

HOTEL yearbook 2011

What to expect in the year ahead



Four Seasons CEO Kathleen Taylor
on the evolving concept of luxury

The post-crisis outlook in key markets:
20 exclusive situation reports from Horwath HTL

Best Western CEO David Kong describes the key issues
US hoteliers will have to tackle in 2011

The industry's most progressive approach to operations:
our interview with citizenM's Michael Levie

Plus ideas, expectations and insights for 2011
from the Chief Executives of 8 hotel groups

This excerpt from the Hotel Yearbook 2010 is brought to you by :



ECOLE HÔTELIÈRE DE LAUSANNE

The Ecole hôtelière de Lausanne (EHL) is the co-publisher of The Hotel Yearbook. As the oldest Hotel School in the world, EHL provides university education to students with talent and ambition, who are aiming for careers at the forefront of the international hospitality industry. Dedicated to preparing tomorrow's executives to the highest possible level, EHL regularly adapts the contents of its three academic programs to reflect the latest technologies and trends in the marketplace. Since its founding in 1893, the Ecole hôtelière de Lausanne has developed more than 25'000 executives for the hospitality industry, providing it today with an invaluable network of contacts for all the members of the EHL community. Some 1'800 students from over 90 different countries are currently enjoying the unique and enriching environment of the Ecole hôtelière de Lausanne.



HSYNDICATE

With an exclusive focus on global hospitality and tourism, Hsyndicate.org (the Hospitality Syndicate) provides electronic news publication, syndication and distribution on behalf of some 750 organizations in the hospitality vertical. Hsyndicate helps its members to reach highly targeted audience-segments in the exploding new-media landscape within hospitality. With the central idea 'ONE Industry, ONE Network', Hsyndicate merges historically fragmented industry intelligence into a single online information and knowledge resource serving the information-needs of targeted audience-groups throughout the hospitality, travel & tourism industries... serving professionals relying on Hsyndicate's specific and context-relevant intelligence delivered to them when they need it and how they need it.



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Founded in 1922, Cornell University's School of Hotel Administration was the first collegiate program in hospitality management. Today it is regarded as one of the world's leaders in its field. The school's highly talented and motivated students learn from 60 full-time faculty members – all experts in their chosen disciplines, and all dedicated to teaching, research and service. Learning takes place in state-of-the-art classrooms, in the on-campus Statler hotel, and in varied industry settings around the world. The result: a supremely accomplished alumni group-corporate executives and entrepreneurs who advance the industry and share their wisdom and experience with our students and faculty.



WATG

Over the course of the last six decades, WATG has become the world's leading design consultant for the hospitality industry. Having worked in 160 countries and territories across six continents, WATG has designed more great hotels and resorts than any other firm on the planet. Many of WATG's projects have become international landmarks, renowned not only for their design and sense of place but also for their bottom-line success.

Top ten hotel spa trends to watch in 2011

MORE AND MORE HOTELS ARE RECOGNIZING THE IMPORTANCE OF SPA IN THEIR PRODUCT OFFER, WITH RECENT RESEARCH DEMONSTRATING THAT THE PRESENCE OF A SPA JUSTIFIES HIGHER ADR – NOT TO MENTION ITS POTENTIAL TO ATTRACT GUESTS WHO ARE INCREASINGLY WELLNESS-MINDED. WE ASKED **SUSIE ELLIS**, THE PRESIDENT OF NEW YORK-BASED **SPAFINDER, INC.** TO SHARE WITH HOTEL YEARBOOK READERS HER INSIGHTS ON WHICH SPA TRENDS WILL HAVE THE BIGGEST POTENTIAL TO HAVE AN IMPACT ON THE HOTEL INDUSTRY NEXT YEAR.

THE HOTEL-SPA CONNECTION: A LITTLE BACKGROUND

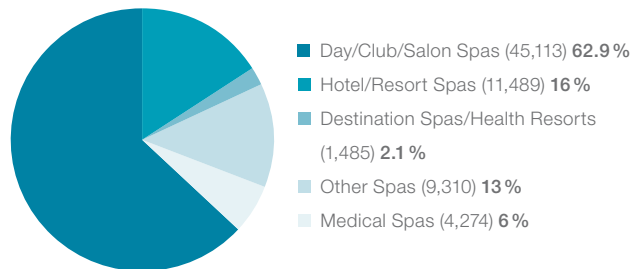
«Spas are a necessary evil.» This was something a speaker said at a hotel/spa conference I attended in Europe about seven years ago. At first I was shocked and perplexed, thinking I misunderstood. However, the speaker repeated the same sentence again, and I realized – he really meant it!

