

Global Spa Summit JOINING TOGETHER. SHAPING THE FUTURE.

General Session
Tuesday, May 20th, 2008
3:25pm – 4:10pm
Empire Room

The Middle Eastern Spa Industry: On the Threshold of Change Bahrain, Oman, Saudi Arabia and the United Arab Emirates (UAE)

Panel Leader:
Anni Hood, Group Director of Spa, Jumeirah Group, UAE

Panelists:
Dr. Fatma Abdulla, Managing Partner, Global Consulting, Inc., UAE
Paul Macpherson, Chief Officer of Development, Jumeirah, UAE
John Patience, Principal, Georgeson Group, Scotland
Daniella Russell, Director of Health & Leisure, Spa Resources International, UAE

Scribes: Martina Rizzo (UCI) and Michael Schreiner (EHL)

Anni Hood:
In general, huge growth can be observed in the Middle East (an average 112%). All confirmed five-star luxury hotel development will have a spa.



Dr. Fatma Abdulla on the United Arab Emirates (UAE):

The UAE

- Is located in the Arabian Gulf
- Has the second highest Gross Domestic Product (GDP) in the region at \$35,099 per capita
- Has 4.6 million people out of which 80% are expatriates
- Forecasted a growth rate of 9.5% in HNWI (high-net-worth-individuals)
- Had a 15.4% increase in HNWI between 2005-2006

Leading Causes of Mortality/Morbidity

- Congenital diseases due to consanguineous marriages
- Breast and colon cancer
- Diabetes prevalence rate of 20%

Push and Pull Factors

- Conventional Medicine Push Factors: Failure to yield cures; adverse effects of orthodox regimens; dissatisfaction with technical approach
- Traditional Complementary Alternative Medicine (TCAM) Pull Factors: Natural; patient empowerment; holistic approach to diagnosis and treatment; 3 Ts (touch, talk and time)

Tremendous opportunities:

- Disease management and preventive services could use an integrative approach (Conventional + TCAM)
- Nutritional counselling
- Health education and fitness

Traditional complementary and alternative medicine services require:

- Regulation: To ensure that internationally accepted standards of safety and product quality are adhered to; to develop minimum entry into practice standards for practitioners
- Research: To prove efficacy of techniques and products that have been used for centuries; to gain trust of patients; to further the cause of evidence based complementary healthcare and; to code to allow for measurement of outcomes which will result in funding for increased consumer access



Daniella Russell on Saudi Arabia:

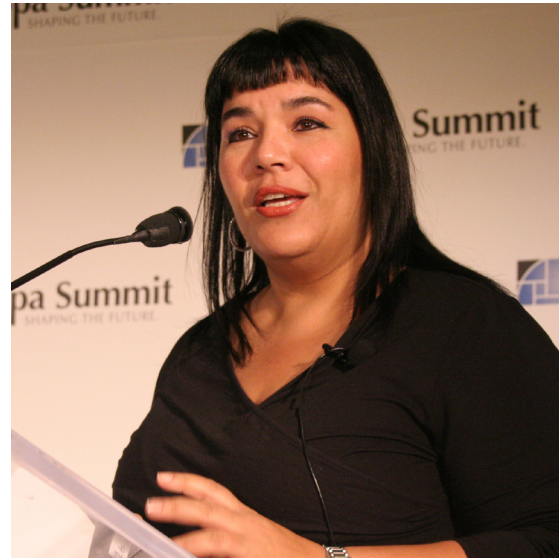
- Culture: Birth place of Islam; highly conservative
- Tourism: Breathtaking landscape; inspired a generation of poets

Key Statistics:

- Progressive tourism and generated revenue
1999 -- 4.8 million -- U.S. \$ 1.4 billion
2004 -- 8.6 billion -- U.S. \$ 6.5 billion
- Predicted tourism to increase to 45.3 million by 2020

Other Demographic Information (2007):

- Total population: 28,601,038
- Population growth rate: 2.06%
- Death rate: 2.55 deaths/1000
- Net migration rate: 5.95 migrants/1000
- Median age is 21.4
For Men: 22.9 For Women: 19.6 years



Some other points:

- The population is growing quickly and the population is young
- There are more male spa-goers (3:1) than female spa-goers, so we should be looking at spa programming geared towards men
- 76% of visitors come to Saudi Arabia for religious reasons
- The industry is not only helping visitation but also the number of people employed
- There are opportunities in prevention, fitness, wellness and health education

SWOT Analysis:

Strengths:

- Climate of Saudi Arabia

Weaknesses:

- Difficult to get visas (for women)
- Restrictions on dress code (especially for women)
- Challenging workforce (women are not encouraged to work)

Opportunities:

- Regulation and research (currently missing but many activities on the way)
- Interest for international investors (they see massive opportunities there)

Threats/Complexities:

- Communication at different levels makes things difficult
- Different priorities among owners (sometimes the opening of a spa can take over four years instead of two years)

Paul Macpherson on Development in Middle East

Spas are exploding in the Middle East. Dubai is the epi-centre of development and will surely be amongst the top spa destinations in the world. Around 200 properties in the Middle East will have top spa facilities. Gated communities with spas are also being built.

Today in the Middle East

- Between 2003-2007, less than 1% of five-star luxury developments in the Middle East included 'Spa' in their title. Comparatively, from 2008 to 2012, 23% of all announced five-star luxury developments will include 'Spa' in their property titles.
- 13% of this group is incorporating spa suites into their design.
- In Dubai alone, there are over 120 venues offering wellness and spa services.
- By 2015, it is predicted that Dubai will be amongst the top spa destinations.

The Rise of Mixed-Use Development

- Approximately 60% of all developments in the Middle East are classified as 'mixed use'.
- The product offering of Middle East developers blurs the line between tourist and resident.
- Integrated resorts and gated communities are selling a lifestyle choice, combining location, activity and healthy living.
- Spa is an important component of this lifestyle.

Key Spa Statistics

Spa income per revenue-generating station:

- The industry average is U.S. \$115,823 per revenue station (PKF 2007)
- Industry sources from the Middle East estimate U.S. \$195,000 per revenue station

Comparison of revenue per square meter of treatment room and revenue per square guest room:

- U.S. \$7,200 per square meter of treatment room
- U.S. \$3,400 per square meter of guest room

Comparison of Gross Floor Area (GFA) percentage:

- Percentage of spa treatment room area (Spa GFA) is 20% to 40%
- Percentage of guestroom(s) area (hotel GFA) is more or less 50%

Gross Operating Profit (GOP) % comparison:

- Spa GOP = 42% (industry sources)
- Hotel GOP = 66% (Middle East, Deloitte, 2007)

John Patience

On Challenges of Spa Development in the Middle East

Designing Spa Projects in the Middle East

- These are fast track projects. The design and construction programs are 40 to 50% more condensed, with typical design programs from concept stage to tender stage averaging three to four months compared to minimum of four to six months in the U.S. and in Europe.
- Key factors that influence design are segregation, privacy, VIP, trends, complexity, area and cost
- Spa project development costs are 20 to 30% higher per square-meter when compared to the U.S. and Europe, with typical areas ranging from 1200 -3000 square meters compared to 100 - 2500 square meters.



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.