

# Global Spa Summit

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**General Session**  
**Tuesday, May 20th, 2008**  
**9:00am – 9:45am**  
**Empire Room**

## **The Rich Mosaic of the Latin American Spa Industry: Argentina, Brazil, Central America, Chile and Mexico**

*Panel Leader:*

*Alfredo A. Carvajal (Chile), Vice President, Business Development  
Universal Companies (Virginia)*

*Panelists:*

*Carlos Gosselin, Owner, Paraiso de la Bonita Resort & Thalasso, Mexico*

*Lucy Ruiz, General Manager, Paraiso de la Bonita Resort & Thalasso, Mexico*

*Diana Mestre, Owner, Mestre & Mestre Spa Development, Mexico*

*Isabel Santandreu, Spa Director and Consultant Excellence Luxury Resorts,  
Spain/Latin America*

*Scribes: Viktoria Borek (EHL), Jennifer Simonian (EHL), and Liza Solomon (Cornell)*

### **Alfredo Carvajal (Panel Leader) on Latin America:**

A few humorous notes about Latin America:

1. People are lovely
2. We can light up real candles

There is not much spa data available and the data that exists is not very coherent (yet). Latin America, however, is a very fast growing market:

- Comes in at second place behind Asia but ahead of Europe when world regions compete for hospitality investors. (*Ernst & Young 2008 Global Hospitality Investment Survey.*)
- When developing hotels, the strongest interest is in the luxury, upscale segments which is a great opportunity for spas.



- The spa, as a main component of the hospitality experience at a luxury establishment, is now a part of most of these new upscale developments.
- According to the Economic Commission for Latin America and the Caribbean (ECLAC), the outlook for the region remains positive with an expected 2008 economic growth of 5.7% in South America, 5.5% in the Caribbean and 3.6% in Mexico and Central America. The region's economy has been consistently growing since 2003, positively influencing all sectors of the Latin real estate market.
- There is incredible growth in medical spas, which is one of the fastest growing industries in Mexico.
- The cost of building in Latin America is significantly lower (1/3 less) compared to other countries.
- The spa industry in Latin America has grown about 500% in the last few years.
- The average spa GOP Profit margin is 50%, mainly due to very low labor costs.
- Latin America has close access to the U.S., Canadian and Western European Travel Markets.
- Free Trade Agreement now exist between the U.S., European Union and several countries in the region.
- Despite some of the habitual development "red tape", the cost of building and operating a hotel in Latin America is significantly lower when compared to the operating costs of U.S. and European investments.

The numbers:

- 5,435 spas / \$2.52 Billion in revenue
- An amazingly caring 90,000 strong spa work force (which is growing.)
- When speaking spa economics in Latin America, "profit" is a beautiful word. Construction costs are approximately 1/3 of U.S. expenses and there is an average GOP Profit Margin of 50%+
- Spas are a must for any upscale hotel development striving for strong ADR, RevPAR and guest satisfaction numbers.

Major challenges for the Latin American Spa industry:

- Education: No formal therapist certification exists. Most training is performed at the establishment or provided at small technical training schools (with low standards).
- Demand has already outpaced supply.
- Liability: few regulations and safety controls.
- Supplies: Mostly provided by small local distributors; imports are expensive and



cumbersome imports (with some exceptions).

- Leadership: Shortage of experienced spa managers.

#### Potential Challenges:

- Political and Economical Stability (although it is improving year after year)
- Growth despite government (i.e. Brazil, Venezuela, Colombia)
- Accessibility for labor housing and mass markets (not necessarily for eco-tourism related properties close to small communities).
- Trained labor availability, cross border trade regulations and building codes (are improving). Visit the World Bank site [www.doingbusiness.com](http://www.doingbusiness.com) for details.
- Trade education, certification and code regulation for spas.

#### Growth Opportunities:

- Waterfront properties (pricing and development); from Los Cabos, Mexico to the Atacama Coast in Chile. Mountainous terrain, rain forests and other landscapes are equally attractive.
- Eco-tourism driven spas, authentic cultural and healing experiences.
- Medical and Urban Spas for the growing affluent middle class.
- Service, support and spa product niche. Few world class consulting firms working here.
- Brazil, Brazil, Brazil.

