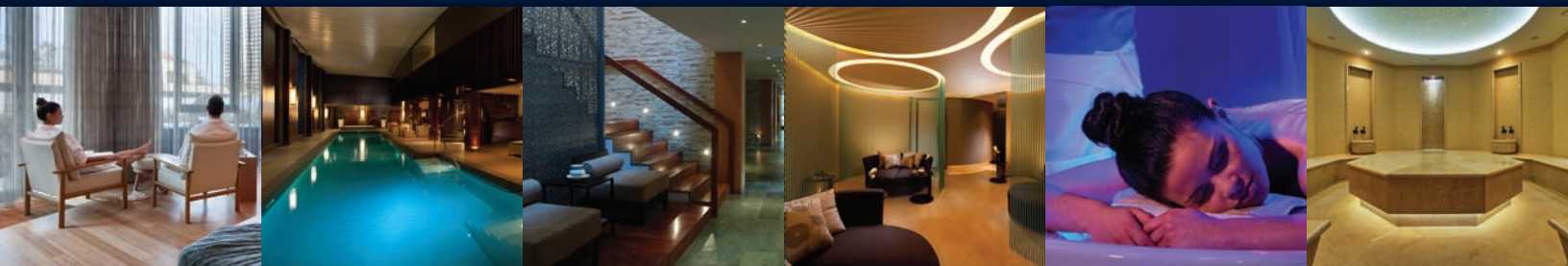


BLUE PAPER:
EMERGING GLOBAL SPA TRENDS

JULY 2012



AMERICAS • EUROPE • MIDDLE EAST • AFRICA • ASIA • AUSTRALASIA

EXECUTIVE SUMMARY

Hotels worldwide are increasingly finding that spas can drive Guest bookings, with nearly half of the respondents in a 2012 global survey stating that the existence of a spa is an important factor in selecting a hotel. At the same time, consumer confidence is beginning to return from both a business and leisure travel perspective, with Guests traveling more frequently and to destinations farther from home. It is with these considerations in mind that hotels focus more on spa offerings to ensure they are relevant to today's savvy, yet value-conscious consumer.

Against this backdrop, Hilton Hotels & Resorts issues this report showcasing the latest thoughts on global spa trends. The report is based on input from a collection of industry experts, including the spa team at Hilton Worldwide, founders of top spa product brands and other thought leaders in this space. Hilton also commissioned a survey of 6,000 respondents throughout the United States, Great Britain, Australia and China to offer additional global and regional insight.

In summary, this report:

- Identifies spa-goers and spa behavior based on generation, highlighting key differentiators and motivators for each age group
- Discusses the increasingly savvy modern spa Guest, who is more enlightened about the overall efficacy of spa treatments and related products
- Highlights the growing importance of men to the global spa industry and how a successful spa should tailor its offerings for this market
- Touches on the need for global spa concepts to offer consistent services across their portfolios while also allowing for local flexibility
- Underscores the overall importance of spa to the hotel industry, offering hotels a distinct competitive advantage in booking, driving revenue and attracting local customers beyond the overnight Guest
- Notes the significance of business travelers, who are increasingly looking for relevant ways to decompress between meetings as well as extend their visits as part of the larger phenomenon of "blended travel"
- Offers additional insight on regional trends being seen by experts throughout the Americas, Middle East and Africa, Europe and Asia Pacific





BLUE PAPER EMERGING GLOBAL SPA TRENDS

July 17, 2012

It may surprise people to learn that Hilton Worldwide is one of the world's largest spa providers. Our flagship Hilton Hotels & Resorts brand alone offers Guests more than 190 spas at our properties around the world. We have seen spa become increasingly important to today's business and leisure travelers who look for ways to relax and renew. As a result, the quality of spa facilities plays a larger role in the decision to book a hotel stay than ever before. To meet this need, our Owners are increasingly looking for concepts that are easy to implement and cost effective yet also meet Guests' needs across the globe.

