

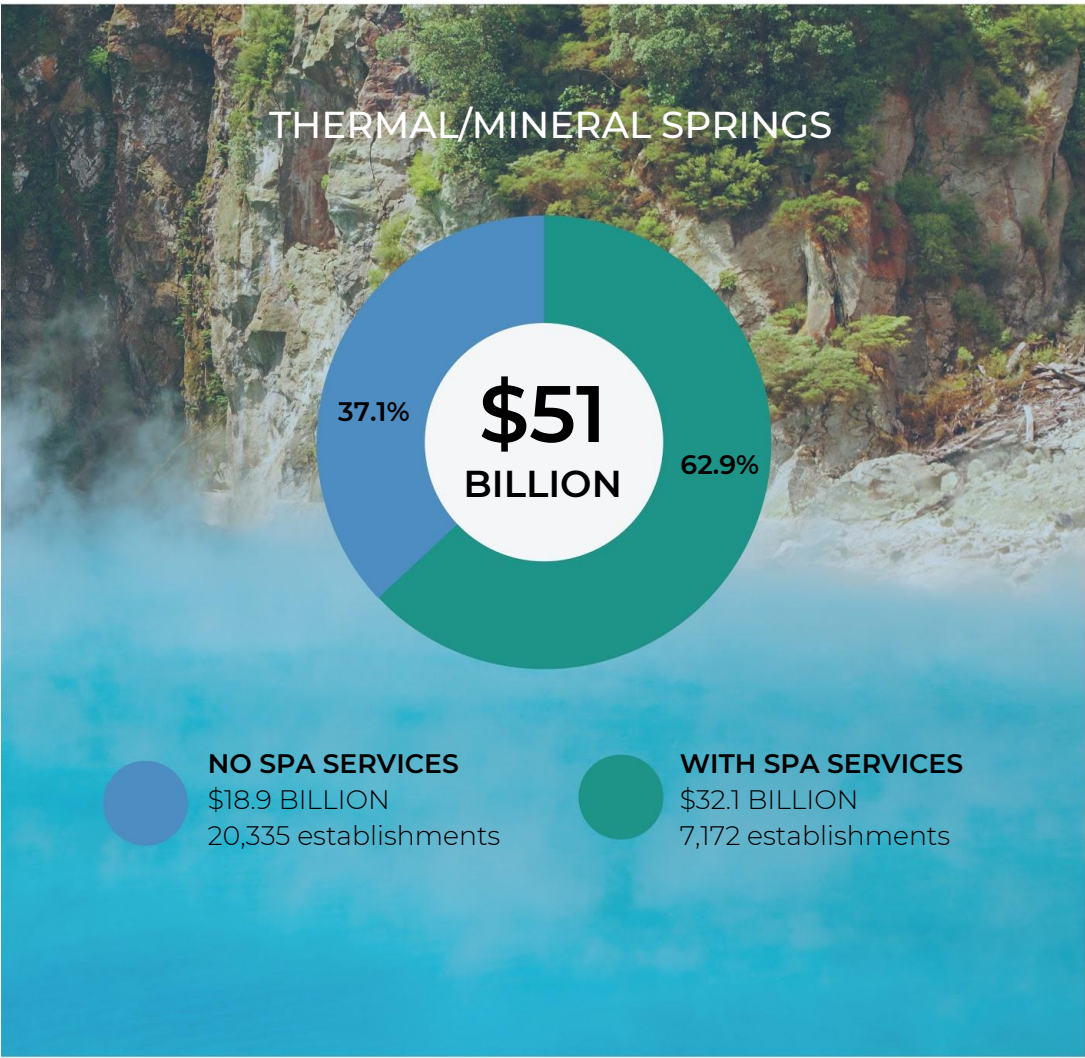
A landscape photograph of a geothermal area, likely in Rotorua, New Zealand. The scene shows several pools of water, some of which are emitting thick plumes of white steam that rise into the air. The sun is positioned high in the sky, creating a strong lens flare and illuminating the steam. The ground is rocky and uneven, with some areas appearing to be covered in mineral deposits. The overall atmosphere is one of natural power and heat.