In spa years, that was a generation ago. Looking back, I realize that this older gentleman (who had spent a lifetime in the hospitality industry) was simply giving voice to what many of the assembled GMs were feeling. Spas were a challenge: their service menus were filled with odd, unpronounceable words, their staff didn't always jive with the established hotel culture, and, worse, at that point, many spas were actually costing hotels money!

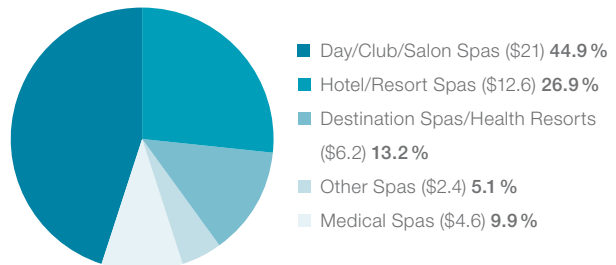
But how far the hotel-spa connection has come, and so fast. Initially a simple amenity, hotel spas have grown exponentially in scope, offerings, influence, and importance. A storm of forces, including the aging baby boomer demographic, the increased levels of stress in modern life, and the «Wellness Revolution» (with consumers actively seeking alternative therapies in the face of failing medical systems), mean that hotel spas now do far more than «mere pampering,» and attract a vast, mainstream consumer base. Architects and designers began collaborating with spa consultants to create unique, dazzling facilities, and these (along with trendy new treatments) have become media magnets, driving major PR to properties. Spa management became a professional career, with prestigious schools like EHL offering dedicated programs.

And finally, in the last couple of years, authoritative research appeared benchmarking this explosive global industry. At the 2008 Global Spa Summit, SRI International released its groundbreaking report, measuring the global spa industry's revenue, facilities, etc. What they found can be seen in the graph you see here.

GLOBAL NUMBER OF SPAS: 71,600



GLOBAL SPA REVENUES: \$46.8 BILLION



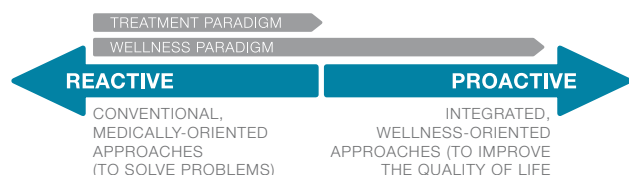
Source: SRI International, Global Spa Economy Report, 2007-2008

\$60.3 billion in core spa industry revenues – another \$194 billion in spa-related hospitality, tourism, etc. – 71,600 spas worldwide: these were the figures for 2007. Hotel execs took note. And it didn't escape their attention that research consistently showed that luxury properties with spas generated significant ADR premiums over hotels without spas, and that spa-going guests stayed longer and spent more money overall.

Architects and designers began collaborating with spa consultants to create unique, dazzling facilities

THE WELLNESS CLUSTER

A \$1.9 trillion global market



Source: SRI International's 2010 Report, Spa & the Global Wellness Market: Synergies & Opportunities

A 2010 SRI study delved further into the spa and wellness arena, presenting a Wellness Cluster showing spa as part of the Wellness Paradigm where integrated proactive wellness-oriented approaches are taken to improving the quality of life, as opposed to the conventional medically-oriented reactive approach that is taken to solve problems and is more of a treatment paradigm.

So, what was dubbed a « necessary evil » just seven years ago has quickly been transformed into a crucial component of the hospitality and travel industries, a hotel profit center that enhances the guest experience in ever-more creative ways, filling rooms and positively impacting the bottom line.

The hotel-spa connection is very much here to stay. But the connection is constantly evolving and being re-imagined.

What's around the bend for this vibrant industry? Here's what we at SpaFinder identify as some of the top trends hotel/resort executives should have on their radar in 2011.

Our annual trends report is based on analyses from a large team of experts who visit hundreds of resort/hotel/destination spas each year, interviews with top analysts, and ongoing research in the consumer, travel and spa sectors.

1. THE SPA BRANDWAGON

Less than a decade ago there were just a handful of hotels/resorts with a spa brand in multiple, global locations. Debates raged about the pros and cons of hotels/resorts developing and/or operating their own spas. Should you outsource to a management company, or build and manage the spa yourself? Should the spa have a separate brand/name from the hotel/resort or not?