This perspective is what led our team to develop eforea: spa at Hilton, now one of the world's fastest growing spa concepts with 11 locations in seven countries. Available for Hilton Worldwide's Hilton Hotels & Resorts, DoubleTree by Hilton and Embassy Suites Hotels brands, this forward-thinking concept has been well received by our hotel Guests and Owners alike, and reflects many of the trends seen in the spa industry today.

We are pleased to share a valuable perspective of the global spa industry in this Hilton Blue Paper. Addressing trends that range from "spa use by generation" to "men and the spa industry" to "global consistency and local relevance," among other topics, this research showcases the findings that our experts see around the world.

I hope you find this document to be a great resource and encourage you to view other Hilton Blue Papers covering a variety of trends within the hospitality and travel industries via our Hilton Global Media Center at <http://news.hilton.com>.

Sincerely,



Dave Horton
Global Head
Hilton Hotels & Resorts

BLUE PAPER FINDINGS & REGIONAL PERSPECTIVE ON GLOBAL SPA INDUSTRY

July 17, 2012

From Australia and China to Azerbaijan and the U.S.A., eforea: spa at Hilton helps our Guests emerge brighter. With the eforea concept continuing to expand its worldwide reach, we are delighted to share with you our findings and regional perspective on the global spa industry.

This Hilton Blue Paper is based on proprietary research, third-party data and the expertise of our spa team worldwide. Most recently, we completed a survey in May 2012 of 6,000 people in the U.S.A., China, Australia and Great Britain to gain additional consumer insights on global spa usage.

As we worked with our Hilton Hotels & Resorts brand to develop this Hilton Blue Paper, we looked back at the creation and launch of eforea: spa at Hilton, the latest spa concept from Hilton Worldwide. During that process, we selected the best elements and practices from Europe, Asia Pacific, Middle East, Africa and the Americas to create a unique concept for today's savvy global traveler. Similarly, this Hilton Blue Paper also includes input from our regional team of expert spa operators including Ryan Crabbe (Americas), Vanessa Main (Asia Pacific), Sharon Barcock (Middle East and Africa) and Louise Moore (Europe). Together, we deliver Hilton Worldwide's commitment to providing best-in-class solutions for our development partners around the world and unparalleled experiences for our Guests. Hilton Hotels & Resorts has long been a leader in the full service hotel segment, and I appreciate the opportunity to share this information with you through the brand's Hilton Blue Paper series.

I hope this outlook on the global spa industry proves both useful and insightful. You can learn more about eforea: spa at Hilton, book appointments and search locations at hilton.com/eforea. Media can find more information, watch interviews, download photography and enjoy virtual tours of eforea at <http://news.hilton.com/eforea>.

Best regards,



Tyra Lowman
Senior Director, Global Spa
Full Service and Luxury Brands
Hilton Worldwide



SECTION ONE SPA USE BY GENERATION

The industry has seen a notable shift in the generational use of spas. Whether it is evolving preferences or the result of marketing, the shift is clear and the global spa industry is responding.

A recent presentation on spas and generational behavior by Berkeley Young of Young Strategies noted a broader use of spa defined by generation and categorized spa-goers based on when they were born:

- **Silent Generation** – born between 1925 and 1942
- **Boomers** – born between 1943 and 1960
- **Gen X** – born between 1961 and 1981
- **Millennials** – born between 1982 and 2000

SILENT GENERATION

KEY TAKEAWAYS:

- Loyalty
- Personalized service
- Essential treatments

The Silent Generation is traditional in its approach to spa and is loyal to both brands and people. The Silent Generation leans toward essential treatments and grooming, and duration of service is not generally a consideration. This generation is looking for quality and personal connection in its interactions and will be extremely loyal if each is provided.

The global spa industry understands that this generation of consumer is largely local and that its loyalty is what sustains the industry's business during drops in hotel occupancy. Spas will not attract this generation through social media campaigns and e-newsletters. Instead, the Silent Generation is looking for a personalized marketing approach, such as follow-up calls and thank-you notes.

