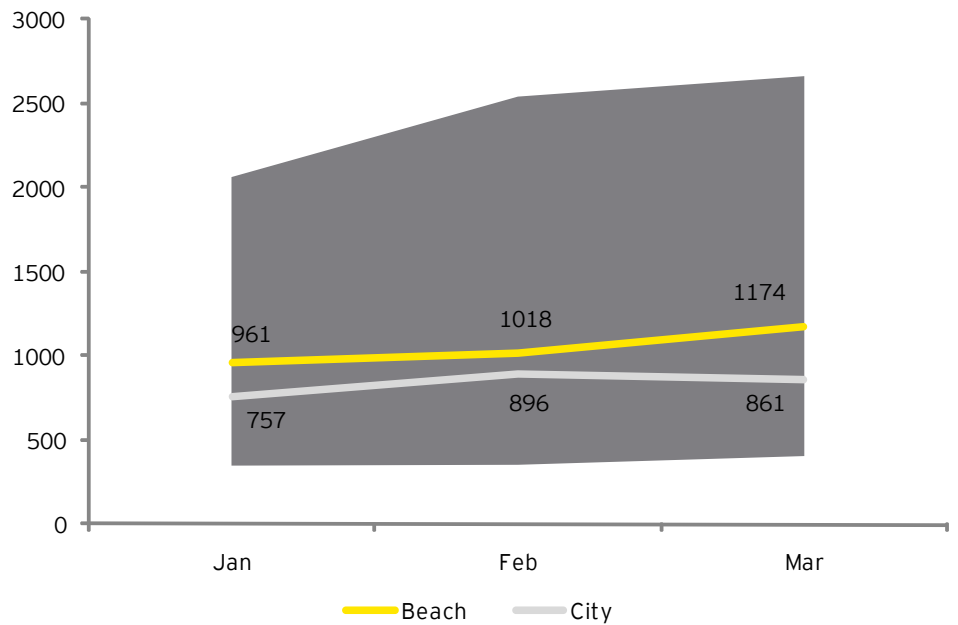


Average Retail Revenue per Treatment Booked (AED)

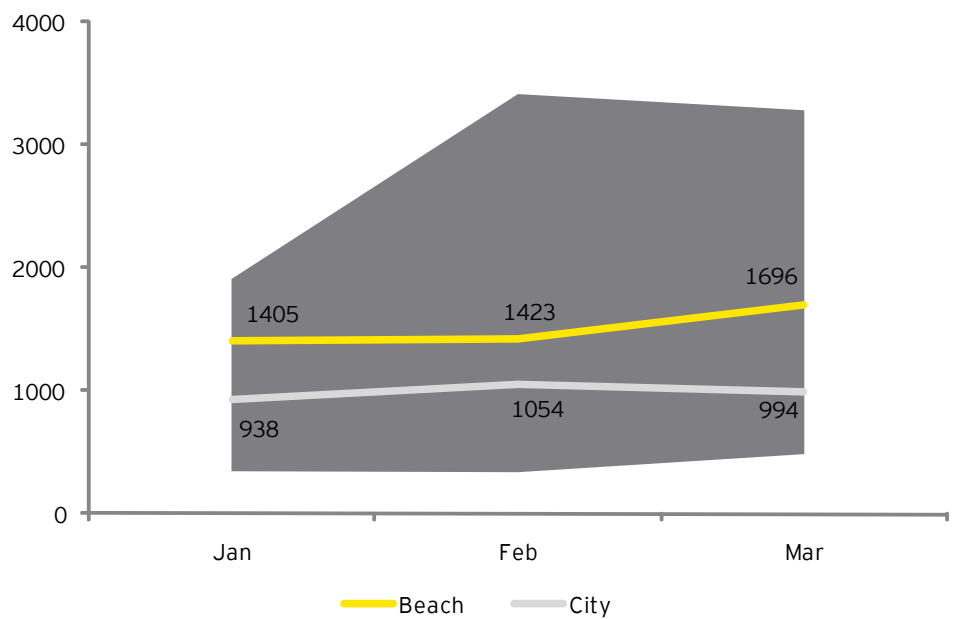


Trends Q1 2010

Spread for Average Daily Treatment Revenue per Treatment Room (AED)