Today the answers to these questions are tilting in one direction – toward branding. Hotel/resort brands have never been busier, launching carefully crafted new spa brands and differentiated concepts (in my opinion, more on paper, than in reality, at the moment) – and the hotel « spa brandwagon » is really taking off.

Consider: There are now 19 Chi spas by Shangri-La, 40 Hyatt Pure Spas, 17 Willow Stream Spas at Fairmont Hotels, 17 Bliss Spas at W Hotels (21 overall), 10 ESPA spas at Peninsula Hotels, 25 Jiva Spas at Taj Hotels, 20 Heavenly Spas by Westin, etc. (In each case, significantly more are in the pipeline.)

And newly minted hotel spa brands are charging into the market: Hilton's Eforea, Sheraton's Shine, Steiner's Chevana – and, on the drawing board, Explore Spas for Le Meridien, a new Iridium Spa option for St. Regis.

Brands to watch in the day spa arena include France-based Body Minute (221 locations), UK's Dove Spas (14), China's Dragonfly (14), US's Massage Envy (600+) and Woodhouse Day Spas (23 and 300 planned for India!).

Top ten hotel spa trends to watch in 2011 cont.

Why the brand explosion now? Many forces are at play:

- sheer globalization, and a vast, mainstream global spa market;
- much has been learned about hiring, training, and managing consistent concepts and service standards;
- the economies of scale in purchasing, marketing and training.

Many consumers will jump on this bandwagon: they love the «affordability factor» crucial to many of these new brands, and they appreciate the «know-ability factor» too, seeking that consistent spa experience.

2. THE NEW «P» WORD: PREVENTION (AND THE «SCIENCE OF SPA»)

While the old «P» word – «pampering» – may never be totally replaced, the industry has been aggressively re-positioning spa/wellness as a crucial component in a healthy lifestyle, rather than a frivolous luxury – a «need» rather than a «want.» And it's been a smart move: The research concurs that spas performed better than their «room» brethren across the long global recession. So, against the backdrop of a global health care crisis and skyrocketing medical costs, «prevention» is the new spa «P» word in 2011 and beyond.

Refocusing the spa conversation around prevention brings along a related trend: a new emphasis on evidence-based medicine and the «science of spa.» There's a fast-growing body of medical evidence about the proven benefits of massage, stress reduction, healthy sleep, weight loss, acupuncture, and the efficacy of certain beauty treatments. For instance, a recent *New York Times* article, «A Good Massage Brings Biological Changes Too,» delved into a major medical study revealing that a 45-minute massage resulted in a significant decrease in stress hormones, while boosting lymphocytes and therefore immunity.

More spas (and smart hotel spa marketers) will yoke their offerings to this growing body of medical data illustrating the proven benefits of many spa offerings. And this evidence-based archive will grow in 2011, as the industry undertakes efforts to aggregate and promote studies that spotlight the medical value

of so many spa modalities – while being transparent about those that don't yet have the evidence behind them.

3. EMBRACING LOCAL SPA MARKETS

Hotel spas will continue to find ways to attract the lucrative local market, and work well with this more diverse clientele. Increasingly, you'll find more VIP hotel/resort guests using the spa right alongside day spa guests, as well as local consumers who have paid a handsome sum for the privilege of «membership» (and a sense of belonging) at the resort spa. (In mixed-use cases, residents will be increasingly part of the «mix.») Hotel spa operators digested these opportunities during the recent financial crisis, when efforts to woo local business helped spas perform better overall than the hotels they were situated in.

Some argued that the «staycation» was just a fad (because the word seems faddish), but attractive local spa packages have proven them wrong. It all adds up to greater utilization, increased loyalty and spending. And while the execution of this balance between resort and local guests is currently more of an «art» than a science, this will keep improving. Many urban hotel spas are already driving more than 50% of their customers right from their own backyard.

In 2011, more hotel/resort spas will add special event programming (like wellness weeks or yoga retreats), while inviting in specialty practitioners and speakers. More will accept spa gift cards that draw local consumers to their spa. Reaching and attracting the local set will become a critical skill set for the hotel spa manager.

4. AUTHENTICITY ON STEROIDS: THE HYPER-INDIGENOUS SPA

Spas have been trying to move away from the faceless «could be anywhere» vibe for years, meeting the spa traveler's intensifying desire for true authenticity (immersion in food, design, and wellness experiences indigenous to the spa's unique place and culture). Indigenous facilities (e.g. an authentic sauna in Finland, a hammam in Turkey) are not new... nor are putting a few local treatments (a maple scrub in Canada, a vinotherapy facial in the South of France) on the menu.