#### Argentina: The Southern Rise

- The Argentinean spa industry is currently going through a phenomenal expansion phase.
- In 2007 there were 800 spas in Argentina. 300 of them are located between the Capital Federal Region and Buenos Aires.
- At the end of 2008 there will be approximately 1,400 operating spas in Argentina.
- An increasing number of hospitality investments in the nation's capital, Iguacu and in Patagonia are fueling this growth.
- In tandem with investments, it is forecasted that five million tourists will visit during 2008, injecting an estimated 400 million dollars into the Argentinean economy.
- Last year, the *Wall Street Journal* named Brazil as one of the "new engines" of the world economy. Financial security, low tax investments, decreased inflation are several reasons why. Brazil started this growth trend just two years ago.
- On the same note, Argentina has been experiencing an average growth of approximately 5% per year over a longer period of time than Brazil, despite corruption and political disarray.

#### Potential Investments in Argentina (Puerto Madero Case)

- The St. Regis Puerto Madero will be located at the new mixed use development of Newside. Also in Puerto Madero, the Jumeirah hotel chain will open their first property in Argentina.
- Other hotel brands are expected to arrive to this area: "W", Ritz-Carlton and Mandarin Oriental.

- When completed (by year 2011) this multi-property development will have an investment value of 200 million dollars.

The Cancun market:

- Cancun's 25,000+ hotel rooms enjoy an average 80% yearly occupancy.
- There are 15,000 hotel rooms currently under construction south and north of Cancun.
- A well planned southward expansion is surely one of the most successful projects.
- Good (and getting better) airport infrastructure.
- Tourism is the third largest revenue source for the country of Mexico and the Yucatan Peninsula accounts for over 70% of those tourist dollars.
- Finally the Mexican government has developed with a purpose, and it has taken over 25 years to grow Cancun to its present state. There are currently projects under way to intelligently develop the entire Caribbean coast of Mexico, which includes about 250 miles south and 50 miles north of Cancun.

[Isabel Santandreu \(on the Latin American Investment\):](#)

Excellence is a family owned company with 30 years of experience in Latin America. In 1999, a decision was made to go to the Caribbean. The majority of our business is based on the creation and management of five-star all-inclusive luxury resorts, with a primary geographic presence in the Caribbean.

Critical factors of investing in Latin America:

- Access to land: really good prices and good access to land.
- Urban planning laws: good relationship with local government (Ibiza is known for long delays in construction and final execution).
- Construction cost: material very cheap compared to Ibiza.
- Delivering the five-Star experience: low labor costs support that experience.
- Latin America has a wow-factor due to the beautiful land they offer.
- Exporting the Spanish tourism experience to Latin America (the boom of Mallorca).
- Spanish telephone companies are even more successful in Latin America than in Spain itself – helps for staffing and negotiation processes.
- Financing: Spanish banks involved.
- Market and competition: The Latin market itself has some advantages, like being close to the American and Canadian markets.
- No problem of high season (Ibiza's busy season only lasts for three months a year).

[Carlos Gosselin \(on Why to Build in Mexico\):](#)

- Easy and fast communications between Mexico and North America, South America, Europe and Asia, as well as economic ties between these regions.
- Mexico's Continental Coastline is 11,122 kilometers, the second longest in the Americas after Canada.
- Infrastructure: 58 international airports and 28 domestic airports, 110 harbors, 107 maritime ports, and 36,000 meters of docking facilities.
- Economic figures indicate a well established and sustained economic program aimed

- at growth and sharing this growth with all companies involved.
- In the 1994-2007, the Foreign Direct Investment (FDI) accumulated was U.S. \$210.4 billion in the 1st quarters.
  - The annual average FDI is U.S. \$16.2 billion, where almost 56% of Mexico's FDI originates in the U.S.
  - Mexico is the 9th largest economy and the 7th most important commercial trader.
  - Mexico's labor force is young, skilled, and speaks English.
  - Many tourist activities with a lot of archeological sites.
  - 2nd largest reef in the world.
  - No country in the world has signed more [free] trade agreements with other nations, which can only increase a company's competitiveness in those markets.
  - There are over 16,000 foreign companies established in Mexico, that enjoy a big local market and a solid platform for boosting their exports.





The Global Spa Summit is an international organization that brings together leaders and visionaries to positively impact and shape the future of the global spa and wellness industry.