The Tourism Observatory
for Health, Wellness and Spa

4th International Wellness, Spa & Travel Monitor *2017*

In cooperation with

RLA RESOURCES *for* LEISURE ASSETS

Contents

Meet the TOHWS Team!

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The Tourism Observatory for Health, Wellness and Spa (TOHWS) is an international intelligence initiative created in 2012 by renowned advisors and researchers.

To us travel for health means travel for total health - either for medical purposes, or for wellness, well-being, holistic, spiritual, spa or medical wellness. This holistic approach to health makes TOHWS the only global initiative looking at every aspect of the spectrum.

Thank You!

Danke schön! Merci! ¡Gracias! Спасибо! Dziękuję!

This benchmark report was prepared in cooperation with Resources for Leisure Assets with endorsement from local and regional as well as global companies. We thank you for your support and consent!

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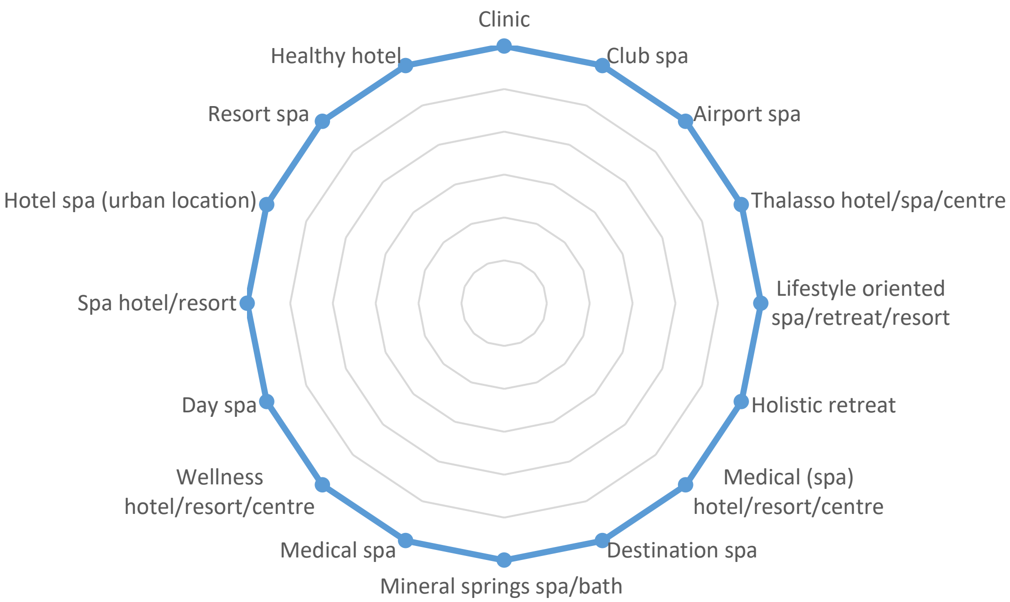
IWSTM 2017 Global Intelligence

IWSTM 2017

The Tourism Observatory for Health, Wellness and Spa proudly announces its **4th benchmarking study** on the relationships between spa and wellness services and travel and tourism, titled the International Wellness, Spa & Travel Monitor. **The IWSTM provides industry insights for investors, managers and analysts.**

Spa & Wellness Operators' Spectrum



In addition to facility typology information, IWSTM also presents data related to three major demand segments: local customers, domestic tourists and international tourists.

Altogether 17 different wellness and spa service operation types were identified. With this wide range of facilities, we wanted to highlight the complexity of the spa and wellness industry and to indicate the vast array of service providers. However, most of the data presented in IWSTM 2017 comes from hotels and resorts or stand-alone (thermal) baths, from 50+ countries.

The characteristics of the three major demand segments can differ greatly, but we introduce separate data only if significant differences were identified.

IWSTM introduces relevant data from previous IWSTM Studies (i.e. 2014 and 2012) indicating relevant trends and changes in the market.