THERMAL & MINERAL SPRINGS DEVELOPMENT // ROTORUA MARKET OPPORTUNITY

INTRODUCTION

The international wellness market is worth in excess of 3.7 trillion dollars – three times the value of the pharmaceutical industry. The market covers spas, anti-ageing, weight loss, alternative therapies, fitness and healthy eating. People are becoming more focused on taking proactive management of their health and well-being to avoid illness and disease, and the size of the market reflects that.

A small but important segment of this market is the thermal/mineral springs segment. The number of global thermal/mineral springs properties grew from 26,847 in 2013 to 27,507 in 2015. These businesses earned \$51 billion in 2015, up 2% (from \$50 billion) from 2013.



TOP TEN THERMAL/MINERAL SPRINGS MARKETS IN ASIA-PACIFIC, 2013

	NUMBER OF ESTABLISHMENTS	REVENUES (US\$ MILLIONS)
China	2,160	\$14,078.3
Japan	17,653	\$11,687.0
Taiwan	119	\$307.5
South Korea	96	\$283.4
New Zealand	96	\$255.0
Australia	23	\$61.5
Philippines	30	\$24.0
Thailand	15	\$11.5
Vietnam	18	\$10.0
Malaysia	12	\$6.0

Asia-Pacific ranks first in the world for thermal/mineral springs establishments and revenues, making up over half of the revenue, and almost 74% of the establishments with most located in Japan and China.

For the size of New Zealand's population we rank highly both in terms of the number of mineral/thermal pools, as well as the revenue - over 4 times that of our closest neighbour Australia.



ROTORUA, NZ'S THERMAL TOWN

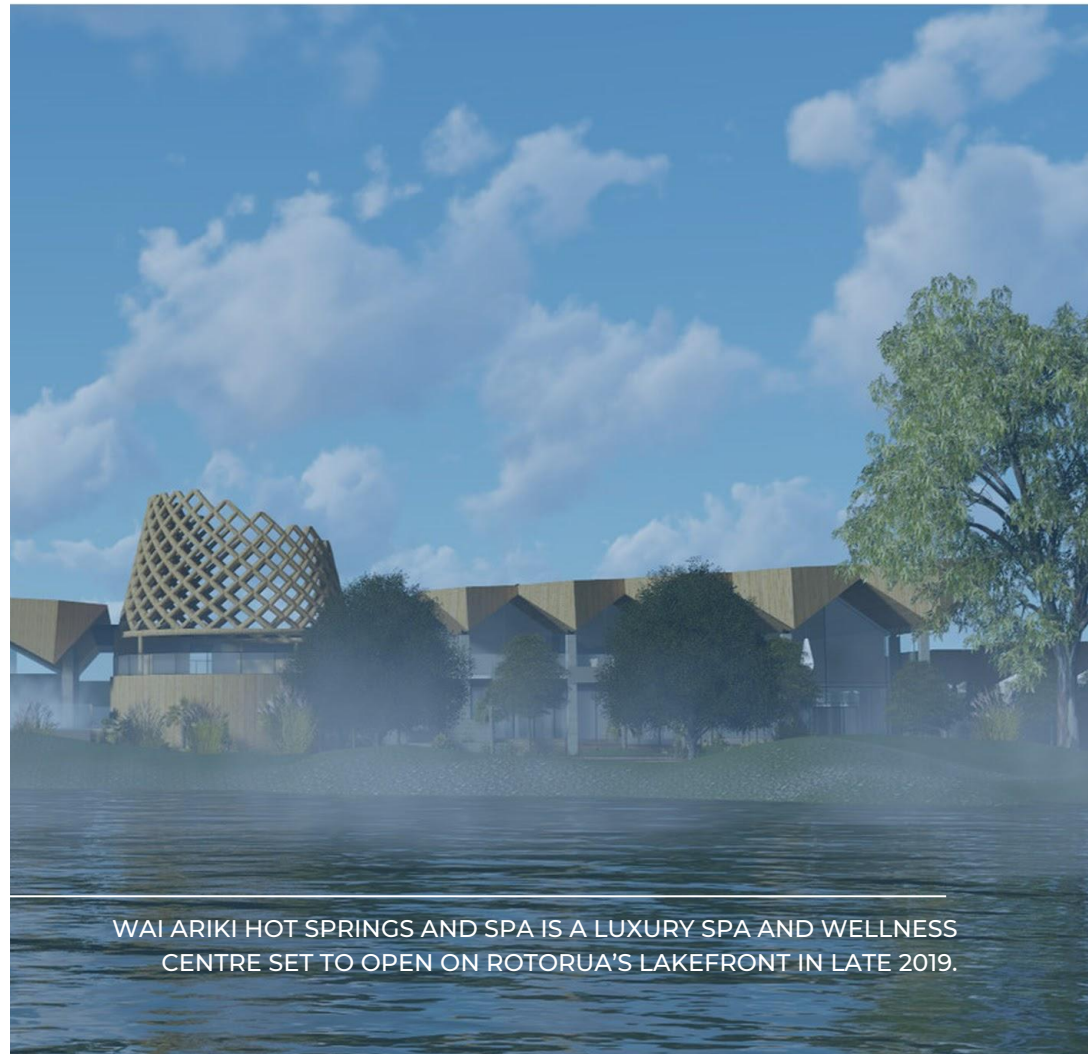
In New Zealand there are a number of thermal and mineral pool complexes. They range from small scale with 1 pool – such as Fernland Spa and Oropi Pools in Tauranga – to larger complexes such as Hanmer Springs in Canterbury. This is in addition to a number of natural springs on public land. For those in New Zealand there are many opportunities to go to hot springs, however most of these opportunities are limited to just bathing.