BOOMERS

KEY TAKEAWAYS:

- Revenue driver
- “Forever young”
- Value-added treatments

It is widely accepted that Boomers are one of the main drivers of the explosive growth in the spa and beauty industry. As this group ages, spas continue to refine their offerings to meet the Boomers' age-defying needs.

This group is “forever young” and the spa industry recognizes that it cannot attract them by focusing on their age. As a result, many body treatments now emphasize function and mobility, while skincare offerings have evolved from “age management” treatments to “correcting” and “brightening” solutions.

GEN X

KEY TAKEAWAYS:

- Tech savvy
- Knowledgeable about spa trends
- Environmentally conscious

“Technology First” is the slogan for Gen X and the spa industry has responded to this generation in a big way. This generation lives on and displays their day-to-day lives to anyone connected to the Internet. The spa experience is increasingly blogged about, reviewed and commented about online. Gen X-ers make many of their buying decisions based on these first-person accounts.

Gen X is savvy when it comes to spa usage. Having done the research in advance, this generation is up to speed on the latest spa offerings. With this comes an increasing need for spas to be prepared to answer detailed and pointed questions about their offerings. Gen X tends to be skeptical and take a “prove it to me” approach to new treatments and services. As they can also be hyper-critical, it is crucial to both set the expectation and to deliver on that expectation.

Additionally, Gen X is environmentally concerned and aware and will review the “waste,” such as energy and water consumption, in its decision to receive spa treatments.

MILLENNIALS

KEY TAKEAWAYS:

- Spa is a necessity
- Instant results
- Trend setters

Millennials are the ultimate modern consumer as they are generally well-informed, love to buy and enjoy life. This group has an awareness of spa as a day-to-day necessity and is unafraid to try “the new thing.” More than any other, this generation is focused on immediate results. Impactful marketing to this group of spa-goers means an approach that focuses on trends, treatments and services that give instant results. As the youngest spa Guests, the industry needs to keep a close eye on this generation as they will be shaping spa trends for years to come.



SECTION TWO

THE SAVVY SPA GUEST

KEY TAKEAWAYS:

- High-level of efficacy
- Continued emergence of organic
- Environmentally friendly

As consumers learn more about spas, have greater access to spa services and use the Internet for spa research, we see the emergence of a highly savvy spa Guest. This enlightened spa Guest is interested in treatments and products that deliver a high level of efficacy without potentially harmful chemicals.

With increased knowledge on the part of today's Guests, treatments are becoming less about pampering and more about delivering results. Guests need to know that treatments are proven and effective, and spas need to reinforce their claims with data.

Additionally, Guests want to know more about the ingredients used in spa treatments and products, leading to the continued emergence of organic products. Today, Guests are more conscious of what is used on their skin and the product's impact on the environment, including considerations such as packaging materials, animal testing and the support of local/sustainable farmers.

SECTION THREE

MEN & SPA

KEY TAKEAWAYS:

- No-nonsense approach
- Products created for them
- Clear, concise and specific communication

Men are increasingly becoming an important part of the spa Guest mix, and the industry continues to adjust its offerings and marketing efforts accordingly. The assumption globally that the spa market is overwhelmingly female is simply not true. Especially in urban hotels and those that cater to business travelers, the gender split is often closer to 50/50, and in some cases, male spa clients outnumber female clients. Men are a real, captive audience and must be paid attention to as a market.

The needs of a male spa Guest are very different than those of the female Guest, and spas need to note the key differences:

- Generally speaking, men prefer a no-nonsense approach to spa and want to know that the treatment they select will ultimately be effective. Their choices are made far more prescriptively, to meet a specific goal, and tend to be less about pampering.
- Men are very aware of and place importance on looking after their skin — hands, face and feet. Globally, men's skincare products are developing twice as quickly as female products. Men's skin is biologically different from women's skin and men want a different approach for their skincare routine.
- Men are also increasingly willing to experiment with products and services to find the ones that will best meet their specific needs.