Tourists & Demand

Tourists & Demand

We believe that the spectrum of travel for health is very wide and has many variations. The terminologies applied can differ greatly continent-by-continent or even country-by-country or culture-by-culture. That was one of the key reasons why TOHWS decided to launch its global initiative.

This still is a very dynamic market. The number and variety of products and services associated with health, wellness and spa are proliferating. The hospitality industry is moving away from viewing spas and wellness centres as separate units, and instead is often applying a health-oriented approach to their whole operation.

Our data consistently shows over the years that the role of international tourists is significant in wellness and spa facilities (other than day spas or club spas), since over 3 out of 4 guests are non-locals.

On the other hand, this is certainly not true for every single market (or country). This is the first year that from working together with our partners we could highlight relevant differences in key markets, namely: German-speaking countries (Germany, ~~Austria~~ and Switzerland), Spanish-speaking countries (Spain and Central and South America, excluding Brazil) and Russian-speaking countries (e.g. Russia, Central Asia).

The Role of Tourists in Demand

	Total*	German-speaking countries	Spanish-speaking countries	Russian-speaking countries
Foreign guests	30%	15%	30%	10%
Domestic guests	50%	65%	30%	10%
Local guests	20%	20%	40%	90%

*Note: ¾ of the total sample used English language for communication, i.e. the ”Total” figures represent all the answers. Language-specific data is shown only if significant differences in the answers were indicated .

Wellness, Spa & Travel 2016

The Tourism Observatory
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Market Positioning - *2016*

Participating facilities could define themselves in terms of market position: budget, mid-level and upmarket/luxury. It is no surprise that in spite of the so-called 'democratisation' of wellness and spa services, the majority of providers still belong to the luxury/upmarket category. This result is in line with the traditional assumption, i.e. that the industry tends to cater to high(er)-end guests, tourists or vacationers. However, it can be seen that in some countries and markets, mid-range level spa and wellness services are becoming more available.

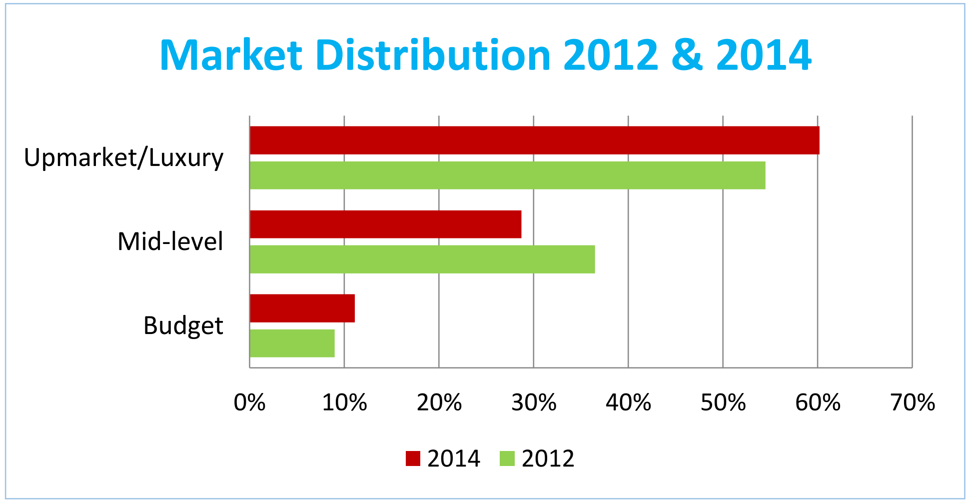
35%
Mid-level market

Market Distribution 2016

	Total	German-speaking countries	Spanish-speaking countries	Russian-speaking countries
Upmarket/ Luxury	55%	36%	43%	67%
Mid-level market	35%	64%	40%	33%
Budget	10%		17%	

Country differences represent very well the different maturity level of markets as well as the complexity of segmentation and product development.

In certain markets, spa and wellness services do not exist at budget level.

