Strategic Recommendations for the Spa Industry Northeast Iceland

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The North east Iceland Development Agency

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September 2007

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1.0 EXECUTIVE SUMMARY

This report is being undertaken to assist the North east Iceland Development Agency in the development and marketing of the spa industry in Northeast Iceland in response to the rapid growth of the industry internationally.

Northeast Iceland is considered one of Iceland's tourist hotspots. It is a thinly populated, expansive, and enchanting region with endless opportunities for outdoor recreation and nature exploration for the visitor. Due to the geologic activity, the region has gained prominence as an area offering natural hot springs for bathing under the open sky. The Mývatn Nature Baths, opened in 2004, is the largest spa attraction for visitors in the region, welcoming over 60,000 visitors annually.

Even though health tourism, wellness tourism, and spa tourism focus on improving the well-being of the traveler, in reality they are quite different. It is felt the potential growth for Northeast Iceland will focus on wellness and spa tourism due to the infrastructure currently in place.

The development of the health/wellness and spa industry in Northeast Iceland involves the participation of public and private stakeholders representing regional development, private industry, and research institutions. The North east Iceland Development Agency is presently supporting the industry through the commissioning of a strategic marketing plan for the spa sector. Mývatn Nature Baths, due to its rapid growth, is also working on private initiatives aimed at marketing and product development linked to their attraction. Mývatn Nature Baths is the latest addition to the region's many visitor attractions. Drawing on a centuries-old tradition, the tastefully designed complex offers bathers a completely natural experience that begins with a relaxing dip amidst clouds of steam rising up from a fissure deep in the Earth's surface, and ends with a luxurious swim in a pool of geothermal water drawn from depths of up to 2.500 meters. Húsavík Academic Centre and The Icelandic Tourism Research Centre are also assisting with research linked to the development of the spa industry.

In general, tourism is recognized as one of the fastest-growing sectors in the Icelandic economy, providing 12.7% of the country's income from foreign sources, accounting for 5.1% of the GDP, and employing 6,900. Tourism receipts from international visitors in 2005, estimated at 40 billion ISK, represent a 31% increase from the year 2000.

Northeast Iceland is one of the most popular tourist destinations outside of Reykjavik. In the summer of 2006, approximately 100,000 foreign tourists (not including cruise ships) visited Þingeyjarsýsla Region, with 76,000 staying an average of 2.7 nights. Domestic visitors to the area totaled approximately 100,000 visitors in 2005 with approximately 39,000 visitors staying an average of 4.4 nights. Most popular destinations for foreign visitors included Mývatn (90,000), Dettifoss (73,000), and Húsavík (71,000) with visitors commenting that the best features about Northeast Iceland included the nature/landscape (43%), whale watching (15%), and Mývatn (11%).

Visiting spas is a popular activity for many tourists. For some, their spa experiences will be visits to day spas near their home for treatments that pamper or relax. But many people see spa treatments as an important tool in maintaining their health and appearance and are incorporating spa experiences into their vacation. And for some, going to a spa is the main focus of their trip and they are willing to travel great distances to visit the spa of their choice. Northeast Iceland has the attractions and facilities to appeal to all of these travelers.

Data collected for this report on spa markets reveal that spa-goers are slightly more likely to be female, married, middle aged, have some higher education, and be willing to spend money on spa treatments to enjoy their current activity level. In general, spa-goers seek to look and feel better, lose weight, manage stress, slow the effects of aging, reduce pain, and participate in the use of natural supplements to improve their health. However, spa travelers often have one motivation at home and another when traveling. Spa-goers often approach spa visits as important to maintaining their health and wellness, but on vacation they may approach it with the desire to indulge themselves and seek escape and pampering.

Market segments for Northeast Iceland can best be described as casual spa-goers, dedicated spa-goers, and new spa-goers. The casual spa-goer has taken a spa treatment before and would be interested or could be convinced to try a spa experience in Northeast Iceland as part of their vacation. The dedicated spa-goers frequently visit a spa at home and are very motivated to maintain or improve their current level of health and wellness. They may be willing to travel to Iceland for the sole purpose of taking a spa holiday, but they may also be in the country for other reasons and be very interested in adding spa experiences to their visit. The new spa-goer may not have been to a spa, but would be willing to purchase a spa treatment or service as part of their trip especially if they felt is was an authentic way to experience Iceland's culture or heritage.

It is anticipated that the product opportunities arising in Northeast Iceland from new spa tourism trends will appeal to causal, dedicated, and new spa-goers. These market segments share many similar characteristics and it is likely that most new spa products developed in the region will appeal to all groups.

