

The Benchmarking Debate Reaching an Industry Consensus?

Moderator

Anne McCall Wilson

Vice President Spas

Fairmont Raffles Hotels International

Great year in benchmarking!

- Abundant reports (many first time ones)
 - Intelligent Spas
 - PKF
 - ISPA
 - STR
- Debate and buzz
- Cheerleaders and champions
- Challenges and resistance

Agenda

The Debate Continues

- Update on Last year's Summit recommendations
- Presentation of results from Smith Travel Research initiative
- Panel Questions and Discussion
- Lightening Round with the audience
- Questionnaire

Pondering

- Remembering the Chicken and the Egg
- Does it matter what comes first ?
 - Benchmarking studies
 - Standard Chart of Accounts

Panel

- Judy Singer, President and Co-owner, Health Fitness Dynamics, Inc
- Andrew Gibson, Group Director of Spa, Mandarin Oriental Hotel Group
- Cary Collier, Principal, Blu Spas Inc.
- Neil Jacobs, President Starwood Capital Hotel Group
- Jan Freitag, VP Global Development, STR

Summit 2007

Agreeing on Performance Tracking and Benchmarking Worldwide

- Listed Key Measures for Operating performance, investment, retail and human resource planning
- Key Success factors – accuracy, simple to start, interesting and actionable (and trusted)
- Independent collection, governance and global
- Asked Smith Travel Research to collect: revenue by segment against guest rooms, sq. m. of air conditioned space (these modified as we got into the discussions)
- *All costs have been born by STR*

Hotel Spa Benchmarking
Pilot Study
2006 – Q1 2008

Jan D. Freitag
VP – Global Development
Smith Travel Research

Points to Be Covered

- Survey Universe
- Spa Data
- Hotel vs. Spa Data
- Next Steps

Survey Universe

- Hotels: 35 Luxury, Upper Upscale & High End Independents
- Companies: Fairmont Raffles Hotels International, Mandarin Oriental Hotels, Starwood, IHG, Destination Hotels & Resorts
- Time Period: Jan. 2006 – Mar. 2008

Data Points Collected

Census:

- Treatment Rooms
- Salon Stations
- Air-conditioned SQFT

Performance Metrics:

- Treatment Revenue (\$)
- Treatment Room Hours Available / Used
- Salon Revenue (\$)
- Salon Station Hours Available / Used

Spa Benchmarking 2007 – A First Look

Treatment:

- Average Treatment Revenue / Hour (ATR): \$111.03
- Revenue / Available Hour (RevPATH): \$39.82
- Treatment Room Utilization: 35.9%

Salon:

- Average Salon Revenue (ASR): \$57.26
- Revenue / Available Hour (RevPASH): \$14.38
- Station Utilization: 25.1%

Treatments

Selected Metrics % Change Y-o-Y
2006 vs 2007

	2006	2007	% Change
ATR	\$ 106.00	\$ 111.03	+ 4.7%
RevPATH	\$ 37.09	\$ 39.82	+ 7.4%
Utilization	35.0%	35.9%	+ 2.5%

Above Inflation Increase in ATR.