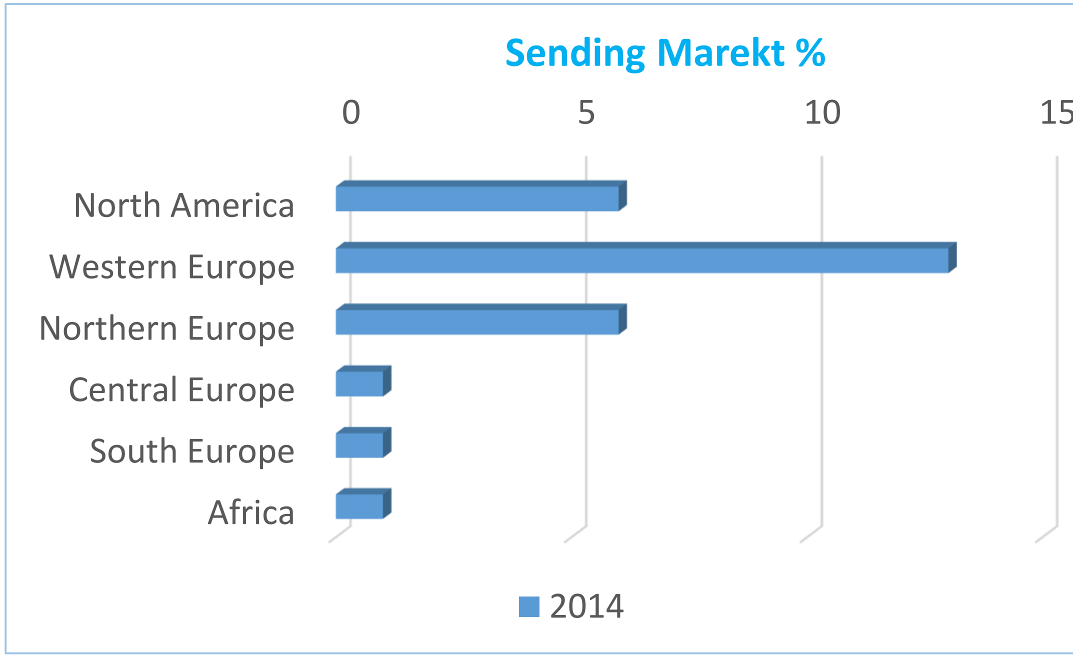


Sending Markets - *2016*

In our previous benchmark data we identified the key sender countries in wellness and spa-motivated travel. The USA, UK, Germany, Russia, China, Austria and France were the leading market countries for wellness and spa services.

Sending Market Rankings	Global	Host Markets: German speaking	Host Markets: Spanish speaking	Host Markets: Russian speaking
USA	1			
Northern Europe	3	3	5	
Western Europe	2	2		
Central Europe	4	1	2	1
Eastern Europe	5			2
South Europe			3	
Australia & Pacific			1	
Middle East		4		
Africa			4	

Visitor patterns seem to be changing, since although globally the USA still is the largest sender market, regionally there are significant differences. IWSTM indicates that the most important sender market for the German-speaking countries is Western Europe, but for the Spanish-speaking markets (especially South America), the Australia & Pacific is the leading sender market. The TOP 5 sending regions are introduced below with the relative positions of regions.



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Demand Distribution - *2016*

	Total	German-speaking countries	Spanish-speaking countries	Russian-speaking countries
Post-war cohort (born before 1946)	17%	13%	17%	45%
Baby boomers (born 1946-1964)	31%	23%	27%	55%
Gen X (born 1965-1975)	27%	32%	25%	10%
Gen Y (born 1976-1995)	18%	22%	20%	5%
Gen Z (born 1996-)	8%	10%	7%	

Participating facilities could define themselves in terms of market position: budget, mid-level and upmarket/luxury. It is no surprise that in spite of the so-called ”democratisation” of wellness and spa services, the majority of providers still belong to the luxury/upmarket category.