In New Zealand there is only one home of geothermal activity - 79% of New Zealanders associate geothermal activity with Rotorua. With this connection to thermal springs already existing in the minds of New Zealanders, Rotorua is well placed to leverage this advantage with domestic and international tourists. Rotorua has a long history of rehabilitative bathing, going back as far as the days of the Pink and White Terraces. Rotorua also has a strong tourist base with almost 4 million visitor nights per year.

ROTORUA COMPETITION

Most of the hot spring facilities in Rotorua offer 1-3 landscaped pools in a natural setting. Some of these pools also have private pools, and a small shop. There are only a handful of complexes that are well-landscaped, with bush or view settings, and spa or specialist facilities attached.

The \$30 million Wai Ariki spa on Rotorua's waterfront will have multiple spa under development and wellness offerings, including a themed Maori cultural bathing experience. The overlay of Maori culture comes from a strong Rotorua base and makes it more meaningful than other locations.



WAI ARIKI HOT SPRINGS AND SPA IS A LUXURY SPA AND WELLNESS CENTRE SET TO OPEN ON ROTORUA'S LAKEFRONT IN LATE 2019.



1-2 HRS

BATHING

4-6 HRS

FULL SERVICE

HOW ARE CONSUMERS CURRENTLY USING POOLS IN ROTORUA?

For domestic visitors the most visited type of attraction in Rotorua is a hot pool. However they are not as popular with the international market, in terms of visits, hot pools rank at about the 8th position for attraction type. However, use of hot pools in New Zealand varies differently from many other markets. In New Zealand visitors generally go to a hot pool for about 1 -2 hours and then leave. Beyond bathing there are limited other experiences offered.

In establishments with more varied offerings a visit to the hot springs is a 4-6 hour long experience. Research suggests that consumers will be unwilling to pay premium prices just to experience an amazing setting, further offerings need to be available to justify higher price points.

WHAT DO CONSUMERS WANT?

Successful hot springs resorts overseas are gaining momentum, experiencing growth and are able to charge premium prices. They provide a relaxing bathing environment, but also other experiences and activities. They are well appointed and attractive, and many have a theme for the establishment.

The statistics support this with the top performing 26% of establishments accounting for 63% of the revenue in the thermal and mineral sector. These establishments offer a variety of additional offerings from spa facilities, accommodation, specialty wellness businesses, theme parks and restaurants. Research has looked at these different establishments and no two offer exactly the same experience.