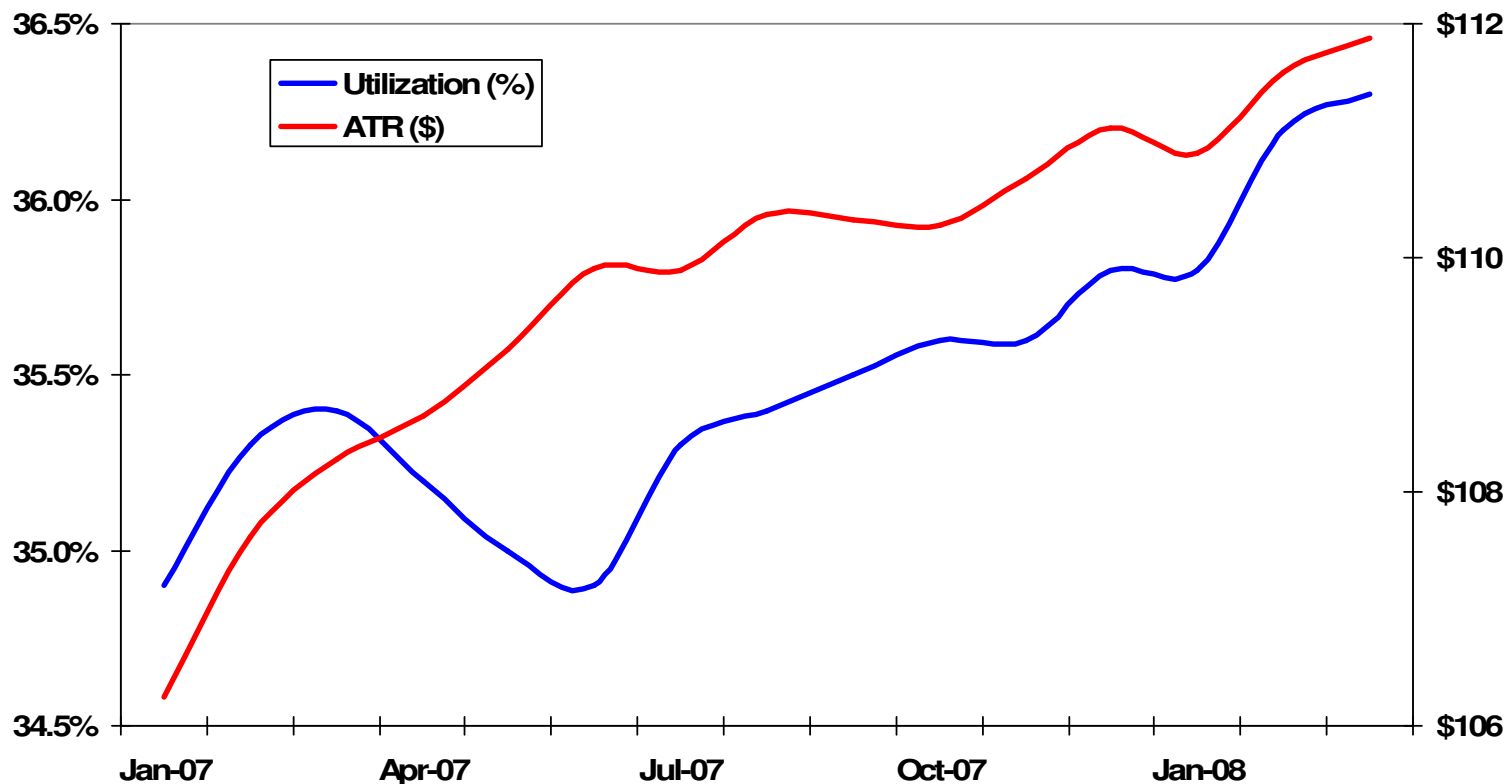
Utilization Increases Slightly.

I-Spa vs PKF vs STR 2006 Metrics

	Universe	Average Room Count	Aircon SQFT	\$/Treatment Room	\$/Station
I-Spa	134	n/a	10,830	\$79,474	\$42,699
PKF	63	471	13,456	\$110,253	\$36,575
STR:	35	372	15,462	\$151,254	\$67,018
75th %ile				\$176,861	\$64,962
50th %ile				\$115,400	\$49,636
25th %ile				\$91,947	\$26,482

STR Universe Skewed Towards the High End But Data Fits The Pattern.

