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# DUBAI SPA BENCHMARK REPORT

## 2015 FULL YEAR REVIEW

### Market Highlights

#### INTRODUCTION

The Dubai Spa Benchmark Report focuses on analysing fourteen spa performance metrics, based on data received directly from a spa panel representing a stock of 263 treatment rooms. Two spa types are analysed, (i) Beach and Desert Resort spas and (ii) City Hotel Spas. The current edition of the Dubai Spa Benchmark Report also features the results of a survey completed by 25 spa managers and directors of leading spas across the city.

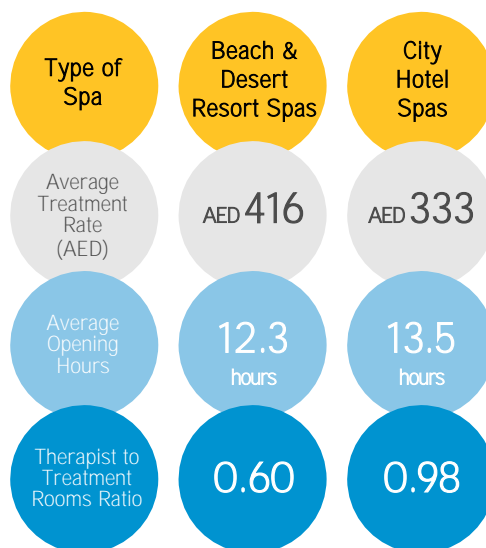
#### RISING DEMAND FOR SPA TREATMENTS

The Dubai spa market has witnessed an increase in demand for spa treatments, with City Hotel Spas experiencing a 12% year-on-year (YOY) growth from 2014 in the average number of treatments sold per day. Beach & Desert Resort Spas have benefited from higher average treatment rates, demonstrating a YOY growth of 11% in 2014, followed by a 1% increase in 2015.

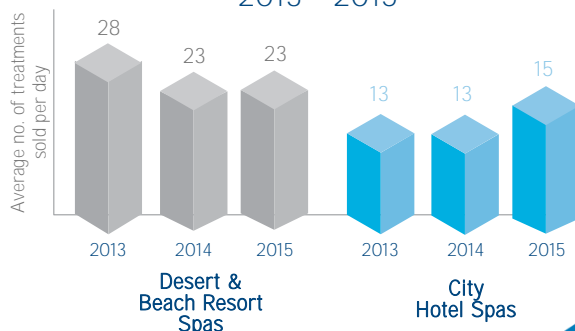
Both Resort Spas and City Hotel Spas have also experienced a rise in the number of walk-in guests. The share of walk-in guests in Resort Spas increased from 27% to 37% between 2014 and 2015, and from 40% to 43% in City Hotel Spas, indicating heightened interest in spa treatments within the domestic market.

In addition to the increase in demand for spa treatments, competition within the spa market is strengthening. The Dubai hotel spa market welcomed 11 new openings in 2015 alone. New hotels introduce fresh and distinct spa concepts, creating competition for existing spa operators. However, performance trends indicate a positive outlook for the spa market in Dubai, highlighting the growing importance of the industry.

#### SPA TYPOLOGY AND CHARACTERISTICS



#### AVERAGE NUMBER OF TREATMENTS SOLD PER DAY 2013 - 2015





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# Dubai Spa Benchmark Survey RESULTS

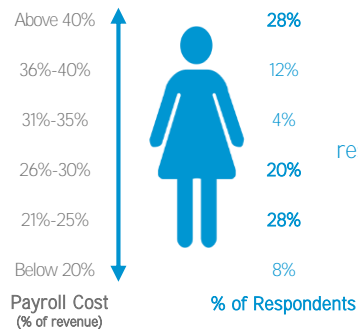
In collaboration with the participating spa panel, a spa survey was carried out in January and February 2016. The survey was completed by 25 leading spa operators in Dubai, the results of which are displayed below.