8%

Gen Z

Not independently from the market maturity and the market positioning of spa and wellness facilities, the market distribution by age groups shows rather telling differences between various markets:

- Gen Y is gaining higher market share which partially is in line with the growing family market as well as the earning potential of such age groups
- Very good to see the increasing role of Gen Z especially since most standard spa and wellness operators do not offer much (or anything) for this age group

The maturity and complex service provision of the German-speaking market seems to be very suitable grounds for the introduction of spa and wellness services for Gen Z (which is confirmed by the high expected growth rate in the first-time guest market!).

Popular Services - *2016*

In the first two editions of IWSTM, there was little difference between the three guest groups in terms of their preferred choice of services. In 2012/2013 not unexpectedly, massages were the most popular services on offer in wellness and spa facilities. International guest data showed growing interest in medical services at wellness and spa facilities. Interestingly, as we saw before, lifestyle-oriented services also gained popularity. The 3rd IWSTM indicated the shift in the market (and we removed massage as an option since it was clear that those are the most popular services in any category).

Service Rankings by Guest Categories

IWSTM 2017	Natural elements-based therapies	Services based on local resources, traditions	Thermal experiences	Natural, organic product based services	Healthy options, services
Local guests	3	4	2	1	5
Domestic guests	2	3	1	4	5
Foreign guests	5	1	4	2	3

IWSTM 2015 suggested that international guests who are the representatives of the core market require a rather wide range of services during their wellness-motivated travels. The popularity of Complementary Treatments as well as Body-Mind-Spirit grew significantly from 2012/2013.

IWSTM 2017 data indicate further shifts in the market towards Natural Resources and Health Options. Local market differences are rather interesting:

- ✓ **German-speaking** market follows the global trend
- ✓ Spanish-speaking market less interested in Health Options and Natural Resources but more in Complementary Therapies and Occupational Wellness
- ✓ Russian-speaking market is interested in Natural Element-Based Therapies and spiritual workshops

IWSTM 2014	Natural element-based therapies	Complementary, alternative therapies	Body-Mind-Spirit/Holistic workshops	Fitness & sports	Natural, organic product based services
Local guests	3	1	4	2	5
Domestic guests	1	2	3	1	5
Foreign guests	5	1	2	3	4

Guest Spending

Spending is a key monitor of performance for the spa and wellness industry (as it is in other industries).

IWSTM 2017 suggests that foreign guests can spend up to twice as much per day as their local guest counterparts. The difference between domestic and foreign guests in terms of average spending is relatively small.

The range of average spending fluctuates quite significantly but not independently from the type of facilities and markets targeted:

- Most of the **German-speaking** markets' spa and wellness facilities consider themselves as mid-range operators and very much focusing on the domestic market.
- For the **Spanish-speaking** market, the local as well as the domestic market is important and facilities predominantly fall into the mid-range or the upmarket segment.
- In the **Russian-speaking** markets, where the vast majority of facilities are upmarket and focus on the domestic market, the average spending is very high (compared to the IWSTM average).

Average Spending per Guest/Day

	Total*	German-speaking countries	Spanish-speaking countries	Russian-speaking countries
Foreign guests	73 €/ 99 $	132 €	150 € / 194 $	160 €
Domestic guests	69 €/ 96 $	125 €	148 €/ 165 $	180 €
Local guests	38 €/ 71 $	64 €	93 €/ 72 $	180 €

*Note: Guest spending is indicated both in Euros and US Dollars since these currencies dominate the market. Operators could indicate their guests' spending level in whichever currency they felt the most relevant to their market. The averages are calculated accordingly.

Target Market Segments

Targeted Segments

Primary segments	Couples	Groups of Friends	Families
Secondary segments	Couples	Guests looking for healthy options	Groups of friends

As the 4th IWSTM indicates, the traditional target market for spa and wellness i.e. single women, is no longer the primary or most important segment for such services. Social consumption, i.e. consuming with partner, family, and friends has become the typical way of visting spas and wellness facilities since both the primary and secondary segments represent this trend.