In marketing spas to men, there are additional considerations that must be taken into account:

- Men want to know that the spa product or service was made specifically for them and not simply a woman's product disguised in masculine packaging. Because of this, we are seeing a rise in spas that offer treatments, products and entire menus designed with the male spa-goer in mind.
- For men, spa is more a "preservation solution" than about pampering. They want to feel fit, well and younger longer through treatments that emphasize rejuvenation, relaxation, detox and nutrition.
- For male buy-in, language needs to be clear, concise and specific to their needs. Men do not buy fluff – they want facts that make rational sense, communicate benefits and provide resolution.
- Men are more impulsive and generally plan their spa visits with short notice. In the hotel space, this means that spas and spa marketing materials need to be more visible to Guests during their stay.
- Men tend to be loyal spa-goers. If they are provided with their desired results, they are likely to return.

"Men are becoming increasingly comfortable with frequenting spas for rejuvenation and see it as an overall investment into their well-being. Those catering to this audience best are the ones who tailor their products and services to men specifically and don't treat them as an afterthought."

— Clare Matthews, director and co-founder, VitaMan

SECTION FOUR

GLOBAL CONSISTENCY & LOCAL RELEVANCE

KEY TAKEAWAYS:

- Turnkey solutions
- Global consistency
- Respect for local culture

The spa industry today is fragmented. Historically, branded spas were more localized and regional in scope, often starting as "mom and pop" operations before multiplying in that same geographical area. Today, as people are traveling more frequently and to varying parts of the world, the industry has seen a greater demand for branded ancillary products on a global scale – not just in the spa space but also in areas such as food and beverage and fitness.

Successful spa brands are able to meet this demand from Owners and investors by creating unique spa solutions that also provide them the opportunity to localize treatment offerings and design elements – maintaining a sense of global consistency without losing local relevance.

Prior to the rise of branded hotel spa concepts, property Owners, managers and franchisees had to invest significant time, research and funds into creating a new spa, a difficult task particularly in the current economy. Bringing a well-developed concept into their hotels minimizes advance legwork for individual hotel properties within a brand's portfolio and provides a turnkey solution with a distinct identity.



This branded spa solution is also helpful when it comes to spa marketing. Guests become familiar with the concept during their travels and recognize the brand as a consistent provider of services that are relevant to their needs. This familiarity results in a greater sense of loyalty and an increased likelihood that Guests will book their stay at a hotel where the branded spa concept is offered.

SECTION FIVE

THE IMPORTANCE OF SPA FOR HOTELS

KEY TAKEAWAYS:

- Competitive advantage
- Revenue driver
- Catering to locals and business travelers
- Importance for leisure Guests

No longer simply a place to sleep, hotels are increasingly experience-driven and have begun to tailor their offerings to meet this need. Properties that embrace spa have the opportunity to increase revenue by maximizing this competitive advantage over hotels that do not.

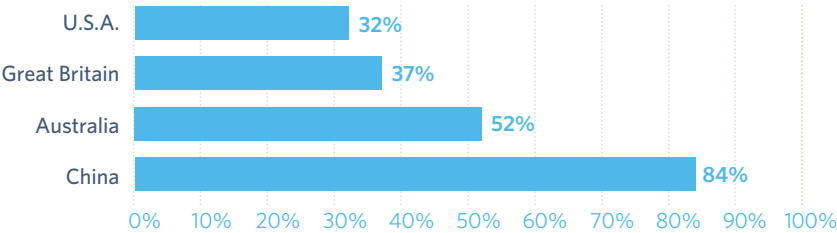
Research shows that a high percentage of travel agents say their clients want spa facilities in the hotels they book. Additionally, consumers are booking online and comparison shopping more than ever. Prospective Guests perceive hotels with spas as more upscale, regardless of whether they plan to use the spa. Hotels and resorts with spas are also more appealing to the local drive markets for “staycations” and weekend getaways that help to retain rate and occupancy levels.

“Spa is no longer a niche industry, but instead is a major revenue producer for the hotel industry. Food and beverage, as well as accommodations revenue, can be substantially complemented by spa and wellness revenue streams.”

