

GLOBAL SPA SUMMIT REVEALS INDUSTRY RESILIENCE AND OPTIMISM



Latest research presented at the Global Spa Summit in Interlaken shows economic challenges are accelerating wider industry shift to preventative health and wellness

The third-annual Global Spa Summit has released a detailed body of research presented at its recent industry conference held in Interlaken, Switzerland. Attended by delegates from a record 32 nations, the 2009 Summit featured keynote presentations by Dr. Adolf Ogi, the former president of Switzerland and United Nation's Special Advisor, and Reto Wittwer, the president and CEO of Kempinski Hotels, along with roundtable discussions on topics ranging from profit margins, to the value of hydro and thermal spa experiences, to spa design of the future. Top-level spa, wellness, and medical professionals (from Ghana to the Philippines) join together annually at the Summit in an invitation-only, 'think-tank' environment to share best practices and collaborate on strategies to ensure the industry's ongoing health and growth.

While the new research reveals global challenges faced in 2009, particularly within the high-end luxury resort spa sector, it also shows the strength and resiliency of the industry in fast-growing markets like Asia-Pacific and across the world. The economy also appears to be accelerating an ongoing macro trend: the expansion of an industry focus on preventative health and wellness, and a shared perception that opportunities lie in a collaborative future with the health and medical industries.

Commenting on the extensive research findings, Susie Ellis, member of the Global Spa Summit Board of Directors and president of SpaFinder, Inc. noted that, "Rather than the economy causing largely adverse affects, it appears that new economic challenges are sharpening a shift that was well underway—with the industry today thinking far beyond 'mere luxury' to new markets, new consumers, and new offerings that now make spa a key player in the health industry, in addition to being part of the travel and luxury markets."

Research has been the hallmark of the Global Spa Summit since its inception, as evidenced by the groundbreaking 2007 Global Spa Economy Report, released at the 2008 Summit. The depth and diversity of research introduced this year solidifies the Summit as the resource center of the global spa industry, whose leaders are exploring a wide range of data that quantifies and properly segments this \$251 billion global market.

Key Findings from Summit Delegate Survey:

- 48% of delegates reported revenue gains in '08 over '07, with 34% having seen no change, and only 18% reporting declines
- Despite the severe economic downturn in '09, 39% of spa companies report they actually expect revenue to increase this year; 30% expect it to stay the same; with 31% anticipating declines
- Delegates report that the preventative health segment has the biggest opportunity for their future business (37%), more than twice those that named a luxury spa focus, and significantly outranking day spas, cosmetic medical spas, chain/branded spas or real estate
- The Internet along with preventative healthcare rank as the two forces predicted to have the most influence on spas' business moving forward, significantly outranking sustainability and an aging

population across all regions

- When asked which industry they would be most interested in collaborating with, healthcare (46%) largely outranked the next sector, travel and tourism (20%) - which trumped information technology (13%), construction/real estate (10%), consumer goods (7%), and media/entertainment (4%)
- Delegates report the two most critical factors in the expansion/profitability of the industry are marketing (28%) and healthcare insurance regulations (25%), followed by emerging consumer markets (19%), public policy/government (14%), and the hotel construction pipeline (14%)
- 51% of delegates report sustainability and environmental responsibility will have a significant influence on their business - 36% somewhat - and only 13% 'very little'
- Three in four delegates report the current economy has either significantly or somewhat improved the labor shortage problem, which ranked as the #1 issue facing the spa industry in both 2007 and 2008 GSS polls
- 'Definitions/standards/best practices' issues ranked as the #1 problem facing the global spa industry today (29%), followed by training and education (21%), low margins (15%), labor costs (11%), lack of benchmarks (7%), oversupply of spas (6%), labor shortage (4%), technology (4%), medical liability (2%) and funding limitations (2%)

Key Findings from Intelligent Spas Benchmark Report

- The average rate for a spa treatment in 2008 was \$90. Europe was the highest at \$111, and Asia-Pacific the lowest, at \$77
- In 2008, the average size of a spa was 8,847 square feet/788 meters, featuring nine treatment rooms. Employees per spa averaged 22.9, with the Americas averaging the most (33.8) and Europe the fewest (13.6). 50% of total spa revenue is spent on salaries and employee benefits, by far the most significant expense category. Spas spend, on average, 9% on operations/maintenance, and only 4% on marketing, and 2% on training
- The day spa guest has become critical for hotel spas: 38% of total spa visits at hotel spas now come from non-hotel, local community guests. In some regions (such as Europe and the Middle East/Africa) this is approaching the 50/50 mark. (53% hotel/47% non-hotel guests for both regions)
- In terms of the outlook for 2009, Asia-Pacific spas report the most optimism, with annual spa revenue expected to grow 24% from 2008 to 2009. While Middle Eastern/African spas show the most pessimism, expecting revenue to fall roughly 20%
- The region with the largest percentage of outsourced spas (using a management company) was the Americas at 32%, three times higher than any other region
- Spa revenue figures originally forecast in the last quarter of 2008 needed to be trimmed by 9.4% after the economic downturn in the first quarter of 2009

Source: Global Spa Summit

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