The market differences are indicated by the different role of the relevant segments in several countries. Marketers target multiple segments for the same service proposition (that is why IWSTM indicate primary and secondary-segment preference rankings).

Note that markets are not uniform, as can be seen in the case of the Spanish-speaking market, which differs according to country or segment. Operators suggested that they need to define target markets very carefully country-by-country, which makes communication (and consequently operation) rather complicated and even impossible.

It is very good to see that the representatives of Gen Y (aged 25-40) became a key target segment especially in the German-speaking countries (no surprise, then, the average age of spa and wellness guests is rather young in these countries).

German-speaking markets

- **#1** - *Couples*
- **#2** - *Gen Y*
- #3 - Single women

Spanish-speaking markets

- **#1 -** ***Different*** *country-by-country*
- **#2 -** *Couples*
- **#3 -** Mother & Baby

Russian-speaking markets

- **#1** - *Families with children*
- **#2 -** *Couples & Groups of friends*
- **#3 -** Gen Y

Key Motivations for Travel

Treatments & Services

Brand & Reputation

Location

While in 2014 there was a clear shift with ”Brands and Reputation” becoming more important for domestic travellers and local guests, and ”Treatments” remaining the most important motivation for international guests, by 2016 for every segment the ”Treatments Offered” became the most important motivation factor. For locals, ”Previous Experiences” is also crucial, whereas domestic travellers can be motivated by their ”Curiosity”. The technology, which is often built in excess in new spa and wellness facilities apparently plays little or no role in attracting guests.

The differences by markets show some interesting developments:

- **German-speaking** markets: ”Location” of the spa and wellness facilities is considered the most important motivation factor for travellers. This is especially true for international trips where the Curiosity factor is also rather influential in addition to Brand & Reputation
- **Spanish-speaking** markets: There is little difference from the overall trend since Treatments & Services play the most important role supported by Brand & Reputation
- **Russian-speaking** markets: ”Location” is considered the most influential factor together with ”Previous Experiences”. It is interesting to see that the certification of the facilities plays a rather relevant role for Russian-speaking guests, since this appears not only in the Local market, but also in the Foreign guest segment, too.

German-speaking markets #1

- **Local market**
- *Therapists*
- **Domestic market**
- *Location*
- **Foreign guests**
- *Location*

Spanish-speaking markets #1

- **Local market**
- *Curiosity*
- **Domestic market**
- *Brand & Reputation*
- **Foreign guests**
- *Treatments & Services*

Russian-speaking markets #1

- **Local market**
- *Quality certification*
- **Domestic market**
- *Previous Experience*
- **Foreign guests**
- *Location*

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Growth Areas Facilities

Growth Potential 2017 - *Facilities*

Family spas & wellness facilities are, perhaps surprisingly, in the top position for the three segments. This product is very established in many countries (e.g. Germany, Austria) but has great growth potential in most countries.
As in other travel trend studies, international travellers do not follow the same path as their domestic counterparts.

Growth Potential Rankings by Guest Categories

IWSTM 2017	Spas based on natural (healing) resources	Family spas & wellness facilities	Thermal spring based spas/hotels	Eco-spas & wellness facilities	Dreamscapes/ architectural masterpieces	Retreats	Destination spas	Healthy hotels & resorts	Adventure spas & wellness facilities
Local guests	2	1	3	4	5	5	5		
Domestic guests		1	2	4				5	3
Foreign guests		1	4			3	2		5

We expect international guests to be attracted by more specialized facilities such as destination spas and retreats, whereas local and domestic guests are more likely to look for thermal experiences (if available).

In some countries, thermal baths or other natural resources are either not available or are not known. Consequently, travellers from these countries may be experiencing these facilities for the first time. It is interesting to see that in the previous editions of IWSTM, healthy hotels or wellness hotels were forecasted to be very attractive for development. By 2017, these forecasts became more moderate.