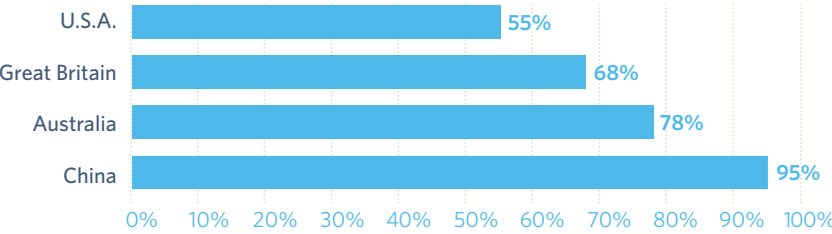
— Bryan McGoldrick, director, Angliss National, William Angliss Institute

In a 2012 survey commissioned by Hilton Hotels & Resorts, 45 percent of respondents around the world said that the existence of a hotel spa was an important factor in their booking decision, with 69 percent saying that they were at least somewhat likely to use the on-property spa during their stay. Spa has the greatest impact on the booking decision by Chinese travelers, a key emerging segment for international travel brands.

SPA IS AT LEAST “SOMEWHAT IMPORTANT” IN HOTEL BOOKING DECISION



GUESTS AT LEAST “SOMEWHAT LIKELY” TO USE HOTEL SPA IF OFFERED



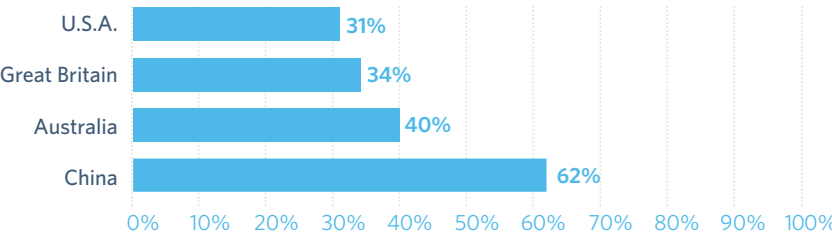
SPAS AND ATTRACTING LOCAL CONSUMERS

One important factor in determining whether a spa makes commercial sense for a hotel is its expected mix of local and out-of-town Guests. Especially in an urban setting, a successful spa cannot rely on hotel Guests alone, but must also be seen as a viable lifestyle choice for local residents. Marketing to, and retention of, local clientele must be a part of the overall plan.

In a 2012 survey commissioned by Hilton Hotels & Resorts, 40 percent of survey respondents said that they would be more likely to visit a hotel spa near their home if it offered a local membership program. Hotel spas increasingly tailor their marketing approaches to attract the local clientele by offering:

- **Club memberships:** Members pay a flat monthly rate to use the spa amenity areas (pool, steam, sauna and fitness center) and receive one treatment monthly.
- **Loyalty rewards:** Because it can cost three times the marketing dollars to attract a new client versus rewarding your existing loyal Guests, there has been a shift toward loyalty programs that reward spa Guests based on number of visits, quantity of services and average amount spent. Guests also have more ways to use their rewards than ever before. Gone are the days of “punch cards” and “refer a friend” only loyalty programs; Guests use their loyalty points, status and redemption options in many of the same ways that they use their hotel, credit card and airline loyalty programs.

INCREASED LIKELIHOOD OF SPA USAGE BY LOCAL RESIDENTS WHEN MEMBERSHIP PROGRAM IS OFFERED



BUSINESS TRAVELERS

Globally, spa-goers are more pressed for time than ever before and increasingly look for moments to “rapidly relax.” This is true of spa Guests overall, but especially true for business travelers with limited free time. Successful spa concepts are addressing this need by offering shorter versions of treatments within the spa and occasionally in non-traditional settings. Examples include a jet lag recovery treatment offered in the hotel lobby, express grooming in an executive lounge and in-room technology that seeks to provide the feeling of six hours of sleep in 20 minutes.