### TOP 3 GUEST NATIONALITIES

Beach & Desert Resort Spas	City Hotel Spas
1 British	1 UAE / GCC
2 UAE / GCC	2 British
3 Russian	3 Indian

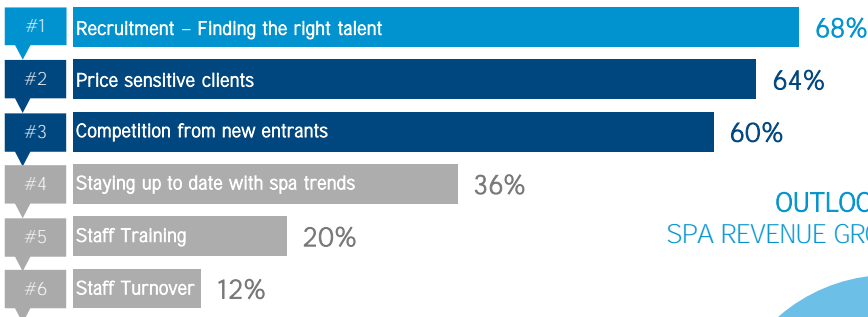
City hotel spas receive a higher share of walk-in guests that are **UAE residents**, while Resort spas tend to cater to tourists

### PAYROLL COST



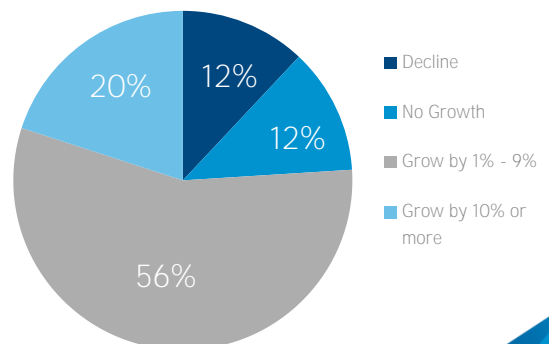
Payroll costs vary greatly across spas, with 48% of respondents registering payroll costs between **21%-30%**

### TOP CHALLENGES FACED IN 2015



The major challenge faced by spa operators in Dubai continues to be **recruitment of spa therapists**, followed by an increasingly **price sensitive customer base**

### OUTLOOK FOR 2016 SPA REVENUE GROWTH EXPECTATIONS



76% of respondents believe that spa revenues will grow in 2016 compared to 2015




## Performance Indicators DUBAI BEACH & DESERT RESORT SPAS

Average treatment rates in Dubai Resort Spas have shown consistent growth since 2013, demonstrating an increase of 11% in 2014, followed by a 1% increase in 2015. As a result, the treatment revenue generated per treatment room and per therapist has increased over the same period, recovering from the slight dip in performance witnessed in 2014.

Therapist utilisation has dropped from 67% in 2013 to 53% in 2015. As highlighted by the spa survey, recruitment and training continues to be a challenge for spa operators in Dubai, together with high payroll costs in some spas.

DUBAI BEACH & DESERT RESORT SPAS	AVERAGE (AED / %)			AVERAGE (USD / %)		
	2013	2014	2015	2013	2014	2015
<b>Revenue Indicators</b>						
Average Treatment Rate	370	411	416	101	112	113
Treatment Revenue per Available Treatment Room	981	835	904	267	227	246
Treatment Revenue Generated per Therapist	1,063	966	1,208	290	263	329
Revenue per Available Treatment Hour (RevPATH)	89	77	79	24	21	21
Treatment Revenue per Square Metre (Treatment Room Area)	51	47	52	14	13	14
Treatment Revenue per Square Metre (Total Area)	11	9	10	3	2	3
Average No. of Treatments Sold per Day (Per Spa)	28	23	23	28	23	23
Retail Percentage	10.3%	11.0%	11.8%	10.3%	11.0%	11.8%
<b>Utilization Indicators</b>						
Treatment Room Utilization	22.4%	21.4%	20.9%	22.4%	21.4%	20.9%
Therapist Utilization	67.3%	61.1%	53.7%	67.3%	61.1%	53.7%
Female Spa Guests Ratio (vs. Male)	53.9%	54.3%	60.2%	53.9%	54.3%	60.2%
<b>Hotel-Related Indicators</b>						
Spa Revenue per Occupied Hotel Room	33	37	40	9	10	11
Capture Rate of Hotel Guests	2.0%	2.1%	2.7%	2.0%	2.1%	2.7%
In-House Guests Ratio (vs. Walk-In Guests)	71%	72%	63%	71%	72%	63%