	Family spas & wellness facilities	Eco-spas & wellness facilities	Destination spas	Wellness hotels	Retreats	Adventure spas & wellness facilities	Spas based on natural (healing) resources	MedSpas	Spa hotels	Healthy hotels
IWSTM 2014										
Domestic guests	1	2	3	4						5
Foreign guests			4	2	3			4	5	1
IWSTM 2012										
Domestic guests	1	3		4		5	2			
Foreign guests		4	1	3			2			5

Growth Potential 2017 – *Facilities*

The forecasted growth areas for spas and wellness facilities make the market even more complex.

Whereas the total data suggest that family spas and wellness facilities should be the most obvious area for development, more detailed analysis may suggest otherwise.

Data from the German-speaking markets reflects the mature state of the wellness and spa industry in these countries, i.e. it is moving in a more sophisticated direction. The interest in medical services in spas and wellness centres, e.g. in the form of medical wellness suggests the direction that local demand may go. The same is true of the demand for healthy hotels & resorts for domestic travellers.

The Spanish-speaking markets are taking a different path and this is especially relevant for South America. An eco-orientation is not only taking place in the case of nature-based holidays. The formulation and development of eco-themed and oriented spas and wellness facilities seem to show the way that these markets will develop in the near future.

German-speaking markets #1

- **Local market**
  - *MedSpas*
- **Domestic market**
  - *Healthy hotels & resorts*
- **Foreign guests**
  - *Spa Living Environments /Wellness Communities*

Spanish-speaking markets #1

- **Local market**
  - *Family spas & wellness facilities*
- **Domestic market**
  - *Eco-spas & wellness facilities*
- **Foreign guests**
  - *Eco-spas & wellness facilities*

Russian-speaking markets #1

- **Local market**
  - *Family spas & wellness facilities*
- **Domestic market**
  - *Longevity & active ageing centres*
- **Foreign guests**
  - *Spas based on natural (healing) resources*