But spas are going hyper-local – putting unique twists on the «farm-to-table» movement, with farm-to-spa cuisine and farm-to-massage-table treatments. Hyper-local also means stepped-up community projects and philanthropy – 100% locally-sourced building materials – mandating local staff hiring policies – and finding really creative ways to connect with «place» and nature. And guests aren't just passive consumers of the experience, they're gardening, farming, preparing their own food, making expeditions to local artisans, schools, and even helping with wildlife rescue work.

Spas will continue to find their local roots, and tie their identity more firmly to them, because it's the surest way to differentiate yourself – and differentiation is something the spa industry is sorely in need of.

This presents a challenge for hotel/resorts that target both national and international clientele, especially in emerging economies; i.e., many newly middle or upper-class citizens are looking for an international experience while inbound tourists are seeking indigenous experiences.

5. THE ONLINE SPA (SOCIAL MEDIA & THE ENGAGEMENT ECONOMY)

Today consumers can search for spas, book spa appointments in real-time, buy spa products, send spa gift cards (which can be printed instantly), write and read spa reviews, and fully engage in spa-related social media – all online, 24/7. Increasingly, consumers receive their marketing messages socially, via Facebook, Twitter, blogs, e-mail or text. And, of course, mobile is becoming huge, along with new location-based platforms/

apps. 2010 saw the explosive rise of online «deal» or coupon platforms, often based on the «social» or group-buying model. And, although «deal» is an unpopular word in the hotel/resort world, consumers are responding powerfully to these endless spa deals delivered to their in-boxes each morning.

In 2011, spas will further ramp up their social media presence (getting smarter about how to create real engagement and connection, beyond «marketing» to «friends» and «followers»). They'll step up their adoption of online booking technologies and online yield management software, strengthen their online retail and gift certificate presence, and pay closer attention to their «online reputations.»

In general, the way spas virtually connect with their guests will get even more creative. On the horizon: unique new forms of online engagement, like new technology enabling medical diagnostics and assessments, the ability for consumers to store their personal fitness and health preferences, and the opportunity for spas to stay connected with their guests via online coaching – an under-explored profit and retention driver. Only the therapists' hands won't be brought online – yet.

6. NEW GROUPS: CELEBRATIONS, MULTIGENERATIONAL TRAVEL

In a recent SpaFinder survey, travel agents reported the number-one emerging spa travel trend was people increasingly hitting «stay» spas for special occasions like the big '0s', anniversaries, weddings, retirement parties, girlfriend getaways, etc. The downturn in hotels' corporate/conference business has, of course, been ongoing and severe. And despite reports

Top ten hotel spa trends to watch in 2011 cont.

of modest recovery, given the permanent realities of virtual conferencing, new types of group travel, from «celebration» to (smaller) multi-generational family travel, will become more important.

It makes sense: Spa going is increasingly associated less with luxury and pampering and more with affirming one's life and well-being. Look for more people to take over entire spa properties for all kinds of personal celebrations, and more families and friends getting away together to celebrate (and do a little «relationship wellness»).

Spas will (and should) aggressively incentivize these new breeds of group spa «experiences,» focusing on marketing, creative programming, and facility design/redesign that can attract the destination weddings, bachelorette parties, and multigenerational family escapes.

7. ALL EYES ON ASIA

Asia has always played an important role in the modern spa industry. Asian therapies like yoga, shiatsu, Ayurveda, TCM, acupuncture, Thai massage, etc. have become the very staples of global spa menus, and westerners' well-being regimes, for decades. The «Zen» nature of Asian design has influenced spas across the world. And some of the most famous hotel/resort spa brands have emerged from Asia, not only because of their established culture of wellness/healing, but also because of low labor costs.

But if, historically, it's been a tale of the exportation of Asian therapies/design/brands, a very new story is unfolding now: the explosive growth of hotel and spa development within Asia (a market of 4.1 billion people), particularly in the two fastest-growing world economies, China and India. These markets (and others like Vietnam, Cambodia, and Sri Lanka) are developing at a breakneck pace, unleashing new class mobility and massive opportunities for hotel/spa development. (Consider: China has 171 cities with populations of one million-plus, and most still don't have a major, internationally branded hotel!)

The bigger trend will be «wellness tourism»

Asia has the largest number of spas under development of any region in the world. And the growing Asian middle and upper classes are beginning to travel abroad and throughout the region, an extraordinary new tourist demographic keenly interested in partaking in the luxury lifestyle that includes spa-going the «Western» way. Of note, the new spas being built in China and India will be targeting a much younger generation.