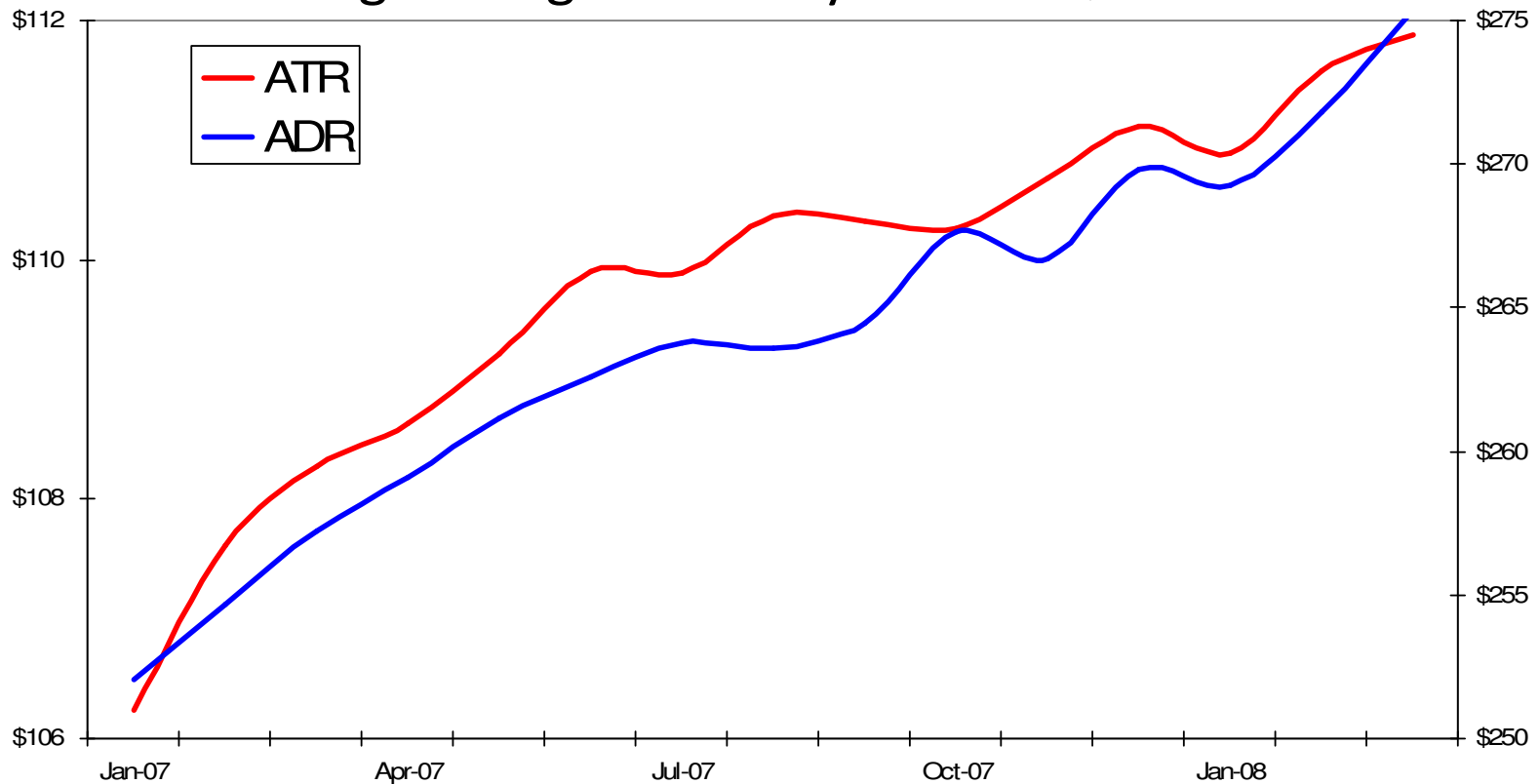
Treatment Room Utilization vs. Avg. Treatment Revenue 12 Month Moving Average January 2007 – Q1 2008



Source: Smith Travel Research

Does this Imply Successful Yield Management for Spas?