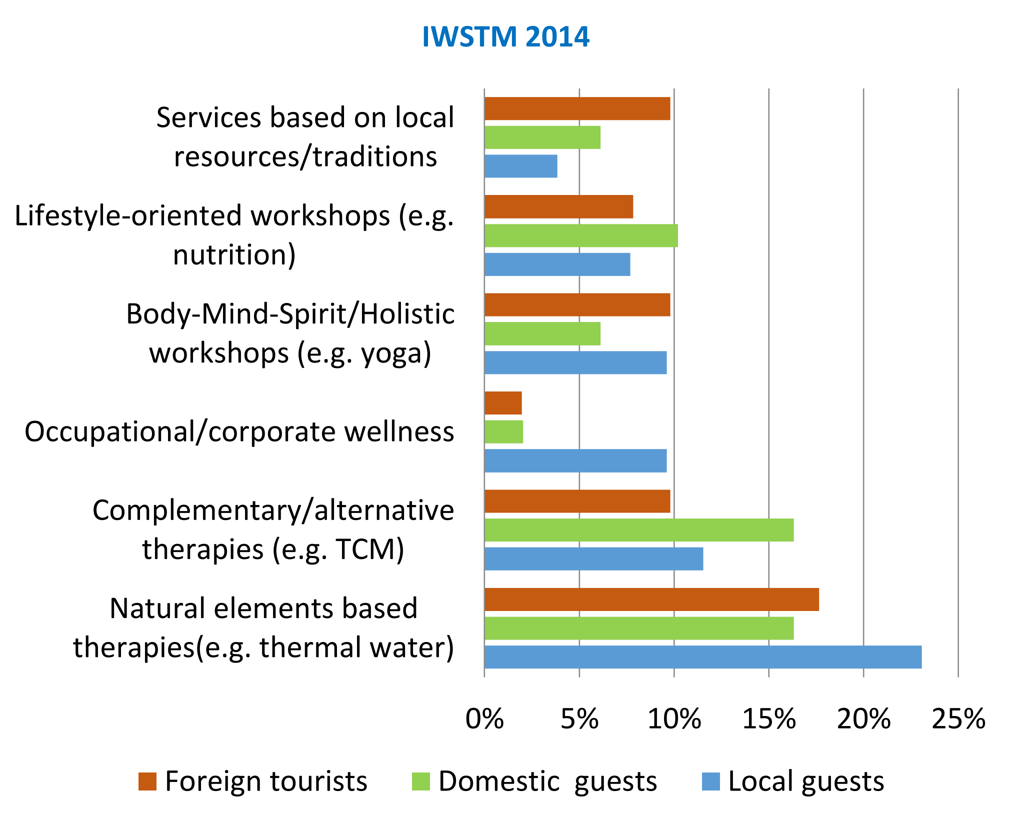
Growth Areas Services

Growth Potential 2017 - *Services*

There has been a clear shift in the market towards natural resources with proven impacts and evidence as earlier IWSTM data show. This is particularly interesting, since in many parts of the world these resources have (not) yet been identified or tested for healing (or wellness-enhancing) properties. This interest in natural resources, however, seems to be more relevant to the local and regional markets, than the international one.

Growth Potential Rankings

IWSTM 2017	Natural elements based therapies	Complementary, alternative therapies	Body-Mind-Spirit/Holistic workshops	Active & anti-ageing/longevity workshops	Services based on local resources, traditions	Healthy options, services
Local guests	2	3	1	4		5
Domestic guests	2		1	4	5	3
Foreign guests		5	3	4	1	2



It is interesting to see that the currently very popular concept of corporate or workplace wellness is not in travel packages and offers. It is also notable that customers who travel to a foreign country for wellness and/or spa services want different activities than domestic travellers. Since natural resources are very much local resources, the two categories go hand in hand, and marketers can promote natural resources to tourists looking for local resources. However, it is recognised that not all tourists are interested in natural resources and may prefer other kinds of local resources (e.g. cultural traditions).

Healthy options (such as healthy food or sleep enhancement in hotels) have become more important during the last year, even if in most cases, "general" and not necessarily only wellness tourists also tend to look for such provisions.

Growth Potential 2017 – *Services*

Looking at the different language-speaking markets, IWSTM 2017 data confirm that markets and therefore demanded services can and do differ. The differences depend on the degree of these markets' maturity and complexity or on the available resource and service mixes.

We can see that nature-based services, thermal services in particular are especially important for several markets, e.g. local Spanish-speaking markets. Marketers still find it challenging to introduce natural-element based services in third markets since both the general and the professional understanding and awareness of the likely benefits of such services have not yet been established widely. This is why the local and the domestic markets show a more significant demand for such services than the international one.

Healthy options & service seem to be the most influential development areas in many of these markets. This market shift, however, does not suggest that every tourist becomes a wellness (or potentially a health) tourist. This trend is a manifestation of the health orientation of the general market.

German-speaking markets #1

- **Local market**
- *Services based on local resources*

- **Domestic market**
- *Complementary, alternative therapies*

- **Foreign guests**
- *Healthy options / services during stay*

Spanish-speaking markets #1

- **Local market**
- *Thermal experiences*

- **Domestic market**
- *Complementary, alternative therapies*

- **Foreign guests**
- *Complementary, alternative therapies*

Russian-speaking markets #1

- **Local market**
- *Healthy options / services during stay*

- **Domestic market**
- *Healthy options / services during stay*

- **Foreign guests**
- *Healthy options / services during stay*

Growth Areas Markets

Growth Potential 2017 – *Market*

Local demand	
Number of guests (altogether)?	6%
Number of first-time guests?	8%
Number of guests using spa/wellness services?	6%
Average length of stay?	3%
Number of treatments sold per visit?	4%
Average revenue per guest?	5%

IWSTM 2017 data indicate that the local market is expected to grow at a relatively high rate. The total number of guests as well as the number of first-time guests show a higher growth rate. In terms of length of stay the expectations are moderate.

