



Historic Number of Nations Convene At 2009 Global Spa Summit - Unprecedented Amount of Industry Research Presented

- **New Reports from Summit Delegates, Intelligent Spas and Smith Travel Research Show Impact of '09 Economy, Reveal Industry Resilience and Optimism**
- **Findings Show Economic Challenges Are Accelerating Wider Industry Shift to Preventative Health and Wellness**

New York, NY– June 1, 2009 - 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.

Original industry reports presented at this year's Summit included:

1. A live poll of Summit delegates on the current performance and future directions of their companies and the industry
2. Intelligent Spas' 2009 Global Spa Summit Spa Benchmark Report, presenting global and regional spa industry benchmarks specifically for the GSS (as this year's premier sponsor)
3. Global hotel data provider Smith Travel Research's (STR) first-ever luxury hotel-spa benchmark report, gauging the luxury resort sector's recent performance
4. A collaborative report between Cornell School of Hotel Administration, US and École hôtelière de Lausanne, Switzerland graduate students: *Contribution of Spas to Hotel Operating Performance – An International Study*

In addition, ISPA's *Global Consumer Data 2008* was presented; Diagonal Reports shared their latest beauty industry data; and Ernst & Young contributed their first spa benchmarking initiative, the *Middle East Spa Benchmark Survey* report for January through March 2009. Summit delegates also received a 100-plus-page briefing paper, which included individual briefings from 28-countries (each written by a delegate from that country). The briefing paper provides overviews of the spa landscape through May 2009, and specifically addresses the effect of the global economy on each nation, including current and future spa projects, consumer spending patterns, and micro-trends.

Responding to the Summit's 2009 theme, "The Power of Collaboration," delegates also forged new global initiatives, including a Hydro-thermal Spa Association and a medical consortium dedicated to aggregating research that establishes the efficacy of spa treatments from across the world. A new communication platform will also be designed to facilitate dialogue among the sixty-plus spa associations across the globe.

Key Findings from GSS 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 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

Key Findings from Smith Travel Research***

- Global luxury hotel occupancy fell 13.2% in Q1, 2009
- The average luxury hotel spa treatment revenue rose from roughly \$138 per customer in 2007, to \$149 in 2008, and then fell to \$113 in Q1, 2009
- Similarly, average salon treatment revenue grew from \$66 per customer in 2007, to \$73 in 2008 - but fell to \$61 in Q1, 2009
- A bright spot showed the average retail revenue per spa treatment rose from \$18 to \$25 when comparing January 2008 to January 2009

About Global Spa Summit

The Global Spa Summit is an annual event that attracts top-level business executives from all over the world with interest in the spa and wellness industry. Representatives from diverse sectors including hospitality, investment, finance, real estate, medical, manufacturing, technology, consulting, product and other related industries attend this intimate, high-level gathering focused on moving the spa and wellness sector forward. With representatives from all continents and myriad countries from all over the world attending its yearly Summit, the Global Spa Summit and its website have become the hub for industry research worldwide, a connection for spa associations and educational resources around the world.

** Audience response polling of all delegates attending the 2009 Global Spa Summit*

*** 2009 Intelligent Spas Global Spa Summit Spa Benchmark Report: sample consisted of 1,278 validated spa businesses completing in-depth surveys*

**** Smith Travel Research (STR), 'Spa STAR,' report analyzing recent financial performance data from 40 high-end hotels with emphasis on Q1 2009.*

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