



# Wellness Tourism Congress

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## **7th Annual Global Spa & Wellness Summit**

**New Dehli, India**

**October 5, 2013**

**Keynote Speech by Thierry Malleret, Co-Founder,  
The Monthly Barometer**

**Spa, Wellness and Tourism: An Industry at the  
Confluence of Global Mega-Trends**

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## 7th Annual Global Spa & Wellness Summit

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MS. BONNIE ST. JOHN: Next we're going to hear from an amazing, strategic, economic, global thinker about how does this industry fit into the bigger picture. He's a frequent speaker at Davos [phonetic], a sought after advisor for some of the wealthiest in the world. And the founder of both the global risk, I'm going to get it right, the global risk network at the World Economic Forum and the incredibly insightful monthly Barometer newsletter, which I think we have special access to on the website and through the app.

And the guy you also want to know if you're ever in Shamani and need a really good guide to go climbing and ski touring. Please welcome to the stage Thierry Malleret.

[applause]

MR. THIERRY MALLERT: Good morning. I'm going to argue essentially that you are a very lucky industry. You happen to be at the right place at the right time. And, of course, luck is the big elephant in the room. Being lucky is not something that is being taught at MBA's or executive courses. And yet, there - - is demonstrating that it is one of the seamless, most determined, element of success, being at the right place at the right time.

What I'm going to illustrate over the next 20 minutes is that wellness happens to be at the conference of several global mega trends, that even though they are rather bearish for the global outlook, are very, very supported for your industry. And if I may, I'm going to start by the end.

Because I'm just back from the Global Economic Symposium in Kiel. And to my amazement, there are many themes that crisscross the Global Economic Symposium and your defining moment here in India.

And the greatest insight from this here symposium, and I should tell you that the GS is about 500 top policy makers, business leaders, economics, coming together to elaborate very tangible solutions to the global problems we face. Be they unemployment, poverty, - - , climate change, et cetera.

And this year there was a lot of emphasis being placed on the fact that material wealth is not enough in terms of defining

GDP. The GDP can grow very sharply, as it does at the moment in most emerging markets, but can also destroy a lot of societal value or human value in the process.

There was this year a very strong emphasis on the fact that when you want to come up with a prop indicator of success you need to integrate the well being and how it's going to be distributed across generations and populations.

I heard yesterday Claire talking about difference between well being and wellness. I don't know which one precedes the other, maybe they are very similar, as synonyms. But well being is something that is going to be at the core of economic thinking over the next few years and decades .

And it happens that in Kiel, there was a gentleman called Matthieu Ricard, who is a Buddhist monk, works with Dalai Lama. There was also several people from Bhutan. These people who have been in the business of redefining wealth through non-tangible indicators of well being. Again, very strong synergies between this Global Economic Symposium and your Summit.

I should also like to mention that one of the interesting insights that came out of the discussion in Kiel was from the cognitive neuroscientist called Dr. Tania Singer. And she's made the amazing discovery in the past few months through very tangible research that our emotions, our feelings, are physically contagious. And that's something which is really important because you are talking about this group being a community of family. Well, emotions are physically contagious and they also play a very important role inspiring economic growth.

Now let me go back to what is it that defines a defining moment? Well, of course, you see it from the perspective of your industry but it's also important to realize that the world, the big macro picture is changing radically everywhere and very, very rapidly.

And the world of tomorrow is not going to be like the world of yesterday. And for many of us who try to understand what the future might be like, it feels like we are driving at 100 kilometers an hour into the fog without being able to find the brakes.

The world of tomorrow is going to be marked by very, very sharp discontinuities. And as I was watching the

presentation earlier on, explaining to us that Libya is going to be the third destination in terms of travel and tourism. Well, look at Libya today. Libya is a no go zone for the next 20, 30 years.

It's important to realize that there are many tipping points that are bound to create great surprises for all of us. And if you try to understand how the world is going to be shaped over the next few decades, it helps to have a conceptual framework. And I thought that it might be good to think about the world being shaped by four forces.

Interdependence, it is the defining feature of the 21st Century. If you had to summarize with just one word what the 21st Century is going to be all about, it has to be interdependence. And to understand what it means, there are two ways to go. You either engage in a lengthy, boring academic conversation or you use a metaphor.

Metaphors are what we use every day to construct narratives to make sense of a lot of the world that we are facing. And there's a great metaphor being used, being even provided by one of today's important global thinkers, Kishawna Bubani [phonetic] from Singapore, who said, if you want to understand interdependence, just realize that 10, 15 years ago there were 170 boats afloat. Today we have 194 cabins at sea on the same boat.

And this is the greatest transformation ever. It never happened in this way before. We are all completely concatenated countries, industries, businesses, people. And, of course, this has many different implications. One of which is important for you all as business leaders, being that the decisions you make are contingent upon decisions being made by others, whether they are good or bad.

Then you have complexity. Complexity has been defined by one of the world's greatest psychologists, Herbert Simon, who won a Nobel Prize in economics in 78, as stuff we don't understand. We just find too complicated to understand.