While Asia-Pacific was the biggest loser in the 2009 recession (with a 19.4% RevPAR decrease), they're recovering faster than any region, with an explosive 24% growth in 2010 compared with the more modest gains in North America (+4.6%), Europe (8.4%), and the Middle East/Africa (+3.1%). Asia-Pacific is squarely positioned to represent the worldwide leaders in RevPAR growth in 2011.

The hotel pipeline serves as a good barometer of this major story. 77% of expansion in the Asia/Pacific region is earmarked for China and India in 2011 (56% and 21% respectively). To take just one example: Starwood reports that the majority of their development is slated for these explosive markets, with 60 hotels in China now, and 85 in the pipeline – and 27 properties in India, with 16 on the way.

8. CLIENTS OVER 65? GIVE THEM RESULTS – NOT LABELS

It doesn't matter what term you use – baby boomers, silver spa-goers, active retirees, war babies – the impact of the 65+ spa-goer promises to be a massive trend impacting spas for years to come, especially in the Western world. The North American, European, Japanese, etc. populations are aging at a rate unprecedented in human history.

But they don't want to be labeled, and you can't lump them together in the old 65+ demographic bucket. After all, there's a huge difference between a 70-year-old who plays tennis

three times a week and an 85-year-old who is considering cosmetic fillers for the first time. Savvy spas will need to rethink everything to address these 65+ niches' specific needs: facilities, equipment, programming and staffing. They'll be adding physical therapy, rehabilitation, recuperation and just plain pain relief to their menus, in preparation for a clientele with back, neck, and knee problems and issues with mobility.

A few forward-thinking examples: Fairmont's Willow Stream Spa is adding a Muscle and Joint program promising pain relief. And don't be surprised to see more spas modeled after Canyon Ranch that offers exercise physiologists, sports medicine professionals, chiropractors, orthopedics, naturopaths, and physical therapists on staff (or on call). Look for «corrective» massage, «corrective» facials, and the already overused term «anti-aging» to be deployed even more.

Another trend likely to see a renaissance is spa bathing, as the «rediscovery» of the soothing and pain relief benefits of soaking in thermal water once more comes into vogue. While finding expression in new ways, such as the Scandinave and Le Nordic models in Canada, the Hakone Kowakien Yunessun in Japan, or the lucrative Glen Ivy Hot Springs in Southern California, we are forecasting new respect for the health benefits of *sanitas per aqua*, which has taken a backseat to weight loss, beauty and fitness in the past few decades.

9. RECOGNIZING THE DIFFERENCE BETWEEN MEDICAL TOURISM AND WELLNESS TOURISM

Medicine and spas have been dancing together for centuries. In some parts of the world (Europe especially), medicine and spas have been intertwined from the beginning, but in most parts of the world this hasn't been the case. However, the worldwide use of Botox and fillers has ushered in a new era of physicians and medical professionals courting the spa consumer.



An ongoing trend that shows no sign of slowing down is crossing borders for medical procedures (called medical tourism).

Thanks to excellent accredited facilities, well-trained doctors, high levels of service, lower costs, and the Internet information revolution, medical tourism is on the rise. And while medical tourism might be of interest to some hotels/resorts (i.e., providing accommodation for patients and their families before and/or after procedures), the bigger trend will be «wellness tourism.» This term describes traveling across borders for preventive services, diagnostics, spa and well-being vacations, and even the «wows» of DNA testing and stem cell banking. The focus of «wellness tourism» is squarely on prevention and helping people make lifestyle changes. The opportunities are immense, as governments all over the world begin to look at this arena as a way to both attract tourism dollars and lower healthcare costs.

Thought leaders argue that the future will be brighter for all concerned if medical tourism (necessarily heavily regulated) and wellness tourism (more entrepreneurial) are kept separate – with funding and support for each.

10. 2011 SPA «BUZZ WORDS»

Finally, if you want to know the cutting-edge spa concepts/terminology emerging on the spa scene, acquaint yourself with the following: salt caves, infrared saunas, hammams, hot bamboo massage, stem cell facials, candle wax massage, wellness coaching, pain relief massage, Zumba, «celebrity» stylists/therapists/aestheticians, threading, Brazilian blowout, eyelash-everything, evidenced-based medicine, happiness quests, Era III medicine, self-discovery, aging into wellness/wisdom and the new color of green – transparency. ■



Lady with beret in front of Badrutt's Palace Hotel, 1933

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