 Resort spas benefit from a greater capture of in-house, leisure tourists, that tend to yield a higher average spend than domestic guests. However, the share of walk-in guests has grown from 28% in 2014 to 37% in 2015. Should this trend continue, Resort spas may need to begin catering to the needs of more value-driven customers, as witnessed in City Hotel Spas. This could be achieved through the introduction of memberships, loyalty programmes or special packages for residents.



## Performance Indicators DUBAI CITY HOTEL SPAS

Despite the decline in revenue performance of City Hotel Spas, therapist and treatment room utilisation has improved over the last 3 years. The increase in utilisation ratios is indicative of the rising demand for spa treatments, as the average number of treatments sold has increased. However, a greater number of treatments are being booked by value-driven, domestic customers. This would explain the lowering average treatment rates that City Hotel Spas have witnessed over the last 3 years.

DUBAI CITY HOTEL SPAS	AVERAGE (AED / %)			AVERAGE (USD / %)		
	2013	2014	2015	2013	2014	2015
<b>Revenue Indicators</b>						
Average Treatment Rate	358	349	333	97	95	91
Treatment Revenue per Available Treatment Room	651	619	566	177	169	154
Treatment Revenue Generated per Therapist	728	715	615	198	195	167
Revenue per Available Treatment Hour (RevPATH)	49	47	44	13	13	12
Treatment Revenue per Square Metre (Treatment Room Area)	38	36	33	10	10	9
Treatment Revenue per Square Metre (Total Area)	8	8	7	2	2	2
Average No. of Treatments Sold per Day (Per Spa)	13	13	15	13	13	15
Retail Percentage	12.0%	11.3%	11.3%	12.0%	11.3%	11.3%
<b>Utilization Indicators</b>						
Treatment Room Utilization	15.1%	15.2%	17.3%	15.1%	15.2%	17.3%
Therapist Utilization	37.7%	39.2%	40.6%	37.7%	39.2%	40.6%
Female Spa Guests Ratio (vs. Male)	44.4%	50.0%	50.5%	44.4%	50.0%	50.5%
<b>Hotel-Related Indicators</b>						
Spa Revenue per Occupied Hotel Room	22	22	20	6	6	5
Capture Rate of Hotel Guests	2.0%	2.2%	1.7%	2.0%	2.2%	1.7%
In-House Guests Ratio (vs. Walk-In Guests)	61%	60%	57%	61%	60%	57%



It appears that City Hotel Spas would benefit from greater focus on capturing in-house hotel guests, as international guests are more likely to generate a higher average spend than domestic customers. Cross-selling incentive programmes, discounts for hotel guests and in-house promotions would encourage a greater capture of hotel guests.



## Performance Indicators DUBAI SPA MARKET ANALYSIS 2015

Data collected from the spa panel has been further analysed by size and opening year. Large spas are those with 10 or more treatment rooms, while small spas have less than 10 treatment rooms. New spas are considered to be those that have been open for less than 5 years, while established spas are those which have been open for 5 years or more. Spas were classified as such to ensure an even number of spas per category.