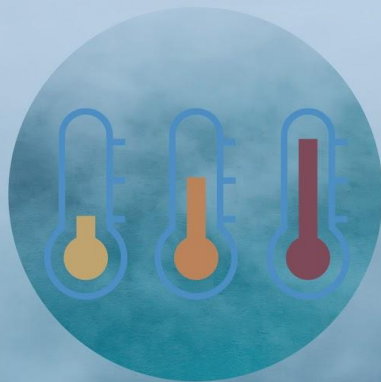


EACH OF THESE ESTABLISHMENTS LOOKS TO FULFILL CONSUMER DEMANDS BY MEETING THE 4 KEY ELEMENTS OF BEST PRACTICE HOT SPRINGS:



WATER / MINERAL / MUD

A variety of different mineral experiences, including mud, herbal infusions, pools for different purposes including rejuvenation or rehabilitation, and water jets/bubbles.



TEMPERATURE

A range of temperatures from cold to hot, this may be part of a journey or story for the consumer or at their own choice. This is achieved not only through the use of pools but also sauna and steam rooms.



TOUCH

Most commonly experienced as therapist-delivered treatments, but can also include showers / jets / spas, fish therapy and reflexology experiences.



RELAXATION

Spaces for quiet relaxation such as media centers, chairs, natural spaces, or social relaxation in restaurant settings of entertainment precincts.

WELLNESS TOURISM

The wellness travel segment is booming - internationally the sector was worth \$563 billion in 2015, up from \$489 billion in 2013, according to the Global Wellness Institute. This 14% growth rate is more than twice that of overall tourism expenditures (6.9%).

World travellers made 691 million wellness trips in 2015, 104.4 million more than in 2013.

Wellness travel is expected to grow to \$808 billion by 2020. Wellness tourists - whether travelling domestically or internationally - spend substantially more than average tourists, with international wellness travelers spending 59% more than typical tourists, and domestic wellness travellers spending 159% more than the average tourist.





WELLNESS TOURISM

This segment of the tourist market mirrors the wider tourist market. Although in the past decade there has been a move to more experiential activities, future trends are moving to transformational experiences, which take the authentic experiences to a deeper self-reflective level. Tourists are seeking true experiences, rather than just disconnected offerings, they are after experiences that truly link together to take the individual on a journey – whether it be relaxation, self-discovery or developing creativity.

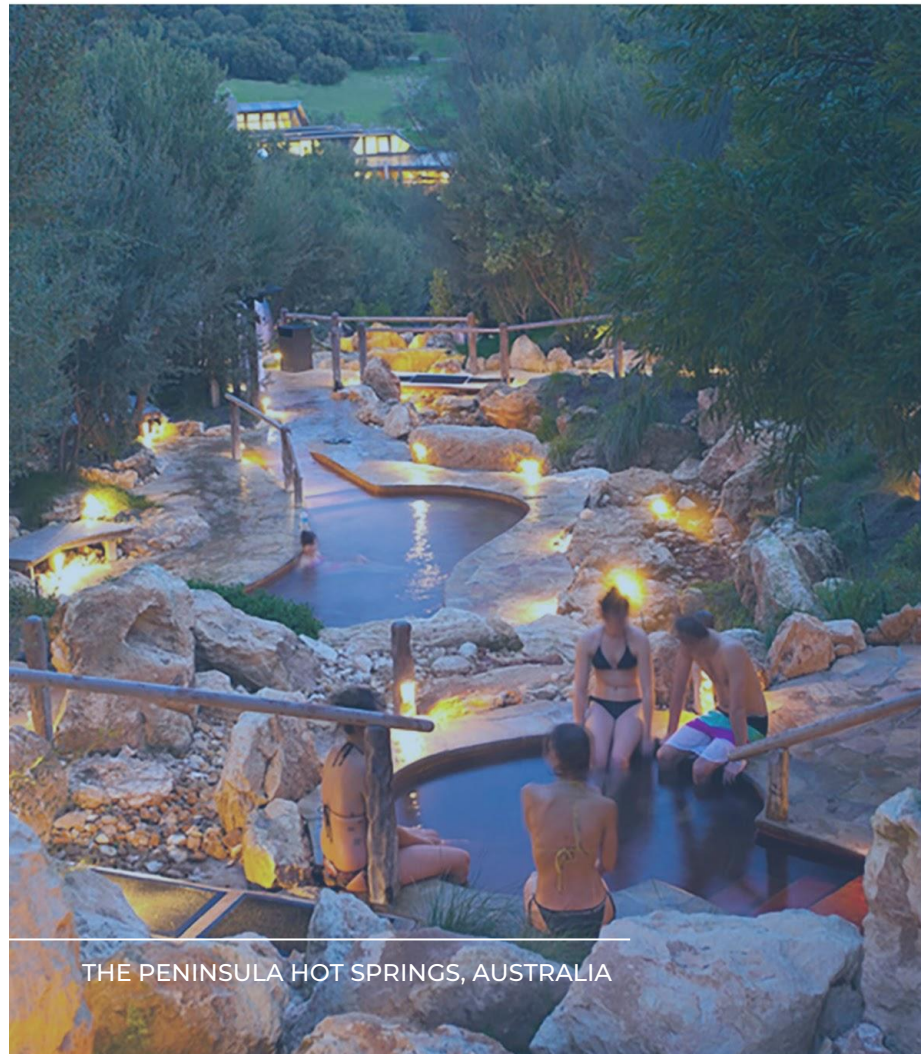
This also means that the experiences are being adapted, traditional spa offerings can be mixed with native bush walks, local cuisine, role-playing shows or educational classes. The Global Wellness Institute describes it as “mixing up fitness, connection with nature, local cultural immersion, and healthy food...with treatments, to create a more immersive necklace (or circuit) of experiences.”