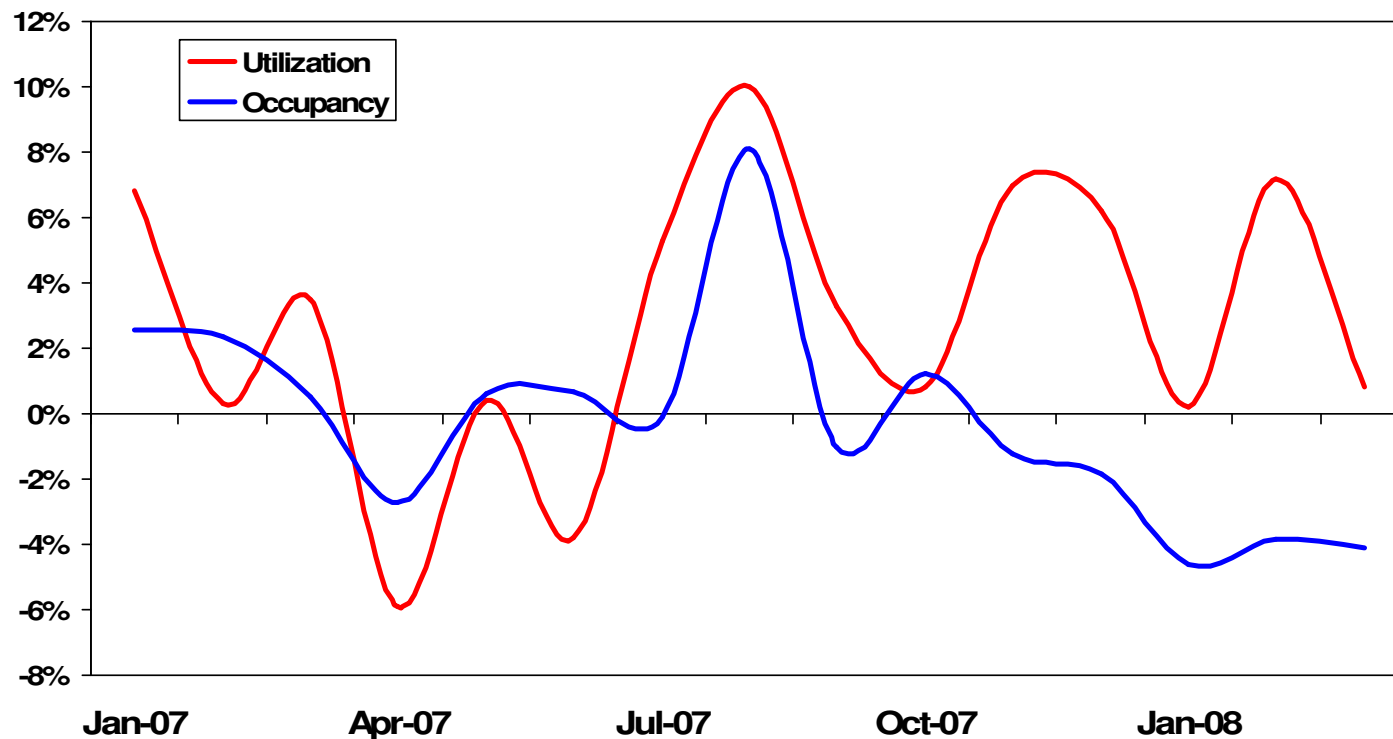
Avg. Treatment Revenue (ATR) vs.
Hotel Avg. Daily Rate (ADR)
12 Month Moving Average - January 2007 – Q1 2008



Source: Smith Travel Research

Marching In Lockstep ... Or Are They?

Treatment Room Utilization vs Hotel Occupancy % Change - January 2007 – Q1 2008



Source: Smith Travel Research

Relationship Makes Sense – Except in The Most Recent Past

Next Steps

This was a pilot study. We now need:

- More Education
- More Participation
- More Historic Data

Together We Can Achieve
More Relevant, Actionable Results

Advisors Breakfast

- Lynne McNees, ISPA
- Mia Kyricos, Starwood Hotels Corp
- Peter Anderson, Anderson & Associates
- Jeff Mathews, Mandara Spa
- Mary Tabacchi, Cornell University
- John Korpi, Spa Quest International
- Sharilyn Abbajay, Neill Corporation

Panel Questions

- Judy Singer, President and Co-owner, Health Fitness Dynamics, Inc
- Andrew Gibson, Group Director of Spa, Mandarin Oriental Hotel Group
- Cary Collier, Principal, Blu Spas Inc.
- Neil Jacobs, President Starwood Capital Hotel Group
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A few initial Recommendations (before questionnaire participation)

- Continue the focus on accommodation based spas
- Continue to **Keep It Simple** with the three metrics – utilization (salon/treatments), revenue and air conditioned sq. m.)
- Forum with Leading Companies doing benchmarking:
 - to agree on definitions of these categories
 - Utilizing traditional hotel definitions (four star/upper up scale)
- Engage more participants – Target at higher levels
- Let the market determine the other categories/details
- Encourage private benchmarking companies to include impact of spas on rate and occupancy

Lightening Round

- 15 second questions from the audience
- 30 second answers from the panel

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Questionnaire – Getting Involved

Please hand in your questionnaires as
you leave on the break