

HOTEL yearbook 2010

What to expect in the year ahead

**Sir David Michels on the shape
of the coming recovery**

**The outlook for 20 key markets,
from China and the USA
to Germany, Brazil and Libya**

**Is it time to change in-room
technology standards?**

**How the crisis
will affect luxury in 2010**

**Editorial input from 25 hotel
industry CEOs**

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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.



Boutique DESIGN New York

Boutique DESIGN New York, a new hospitality interiors trade fair, will coincide with the 94-year-old International Hotel/Motel & Restaurant Show (IH/M&RS). Designers, architects, purchasers and developers will join the hotel owners/operators already attending IH/M&RS to view the best hospitality design offerings as well as explore a model room, exciting trend pavilion and an uplifting illy® networking café.



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HFTP provides first-class educational opportunities, research and publications to more than 4'800 members around the world. Over the years, HFTP has grown into the global professional association for financial and technology personnel working in hotels, clubs and other hospitality-related businesses.



Bench Events

Bench Events host premier hotel investment conferences including the International Hotel Investment Forum; the Arabian Hotel Investment Conference and the Russia & CIS Hotel Investment Conference. Bench Event's sister company, JW Bench, is a benchmarking company that has launched the Conference Bench and the Productivity Bench. An industry first, the Conference Bench, measures performance data for conference space in hotels throughout Europe.



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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.



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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More than an indulgent promise

What's the outlook for hotel spa development in 2010? **MIA KYRICOS**, Director of Global Spa Brands & Programming for **STARWOOD HOTELS & RESORTS WORLDWIDE, Inc.**, gives us her take via that tried and true standby, a **S.W.O.T.** analysis.

There's no question that development will continue to be adversely affected by the ongoing global recession that's impacting all facets of the hotel industry, including spas. Many skeptics, particularly those from hard-hit economies in North America and Europe, have gone so far as to deem the better part of 2009 as the « great depression of the hotel industry. »

Some projects have been indefinitely delayed or canceled due to a lack of funding, while others have begun to re-engage, albeit at a slower, more cautious pace. The upscale and luxury segments in particular have had to reconsider their value propositions, and spas, particularly those marketing an indulgent promise, have suffered the most. Like it or not, consumers – even those with deep pockets – have changed their spending habits and many properties have suffered declines worse than those seen post-9/11.

In 2010, it will be important to remain objective and steadfast. To do so requires a clear understanding of where the strengths and opportunities are, as well as points of caution.

That said, here is my *S.W.O.T.* for SPA.

Strengths

Our friends at Smith Travel Research (STR) have begun to work with major hotel companies such as Starwood Hotels & Resorts, Mandarin Oriental Hotel Group, Fairmont, Ritz Carlton and others, to analyze the impact of spa on ADR (Average Daily Rate) and RevPAR (Revenue Per Available Room) at upper-upscale and luxury hotels. The research is promising.

Jan Freitag, Vice President of STR, tells us that for those US based properties with spas, average premiums of \$64 and \$29 on ADR and RevPAR respectively, have been seen through August of 2009, and with any luck, will continue. For projects in need of funding, this kind of information should be compelling to the development community, particularly since consumers are expecting spa services at today's full-service hotels.

Like pools in the 1980s and fitness centers in the 1990s, the increased penetration of spas at hotels has been fueled by both demand and the perceived quality of hotels with these kinds of facilities. Fortunately, the data support a visible return on these necessary spa investments.

Weaknesses

The spa industry continues to suffer from a lack of understanding. Depending on where you are in the world, spa may either be considered a luxury (a highly unpopular term these days) or deemed essential to a healthy lifestyle. Perception affects demand, which of course, affects return.

« Luxury continues to be defined in many different ways, » said Maggie Gunning, Managing Director of Spa Synergy, a Singapore-based spa consultancy. « As long as people have money to spend, it's human nature to want to indulge, but expectations must be met. »

To deliver on these expectations, expertise is required, and with a general shortage of skilled labor – both at the management and service level – the spa industry will continue to be challenged to source the right talent in 2010.

In markets that are established and profitable, such as many parts of Asia, there is a growing maturity of hotel operators who now have the knowledge to manage spas themselves versus outsourcing to third parties. This is a promising trend, particularly for hotel companies with branded spa offerings that can work to maximize ROI by effectively integrating spa with the hotel operation. Economies of scale can be realized in purchasing and marketing, for example, and the guest can enjoy a more seamless experience throughout their hotel stay.

In developing markets, however, the need for strong partners, skilled labor and third party operators with access to both, will continue.

Opportunities

Spas within and outside of hotels stand to benefit from a growing global demand for preventative health and wellness.



Research released at The Global Spa Summit in Switzerland in May 2009, where industry delegates from 32 nations convened, indicated that the \$250+ billion global spa market will become increasingly important to health, medical and travel-related industries.

In fact, findings show that current economic challenges will actually promote an industry shift towards preventative health and wellness which can transform today's spas from indulgent

to essential. We are seeing this kind of convergence with the growing development of wellness-related resorts.

John Patience, Managing Director of Spa Developments in Dubai, has witnessed this trend. « At a wellness resort », said John, « hotel and spa are mere components of a much greater mission: to cater to travelers interested in maintaining their healthy lifestyles when on the road. » ►

We can also expect to see more data on the subject. The Mayo Clinic shared results of recent clinical trials at the International Spa Association's annual conference in October that links complementary alternative medicine (CAM) – therapies such as massage, yoga, acupuncture and others not part of standard healthcare – to increased success rates of recovering cardiac patients, among others. The success of these ongoing trials will undoubtedly help to increase the understanding and justification for spa-related businesses and services offered at hotels. It will also drive the need for more partnerships among spas and local health related institutions interested in both treating the sick and maintaining the well.

Other opportunities for the hotel spa development community in 2010 include:

- The development of club spas at hotels that combine fitness facilities and spa-related amenities on a membership basis to both capture local clientele and to provide cash for development up front;
- The establishment of partnerships with consultants, third-party operators, skincare and retail brands to more effectively develop and operate spas and most importantly, to share risk with the development community;
- The proliferation of spa development in the four-star market – which Anna Bjurstam of the Swedish spa consultancy, Raison d'Être, claims to present « a huge opportunity for hoteliers » – will be important to effectively capture the 5-star guest interested in downgrading stays to cut costs;
- Numerous opportunities in developing markets such as China, India, Vietnam, North and West Africa, and parts of the Middle East (with the exception of the more saturated Dubai), that are eager to build bigger, better and greener hotels that can be sustained for years to come;
- An opportunity to re-invent what's happening within the four walls of existing spas, particularly those due to renovate in 2010.

Threats

The number one threat in 2010 will continue to be the availability of cash and institutional investment to fund hotel development projects.

Richard Dusseau, CEO of international spa consultancy, Spa Strategy, has faced this question many times when assessing the feasibility of spa projects from Egypt to Costa Rica. « The biggest threat to our industry », he claims, « is a general lack of historical data that's measurable, accurate and needed to attract investors. »

While there is data being published by reputable firms such as Intelligent Spas, Smith Travel Research and organizations such as The Global Spa Summit and International Spa Association, the lack of understanding within and outside of our industry continues to confuse even the simplest definition of what a spa (or hotel spa for that matter) truly is or should be.

Fortunately, the world is getting smaller and great progress has been made to define and benchmark the industry. The code, however, will not be cracked this year.

Focus on the bright side

The horizon has shown some glimmer of hope, and developing markets should help to power a smarter, leaner development community. With the right combination of optimism and objectivity, one can certainly imagine a potential resurgence in hotel spa development and performance in 2010. ■

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