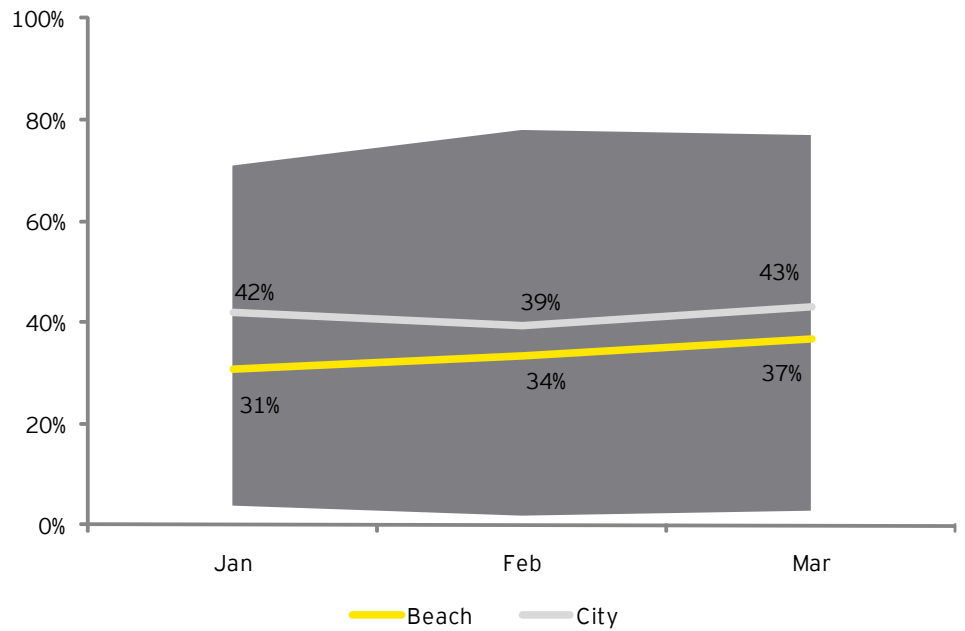


Spread for Average Daily Treatment Revenue generated by Therapist (AED)