WHAT IS THE OPPORTUNITY? WHERE ARE THE GAPS?

There is room for growth in the market, in offering a wider range of quality experiences to consumers. Visitors can see the benefit of added extras to their bathing experience and are willing to pay for it. Rotorua already has a number of bathing establishments, any new offerings or redevelopment of existing facilities needs to provide some point of difference from competitors - not only in Rotorua but also in New Zealand. Diversification needs to occur both in upgrading appearance, and in increasing the establishment's offering. It should not just be adding spa services, but providing experiences that are unique and can be joined up.

Establishments should look to what they can offer in the wellness and beauty therapy areas as complementary to their bathing experiences. Grouping offerings into relaxation, beauty or wellness experiences not only up-sells to the end consumer, but allows investment to be focused and justifies higher price points.

The Peninsula Hot Springs in Australia has proved hugely successful, with a broad range of offerings including a variety of pools, reflexology walks, Turkish and Moroccan hamam, social and private spaces, spa treatments and a restaurant. Peninsula Hot Springs can cater for almost any desire and any price point.



THE PENINSULA HOT SPRINGS, AUSTRALIA

WHAT MARKET SEGMENT IS MY MAIN GOAL?



FAMILIES

Group experiences,
adventure and slides.



COUPLES

Privacy, serenity,
relaxation.



GROUPS

Communal pools and
social spaces.



WELLNESS TRAVELLERS

Joined up offerings.



BROAD MARKET

How can these different
groups be catered for?

Separate parts of
establishment, different
times, night versus
day bathing.

HOW CAN I STAND OUT FROM OTHER LOCAL HOT SPRINGS?

- Is it through providing a themed establishment based on an overseas/New Zealand style of bathing? e.g. Turkish, Japanese, or Maori – this is popular in Chinese style resorts.
- Is it through providing a unique style of experiences, a certain type of pool, mineral, specific herbal blend, aromatherapy etc, or a social or private experience?
- Is it through providing different opportunities such as spa therapies (maybe packaged as short therapies, or delivered in group settings), packages, entertainment, shopping, restaurants, nature walks, classes – as has been done at the Peninsula Hot Springs in Australia and Japanese onsen?
- What are the trends in tourism? eg. transformational, role playing, use of virtual reality. How can technology and successful trends be embedded into the establishment?



HANMER SPRINGS, CHRISTCHURCH



HOW CAN THIS BE PACKAGED FOR MARKETING?

Using this and other available research, hot springs establishments can work out a direction for development, to find their own place in the hot springs market. Joining up these experiences is crucial to attract visitors and also justify higher prices.

FOR MORE INFORMATION

Rebecca Wright
Executive Manager –
Investment, Growth & Intelligence
rebecca@rotoruanz.com
+64 7 351 7101