+10%

First-time guests

The steady growth of health and/or wellness awareness and orientation is most likely behind the impressive forecast for first-time guests in the domestic markets. However, the total number of guests is stagnating (which actually means a slight decrease in the total number of guests).

Domestic demand	
Number of guests (altogether)?	1%
Number of first-time guests?	10%
Number of guests using spa/wellness services?	6%
Average length of stay?	3%
Number of treatments sold per visit?	5%
Average revenue per guest?	7%

International demand	
Number of guests (altogether)?	7%
Number of first-time guests?	9%
Number of guests using spa/wellness services?	7%
Average length of stay?	4%
Number of treatments sold per visit?	4%
Average revenue per guest?	8%

International demand follows similar patterns to the domestic market forecast except that operators believe that not only the number of first-time guests but also the total number of guests will also grow at a relatively high rate. This development will be supported by an increase in average revenue per guest.

Growth Potential 2017 – *German-speaking Market*

Local demand	
Number of guests (altogether)?	6%
Number of first-time guests?	8%
Number of guests using spa/wellness services?	6%
Average length of stay?	2%
Number of treatments sold per visit?	2%
Average revenue per guest?	5%

Domestic demand	
Number of guests (altogether)?	7%
Number of first-time guests?	6%
Number of guests using spa/wellness services?	5%
Average length of stay?	4%
Number of treatments sold per visit?	5%
Average revenue per guest?	5%

International demand	
Number of guests (altogether)?	6%
Number of first-time guests?	7%
Number of guests using spa/wellness services?	4%
Average length of stay?	3%
Number of treatments sold per visit?	4%
Average revenue per guest?	5%

+7%

First-time guests

The German-speaking market for spa and wellness services is a mature market. The number of service providers is rather high and the guests are also quite experienced and have established needs and demand patterns.

It is not surprising that the market is expected to show relatively slow growth in every segment and in every category:

- The local market seems to be growing in terms of first-time guests which confirms other IWSTM data indicating that younger age groups are showing more and more interest in spa and wellness services (consequently many of them to become first-time guests)
- The domestic market shows balanced growth rates in every category
- International demand, perhaps unexpectedly, show relatively moderate growth figures lower than the IWSTM average. This is somewhat alarming news for spa and wellness operators. Given the highly developed state of the spa and wellness industry in every German-speaking country, it seems that international demand could be better targeted. This is especially important considering that non-German-speaking markets are expected to grow at a much higher rate.

Growth Potential 2017 – *Spanish-speaking* Market

+12%

Number of guests

The Spanish-speaking market data show that spa and wellness operators expect significantly higher growth coming from tourists than from local markets.

While the local market seems to be growing steadily, both the domestic and the foreign markets show rapid increase.

Whereas in the IWSTM average and in the German-speaking markets the highest expected growth is forecasted to take place in the first-time-guest segment, the Spanish-speaking market expects the highest growth from spa and wellness service users.

International demand follows a similar pattern to the domestic market forecast except that operators believe that not only the number of first-time guests but also the total number of guests will grow at a relatively high rate. An increase in average revenue per guest is to support this development.

Local demand	
Number of guests (altogether)?	4%
Number of first-time guests?	5%
Number of guests using spa/wellness services?	5%
Average length of stay?	3%
Number of treatments sold per visit?	3%
Average revenue per guest?	5%

Domestic demand	
Number of guests (altogether)?	9%
Number of first-time guests?	7%
Number of guests using spa/wellness services?	10%
Average length of stay?	7%
Number of treatments sold per visit?	5%
Average revenue per guest?	7%

International demand	
Number of guests (altogether)?	6%
Number of first-time guests?	6%
Number of guests using spa/wellness services?	12%
Average length of stay?	7%
Number of treatments sold per visit?	9%
Average revenue per guest?	12%

"There is so much more to wellness than just visiting spas"

Should you wish to use or reproduce any part of this report, or to learn more details about the findings, or to Sign up for IWSTM 2018, please contact us at lpuczko@resourcesforleisureassets.com.

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