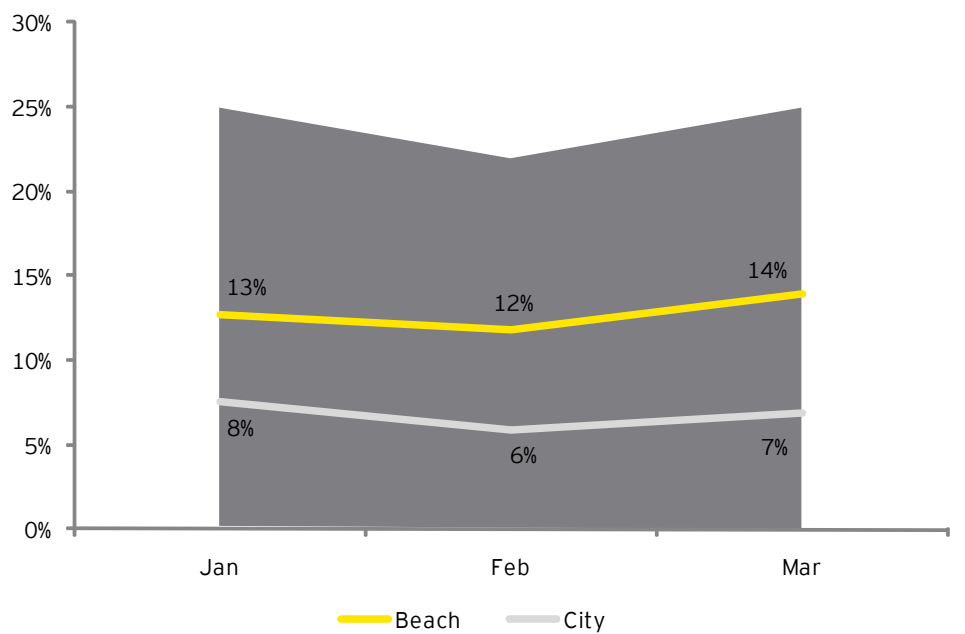


Trends Q1 2010

Spread for Fitness & Membership Revenue (% of Total Spa Revenue)



Spread for Retail Revenue (% of Total Spa Revenue)



Key Performance Indicators: Year to Date

Currency : AED

Month of 2010 : January - March

Key Performance Indicators	Dubai Beach Hotel Spas	Dubai City Hotel Spas	Dubai Overall Hotel Spas
1 Average Treatment Revenue per Treatment Sold	365	385	372
2 Average Daily Treatment Revenue per Treatment Room	1052	836	958
3 Average Daily Treatment Revenue generated by Therapist	1509	995	1262
4 Revenue per Available Treatment Room Hour (RevPATH)	87	64	77
5 Utilization of treatment rooms' hours (as a percentage of available treatment room hours)	27.1%	21.6%	24.6%
6 Utilization of therapists' hours (as a percentage of available therapist treatment hours)	57.1%	49.9%	54.0%
7 Fitness and membership revenue (as a percentage of total spa revenue)	34.0%	44.5%	37.2%
8 Retail revenue (as a percentage of total spa revenue)	12.9%	6.8%	10.6%
9 Treatments booked by hotel guests (as a percentage of total treatments booked)	65.4%	52.2%	60.6%
10 Treatments booked by non-hotel guests (as a percentage of total treatments booked)	34.6%	47.8%	39.4%

Currency : USD

Month of 2010 : January - March

Key Performance Indicators	Dubai Beach Hotel Spas	Dubai City Hotel Spas	Dubai Overall Hotel Spas
1 Average Treatment Revenue per Treatment Sold	99	105	101
2 Average Daily Treatment Revenue per Treatment Room	287	228	261
3 Average Daily Treatment Revenue generated by Therapist	411	271	344
4 Revenue per available treatment hour (RevPATH)	24	18	21
5 Utilization of treatment rooms' hours (as a percentage of available operation treatment hours)	27.1%	21.6%	24.6%
6 Utilization of therapists' hours (as a percentage of available therapist treatment hours)	57.1%	49.9%	54.0%
7 Fitness and membership revenue (as a percentage of total spa revenue)	34.0%	44.5%	37.2%
8 Retail revenue (as a percentage of total spa revenue)	12.9%	6.8%	10.6%
9 Treatments booked by hotel guests (as a percentage of total treatments booked)	65.4%	52.2%	60.6%
10 Treatments booked by non-hotel guests (as a percentage of total treatments booked)	34.6%	47.8%	39.4%

Note: Fitness and membership revenue percentages indicated only for spa operations in sample that include fitness component

Definitions

After detailed discussions with numerous spa operators within Dubai, and in keeping with the over-arching objective of simplicity and universal applicability among spa operations, ten key performance indicators were developed and short-listed by Ernst & Young. The following table presents an explanation of the metrics, along with the methodology regarding their calculations:

	Key Performance Indicators	Calculation	Explanation
1	Average Treatment Revenue per Treatment Sold	$\text{Treatment Revenue} \div \text{No. of Treatments Booked}$	The portion of total spa revenue generated by treatments only, on a monthly basis; where treatments are defined to include facials, massages, body treatments, etc. Divided by the total number of spa treatments booked for the month (including complimentary treatments, treatments within packages, etc.)
2	Average Daily Treatment Revenue per Treatment Room	$\text{Treatment Revenue} \div \text{Available Treatment Rooms}$	The portion of total spa revenue generated by treatments only, on a monthly basis; where treatments are defined to include facials, massages, body treatments, etc. Divided by the number of rooms available on monthly basis (Calculated by number of rooms available daily multiplied by days in month minus any out-of-order rooms)
3	Average Daily Treatment Revenue generated by Therapist	$\text{Treatment Revenue} \div \text{Available Therapists}$	The portion of total spa revenue generated by treatments only, on a monthly basis; where treatments are defined to include facials, massages, body treatments, etc. Divided by number of therapists available for treatments in the month (calculated as a Full Time Equivalent and accounting for therapist unavailability due to holidays, sick leave, training, etc.)
4	Revenue per Available Treatment Room Hour (RevPATH)	$\text{Treatment Revenue} \div \text{Available Treatment Room Hours}$	The portion of total spa revenue generated by treatments only, on a monthly basis; where treatments are defined to include facials, massages, body treatments, and such spa services. Divided by the total treatment room hours available on monthly basis (i.e. the total hours of operation of spa for month, accounting for variation in day-to-day operational hours for all treatment rooms.)
5	Utilization of treatment rooms' hours (as a percentage of available treatment rooms' hours)	$\text{No. of Treatment Rooms Hours Occupied} \div \text{Available Treatment Room Hours}$	Treatment room hours booked on monthly basis (including complimentary treatments, treatments within packages, etc.) Divided by the total treatment room hours available on monthly basis (i.e. the total hours of operation of spa for month, accounting for variation in day-to-day operational hours for all treatment rooms)
6	Utilization of therapists' hours (as a percentage of available therapists' hours)	$\text{Occupied Therapist Hours} \div \text{Available Therapist Hours}$	Total number of hours the therapists are booked on monthly basis i.e. involved in providing treatments. Divided by the total hours therapists are available to provide treatments on a monthly basis (i.e. total hours of all the therapists available for treatment appointments, excluding meals, training, sick leave, etc.)
7	Fitness and membership revenue (as a percentage of total spa revenue)	$\text{Fitness \& Membership Revenue} \div \text{Total Spa Revenue}$	Only the Fitness & Membership Revenue on monthly basis. Divided by the total spa revenue on monthly basis.
8	Retail revenue (as a percentage of total spa revenue)	$\text{Retail Revenue} \div \text{Total Spa Revenue}$	Only the Retail Revenue on monthly basis. Divided by the total spa revenue on monthly basis.
9	Treatments booked by hotel guests (as a percentage of total treatments booked)	$\text{No. of treatments booked by Hotel Guests} \div \text{Total No. of Treatments Booked}$	Total number of treatments booked by the guests of the hotel on a monthly basis (including complimentary treatments, treatments within packages, etc.) Divided by the total numbers of treatments booked at the spa on a monthly basis.
10	Treatments booked by non-hotel guests (as a percentage of total treatments booked)	$\text{No. of treatments booked by Non-Hotel Guests} \div \text{Total No. of Treatments Booked}$	Total number of treatments booked by outside guests i.e. non-hotel guests on a monthly basis (including complimentary treatments, treatments within packages, etc.) Divided by the total numbers of treatments booked at the spa on a monthly basis.

Contacts

If you have any queries, or wish to express any further views, or suggestions, we would be pleased to discuss the report findings with you.

Transaction Real Estate Advisory Services

Ernst & Young, Dubai Office
Tel: 971 4 3324000
Fax: 971 4 3324004



Paul Arnold
Principal
Email: paul.arnold@ae.ey.com



Nikita Sarkar
Senior Consultant - Spa Industry Specialist
Email: nikita.sarkar@ae.ey.com



Heta Kheni
Senior Consultant
Email: heta.kheni@ae.ey.com

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