Making it easy for business travelers to continue their treatments and indulge throughout their travels long after they’ve left the spa can build incremental revenue and drive loyalty. Because travelers may balk at packing full-size spa products into their suitcases, vendors supporting eforea: spa at Hilton were required to create airport





security approved sizes of their products for the concept’s retail area. This allows travelers to pick and mix a collection of products to easily carry with them. Product suppliers may grow their customer base for sales of full size products through creation of a successful retail travel program. In late 2011 Hilton began selling full-size products from its eforea: spa at Hilton collection on its retail site, hiltontohome.com.

While de-stressing and rejuvenating services such as massages provide a way for business travelers to pamper themselves while on the road for work, maintenance services including waxing, manicures and pedicures are important for frequent travelers spending much of their work life on the road. Many spas at hotels today offer services that commonly form a core part of a salon menu, including hairstyling. For hotels that are home to major events and galas, these services can meet the needs of Guests traveling for an on-property event while also serving as destinations for locals.

SPA AND RESORT PROPERTIES

From a resorts perspective, the spa experience is also very important. Above all, Guests seek an emotional payoff from a resort getaway, as described in the 2011 *Hilton Hotels & Resorts Blue Paper: Resorts Trends*, where Hilton reported that 54 percent of Guests chose relaxation as the top goal of their resorts vacation.

Though resort vacations can continue to be seen as a luxury as a result of the recent economic downturn, consumer confidence and optimism are returning to the travel space. There is an increase in “blended travel,” where business travelers will add a few days to their work trips and have their significant others join them for a partially subsidized getaway experience. This “blended travel” often includes a spa experience to both decompress after a busy work week and to reconnect with their loved ones.

“Resorts have evolved from what they once were. Whereas the one ‘must have’ for a resort used to be a pool, today’s seasoned travelers expect a greater focus on wellness. Nearly two thirds of resort Guests expect that their resort of choice will feature a full-service spa.”

— Bonnie Campagnuolo, senior director, resorts and product marketing, Hilton Hotels & Resorts

SECTION SIX A SHIFT TO REFINED TREATMENT MENUS

KEY TAKEAWAYS:

- Bigger not always better
- Operational considerations
- Ease in navigation

Akin to the dining experience, the spa industry is seeing a global shift to more refined treatment menus. Prior to this, one measure of a great spa was an expansive menu of treatment offerings – bigger was better. In reality, this led to significant operational problems – most notably in the education of therapists and staff as well as in marketing.

Today, there are more simplified, refined and targeted treatment menus. The core menu for eforea: spa at Hilton, for example, includes only 26 services. Consumers want solutions that work but are also personal, and are seeking menus that are simple, easy to navigate and self-prescriptive.

SECTION SEVEN REGIONAL TRENDS

THE AMERICAS

The concept of wellness is becoming far more mainstream in this part of the world, led by the rise of franchise chains that make spa both more affordable and accessible. As this shift toward wellness and healthy living is increasingly important to all types of travelers, spas are beginning to shed their reputation as “pamper palaces.” Spas are incorporating more results-oriented treatments and products into their programs. In addition, they are experimenting with inspirational programming that encourages comprehensive changes to a Guest’s personal wellness.

MIDDLE EAST & AFRICA

Now more than ever, spa-goers in the Middle East and Africa are interested in treatments that pay homage to their cultural roots. This includes a renewed interest in wet treatments and hammams. While traditional hammams consist of large heated and cooled rooms, modern spa design does not generally have the luxury of that space. Spas today are finding ways to bring back these treatments in more intimate environments, leading to a new and modern take on hammams.