KEY PERFORMANCE INDICATOR - 2015 AVERAGE (AED / %)	TYPE OF SPA		SIZE OF SPA		OPENING YEAR	
	Resort	City	Large	Small	New	Established
<b>Revenue Indicators</b>						
Average Treatment Rate	416	333	391	343	389	338
Average No. of Treatments Sold per Day (Per Spa)	23	15	24	12	19	13
Revenue per Available Treatment Hour (RevPATH)	79	44	59	57	54	47
<b>Utilization Indicators</b>						
Treatment Room Utilization	21%	17%	20%	19%	16%	21%
Therapist Utilization	54%	41%	54%	38%	49%	39%
<b>Hotel-Related Indicators</b>						
Capture Rate of Hotel Guests	3%	2%	3%	2%	3%	2%
In-House Guests Ratio (vs. Walk-In Guests)	63%	57%	64%	55%	67%	58%

### TYPE OF SPA

Beach & Desert Resort spas generate the highest RevPATH, as they benefit from a steady base of demand from in-house guests. Thus, they tend to have a higher average treatment rate and treatment room utilization.

### SIZE OF SPA

Little difference is observed in RevPATH when analysed by size of spa. Large spas in the sample tend to be resort spas, hence explains the higher treatment rate. Therapist utilisation is lowest in small spas, as they require a certain number of staff in order to maintain service quality.

### OPENING YEAR

Newly opened spas have a 15% premium in average treatment rate over established spas, and rely on a higher share of in-house guests. As a result, spas that have been operational for less than 5 years appear to generate a higher RevPATH than established spas. The majority of new spas in the sample are large spas with more than 10 treatment rooms, however as they are building their customer base, the treatment room utilisation is lower than that of established spas.



## Methodology

This publication has been prepared by Colliers International Hotels MENA, providing fourteen key metrics designed to track spa operational performance. The initiative is driven by and for the spa industry, and uses actual operating data from a sample of spas across Dubai.

## Definitions

KEY PERFORMANCE INDICATORS	CALCULATION
<b>REVENUE INDICATORS</b>	
Average Treatment Rate	Total Treatment Revenue ÷ Total No. of Treatments Sold
Treatment Revenue per Available Treatment Room	Daily Treatment Revenue ÷ Available Treatment Rooms
Treatment Revenue Generated per Therapist	Daily Treatment Revenue ÷ Available Therapists
Revenue per Available Treatment Hour (RevPATH)	Total Treatment Revenue ÷ (No. of Treatment Rooms x Opening Hours)
Treatment Revenue per Square Metre (Treatment Room Area)	Daily Treatment Revenue ÷ Treatment Room Area (m <sup>2</sup> )
Treatment Revenue per Square Metre (Total Area)	Daily Treatment Revenue ÷ Total Spa Area (m <sup>2</sup> )
Average No. of Treatments Sold per Day (Per Spa)	Total No. of Treatments Sold ÷ No. of Days in the Period
Retail Percentage	Total Retail Revenue ÷ Total Spa Revenue
<b>UTILIZATION INDICATORS</b>	
Treatment Room Utilization	Treatment Room Hours Sold ÷ Available Treatment Room Hours
Therapist Utilization	Occupied Therapist Hours ÷ Available Therapist Hours
Female Spa Guests Ratio (vs. Male)	Total No. of Female Spa Guests ÷ Total No. of Spa Guests
<b>HOTEL-RELATED INDICATORS</b>	
Spa Revenue per Occupied Hotel Room	Total Spa Revenue ÷ Occupied Hotel Rooms
Capture Rate of Hotel Guests	Total No. of In-House (Hotel) Spa Guests ÷ Total No. of Hotel Guests
In-House Guests Ratio (vs. Walk-In Guests)	Total No. of In-House (Hotel) Spa Guests ÷ Total No. of Spa Guests

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investment value of  
projects advised

**39,200**

keys  
valued

**8,880**

Hotel keys  
under asset management

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United States: 153

Canada: 34

Latin America: 24

Asia Pacific: 231

EMEA: 112

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## \$2.5

billion in  
annual revenue

## 2

billion square feet  
under management

## 16,000

professionals  
and staff

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