I'm not going to enter into a discussion about what it is and what it means because it would be, again, a bit too arcane, but you have to take me at face value on that. The world is becoming increasingly complicated, very, very complex.

And for the purpose of a book I wrote several months ago, which is a small essay on how the world is shaping, I

interviewed head of state, head of central banks, CEOs of large global companies, and it's not uncommon to hear them confess that they are being overwhelmed by today's complexity. And today if you talk to the central bankers who are in the hands, the fate of our global economic system, they will tell you that they don't understand what's going on. They don't have a clue. It's much too complex. They're being overwhelmed. And it's true for many, many decision makers today.

Complexity is supported for wellness because when you face a complex situation, or two complex situations, you end up in a state of cognitive exhaustion, so you need to take a break. And I was amazed to realize when I interviewed these people that many of them meditate in the morning, interesting, as an antidote to complexity or to help with their reasoning.

Then you have velocity. Velocity we understand what it is all about. We live in a real time society. Everything goes much faster than it used to be the case in the past. It's true for our professional lives. You can think about high frequency trading, instant supply chains, real time supply chains. It's true now. Personal lives, speed dating, fast food, et cetera.

And velocity and complexity are two very bad bedfellows. They conflict with each other. And, of course, the greater the velocity, the greater the complexity becomes. Again, you need to take a step back and to think, to try to adjust to this insistent velocity as that catches peoples life. Again, the fourth, which is supportive of the wellness industry.

Transparency, as to the fact that we live in a world in which the notion of privacy is on the verge of complete extinction. Velocity is a child of the information technology. Transparency is a child of the social media. Everything is now visible to everybody instantly.

And there are many different ramifications of what this means, one of which has to do with something which is not being talked about very much because it's politically incorrect to discuss it publicly. But there is in economics, something which is very well known, which is called the beauty effect.

Today when you hire someone, when you decide on an advisory board position, you check the profile of the person on the web, on Facebook. And there are countless studies showing

that people who look well or beautiful people benefit from a financial premium. They get the higher salary. Or they get easy access to important positions. Again, something, a force which is highly supportive for your industry.

Now let me talk very rapidly about the global mega-trends. Again, most of which support the wellness industry. In favorable demographics I'm going to say a few words about it because I would respectfully disagree with previous speaker.

Demography is, of course, the greatest determinant of the future trends because it's the most constant one. And at the moment you have the double whammy. Not only is the world population expanding incredibly fast and exponentially, 2 million of us 40 years ago, 7 billion in 2011, 8 billion in 2013, 9 billion in 2015, 10.1 billion in 2100, after which the world population will start to decrease.

And it has become a cliché, common wisdom to assume that Europe is in trouble. In fact, the region that is the most demographic challenge in the world is Asia. In Asia the population, not in India, but in most of the rest of Asia, yes, is aging very fast. And contrary to Europe is United States, you would end up with a situation in which these countries will grow old without having had a chance to grow rich.

And you will face incredibly difficult situations such as the so called one, two, four syndrome. In China, where one working person would have to support two parents and four grown parents, which is a recipe for social instability. Equally you have some countries like Taiwan or South Korea which - - people in 12 years from now. It's going to happen very, very fast.

Something which is, again, not mentioned very often, the imbalance between men and women. In China you have 16 percent more boys than girls because of selective abortion. In 15 years from now you will end up with several dozens of millions of young men, unable to find a job, unable to find a wife, with a very high level of testosterone. And again, this is a recipe for possible social unrest. Things that have to be taken into account.

When you look at India you have to understand the different demographic dynamic between the south, which is mostly Buddhist, sorry, of course not. Which has a very low fertility rate. The north which is mostly Muslim with a very

high fertility rate. And the imbalances have to be factored in when you think about how a particular country or region may evolve.

And then you have the theme of climate change. Climate change, it's happening whether we believe in the science or not. It's happening. And in Germany I was talking to the chairman of a very large, one of the world's largest insurance companies, and he was saying that very soon it's likely that insurance companies will not be able to cover the risk at the current premium in coastal areas around the world. Rich countries will be able to adapt and mitigate, poor countries will not.

In indebtedness and fiscal issues rising in equality. Fiscal issues and indebtedness have to do with the fact that we are all constrained by this problem of too much debt that has been accumulated over the years. It's true also for emerging markets is a phenomenon that will explode over the next few years in emerging markets.

And it suggests that wellness may have to be compulsory. Government will dictate that we are well. Because social costs will explode and governments will not be able to cover them through fiscal surpluses. All these are very strong tailwinds for your industry.

The point that I would like to make before concluding is that we live in a world of systemic collectivity. This may sound very arcane but it explains why you are bound to be surprised all the time. All these government trends I was telling you about are presented by different colors and different risk embedded in these trends. And you can see that they all conflate with each other, which is why we are so bad at anticipating major turning points such as Euros and crises or the Arab threat.

I don't have time to finish by talking too much about this but the global outlook is marked by phenomenal degree of uncertainty. Nobody knows how the current experiment in China of moving from over an investment to consumption is going to work. Nobody knows how the experiments, sorry, 30 seconds if I may? We evolve, so we are in highly uncertain environment, which again, I think, is very bullish for your industry.