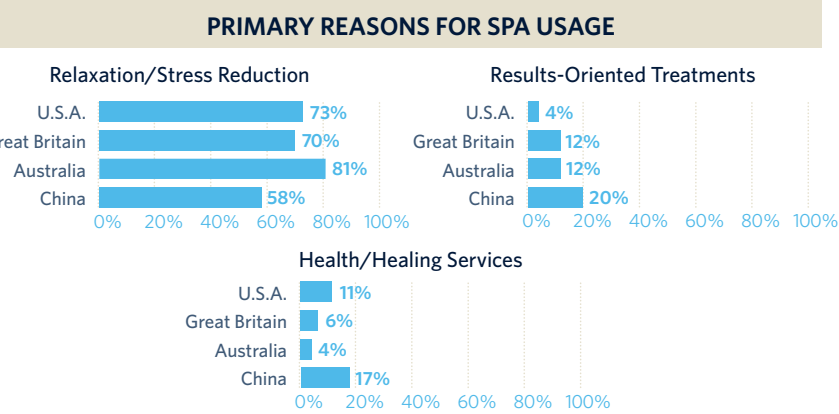
EUROPE

There has been a recent reemergence of water-based treatments across Europe — water therapy, hydrotherapy and other thermal practices — most notably in Eastern European countries such as Russia, Hungary and Poland. While these therapies are inherent in European culture — remnants of bathhouses can be found among the ruins of ancient Rome — they have evolved and are becoming far more prescriptive to meet the needs of today’s spa Guests and their overall focus on holistic well-being.

ASIA PACIFIC

While spas are continuing to offer and highlight treatments that speak to the culture and traditions of their local surroundings, there is also an interesting phenomenon throughout the Asia Pacific region where spas are catering to the specific needs of inbound travelers by offering treatments popular in their home countries. This is especially true for travelers from China, a country whose massive population is now traveling more frequently for business and leisure. Spas in many locations, including the Maldives, a top travel destination for Chinese tourists, increasingly offer traditional Chinese treatments to encourage visits from these travelers.

While relaxation and stress reduction services (massage, sauna, steam room, etc.) are the primary driver of spa usage globally, it is also noteworthy that 37 percent of Chinese respondents name results-oriented treatments (those meant for detox, revitalization rescue or overhaul) or health/healing services (intended for realignments, blood circulation, weight loss, etc.) as primary motivators – more than double the percentage of the other regions surveyed in 2012 research commission by Hilton Hotels & Resorts.



SECTION EIGHT

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Data and insights in this Hilton Blue Paper come from the following contributors:

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Berkeley Young, president, Young Strategies (www.youngstrategies.com)

Additional Research Sources:

QUANTITATIVE MAY 2012

6,000 respondents in the U.S.A., China, Australia and Great Britain
Commissioned by Hilton Hotels & Resorts

QUANTITATIVE & QUALITATIVE MAY 2011

Hilton Hotels & Resorts Blue Paper: Resorts Trends

Environmental considerations were important in the design and production of this document.
Electronic versions in English and Chinese are available at <http://news.hilton.com>.

ABOUT

eforea: spa at Hilton

eforea: spa at Hilton is an innovative global spa concept from Hilton Worldwide. Leveraging its global reach and expertise, Hilton pulled the best elements and practices from Europe, Asia Pacific, Middle East, Africa and the Americas to create a turnkey spa solution for Owners of Hilton Hotels & Resorts, DoubleTree by Hilton and Embassy Suites Hotels properties while providing a unique experience for today's global travelers. With 11 locations in seven countries and more than 90 additional locations in development, eforea features an exclusive menu of treatment journeys, innovative design features and carefully selected product partners. Book appointments and view locations at hilton.com/eforea. Media can access images and detailed information at <http://news.hilton.com/eforea>.



LOCATIONS

- Hilton Short Hills (U.S.A.)
- Millennium Hilton Bangkok (Thailand)
- Hilton On The Park Melbourne (Australia)
- Hilton Pattaya (Thailand)
- Hilton Queenstown (New Zealand)
- Hilton Surfers Paradise (Australia)
- Hilton Baku (Azerbaijan)
- Hilton Grand Vacations Suites on the Las Vegas Strip (U.S.A.)
- Hilton Sedona Resort & Spa (U.S.A.)
- Hilton Guangzhou Tianhe (China)
- Hilton Doha (Qatar)

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