I wanted to give you a few tips on how to cope with this great uncertainty. Tips that go beyond wellness. These are

many cognitive tips but I suggest, since I don't have more time, that you read the book. They're all [background conversation]. Okay, well, we can deal with this phenomenal degree of uncertainty. Of course, being well and being rested and being capable of making the right decisions is important. But there are also conceptual tips which are easily accessible. But as human beings we tend to be extremely bad at dealing with uncertainty.

We love risks, which is how we make money, all of us. But dealing with uncertainty is more complicated. There is a principle of uncertainty aversion among most investors. I'm just providing a few tips on how to deal with this.

Maybe I will finish on a quote, because I was mentioning in Germany that I was about to attend this event in India. And there was a gentleman from Hong Kong who has written a phenomenal book called Consumption-Nomics, in which he explains that the day when Asian consumers start behaving like American consumers, the planet is doomed. There is no way we can accommodate two more billion people consuming like we do in the west.

And he was saying we stopped buying stuff we don't need, with money we don't have, to impress people we don't like. And I think that's a very good point. [laughter] And he said well, maybe, again, people will start realizing that it's important to consume products that trigger individual well being. And of course the wellness industry is wonderfully positioned to deliver such product. Thank you very much.

[applause]

MS. BONNIE ST. JOHN: Now we have the opportunity to ask Thierry questions. Does anyone have a question for Thierry? Sallie.

MS. SALLIE FRAENKEL: I have a question. What is the centrist paribus trap?

MR. MALLERET: We always assume that things have to be thought about, all the rest remaining the same. That's how we make predictions. That's why we saw that Libya was going to be the third travel destination in 2009. And of course, this is wrong. Because the world is changing constantly in amazing manners and it's impossible to extrapolate in a linear fashion how the world of tomorrow is going to be like.



Thinking about, I don't know, India travel and tourism development while ignoring everything else that India is currently, for example, in trouble on the monetary front for a variety of reasons. Ignoring the different parameters and how they evolve is always a mistake, which is bound to lead to big mistakes.

MS. BONNIE ST. JOHN: Great. Another question? We have one here? Do you want to stand up?

[background conversation]

MS. BONNIE ST. JOHN: Grab the mic.

DELEGATE FROM AUDIENCE: People that are very well are quite hard to manage, control, and sell pharmaceutical drugs to, that sort of thing. How are we going to get governments and policy makers involved when preventative medicine and taking wellness into our own hands isn't lucrative for that kind of big business?

MR. THIERRY MALLERET: Well, there are several more questions in your one question.

DELEGATE FROM AUDIENCE: That's me.

MR. THIERRY MALLERET: Yeah. Well the point you make is being difficult to deal with. Yes, of course, because there is very often another confidence bias embedded in the decisions that policy makers make. Preventative medicine, which I think is the core of your question is, of course, something which is in the mind of every single policy maker in the world today. Because we know that preventing is less expensive than curing.

It's quite obvious when thinking about the phenomenal fiscal difficulties that all countries in the world are facing at the moment. Not only the west, but also many emerging markets. That this is a direction to go because there won't be a surplus in the budget of every single country you may consider being devoted to curing people in the same ways that was the case in the past. It's impossible. There is too much fiscal strain to be able to do that.

Preventing is the way to go. Hence, my comment earlier that wellness may become compulsory. It might be the case that some countries decide that you have to invest yourself in wellness because the state cannot do it for you or cannot

cure you if you fall ill or if you have a depression or whatever.

MS. BONNIE ST. JOHN: Great. We have time for another question too? Oh, we've got one here.

PROF. MARY TABACCHI: Thierry I wanted to ask you when you talk about velocity, of course the people who deal a lot with instant collection of data. Say that is sort of like, I think, it's Hindenburg Principle that once you measure something it's already happened and it's time to move on. What do you think of that? Are we really moving so fast that when we do research, by the time we finish it, it's out of date?

MR. THIERRY MALLERET: Well, it's not an easy question. What is well known in cognitive science and this is a making theory is that great decision makers rely, to a very large extent, on the gut feeling. But the gut feeling is itself the expression [crosstalk] experience.

If you've been in a position to make tough decisions in conditions of great uncertainty, you become better at it. You just train. It's the 10,000 hour rule.

Now there are many tough decisions. For example, for central bankers that need to be taken while ignoring what it is all about. If you consider, for example, the process of quantitative easing in the US and Japan and the ECB, nobody knows how it's going to evolve because there is no precedent. It never happened before.

Velocity is fine when you have great benchmarks from which you can anchor your decision. When that is not the case, it becomes much tougher.

MS. BONNIE ST. JOHN: Terrific. One more question. My background is as an economist, so this is like being at the economic Olympics. This guy is talking to central bank heads on a regular basis. No more questions? You want to pigeon hole him at the break and be able to ask questions? Okay. Thank you so much.

MR. MALLERET: Thank you.

[applause]

[END RECORDING]