What may distinguish the spa market segments is the distance they are willing to travel for their spa treatments. Casual spa-goers and dedicated spa-goers are both likely to enjoy an Icelandic themed spa experience, but a casual spa-goer may only be willing to partake if it was offered while they were in the area sightseeing. A dedicated spa-goer may be willing to travel from Reykjavik or even a foreign country for the same experience.

In a review of marketing strategies in Northeast Iceland, it is evident that stakeholders have spent considerable effort to date developing brands and positioning strategies. Two of the most well known are The Diamond Circle and The Pearls of Nature. Further development of a compelling positioning strategy will require time and input from a range of stakeholders including the broader tourism industry. There are many unique features that Northeast Iceland can use to build its competitive advantage such as its geothermal resources and natural phenomena (e.g. Northern Lights), whale watching industry, national parks, and oral traditions (e.g. sagas, Yule lads, trolls, etc). It will be important to support national images and those of potential partners such as the Blue Lagoon.

Success for the spa industry in Northeast Iceland will only become a reality if stakeholders make the most successful matches between their product and the potential markets. Attempting to market a product that does not provide benefits sought by a specific market segment will lead to disappointment and a tarnishing of Iceland's reputation among spa-goers.

The inventory and assessment undertaken in this study would suggest that the region's best opportunities in the short term arise from products aimed at casual and new spa-goers. Existing products and services can be enhanced with minimal investment and programming to increase visitation and revenues.

The spa experiences in Northeast Iceland that dedicated spa-goers would enjoy are limited and the spa infrastructure is not yet at the same level of development as established spa destinations such as Switzerland or Germany. Considerable potential exists to target the dedicated spa-goer who is willing to travel for their spa vacations, but additional development and investment will be required. It is suggested that this market be targeted initially by offering products that would appeal to all types of spa-goers that are already in the region or nearby, and willing to add on a stop to Northeast Iceland. Greater penetration of this market can occur in the medium to long term as additional infrastructure and programming is added and quality standards are linked to international accreditations.

This study of the spa industry in Northeast Iceland reveals that this sector is a relatively new and developing industry for the region, but one that offers tremendous potential. To grow the spa industry in a sustainable manner, marketing, product development, capacity building, and infrastructure development will need to occur simultaneously. The strategic recommendations are grouped into these core areas to provide the Þingeyjarsýsla Development Agency with a direction that is targeted at real markets of opportunity, with products that have a compelling selling proposition, and that can truly compete in the market place. To undertake extensive programs in any one of these areas without complementary and supportive efforts in other areas would risk compromising the future potential of this sector.

Market opportunities are not created by a destination having something to sell – they are created by the will of customers to buy. Products need to be developed that people will buy. The development of the spa industry needs to be focused on products that respond to market demands and that can compete with other popular destinations. It is therefore recommended that under these circumstances, Northeast Iceland should focus on developing a few spa products, ones that meet this test, that are market-ready, and that have a chance of success and sustainability as outlined in the report.

2.0 BACKGROUND

2.1 The Appeal

Health/wellness and spa tourism have been popular leisure activities for centuries. In the first half of the 21st century there is increased demand for this industry as wealthy executives, prosperous professionals, affluent retirees, educated urbanites, and aspiring singles seek to use their leisure time to engage in activity-based holidays focused on self-improvement, and greater emotional and physical well-being.

The Spa Business Association reports that a health/wellness and spa experience often includes a combination of the following:

- Water - where the water used comes from a nearby natural source, this is the closest we can come to the traditional definition of a "spa"
- Heat, in the form of steam, sauna, rasul, serial or in heat treatments applied to the body, often alternated with cold water or ice applied to the body.
- Therapeutic hands-on treatments given by a trained therapist, using muds, peats, salts, algae and other natural products, locally sourced where possible, but sometimes brought to you from around the world for a variety of experiences
- Healthy food to complement weight loss, detoxification programmes or simply to give you a natural boost.
- A philosophy of health and vitality through exercise or meditation which may have its roots in ancient or far-flung culture, but which has been developed for improving the client's total well-being.

Source: Spa Business Association 2007

2.2 A Network of Global Associations

The health/wellness/spa industry is regulated and managed by a network of international and regional associations. These associations are membership-based. Their efforts focus on regulation, product development, customer service, marketing, and training. The following four associations have been identified as providing important models for the development of the health/wellness/spa industry in Northeast Iceland.

The Australasian Spa Association (ASPA) works for and with its members to promote, unify and raise the professionalism of the Spa, Health, and Wellness industry by:

- Facilitating professional development and networking through a Spa industry calendar of events
- Aiding communication through the new chat room (forum) and the ASpa newsletter
- Undertaking initiatives in areas key to our members
- Continually focusing on key areas under the guidance of a dedicated Board Member

Source: The Australasian Spa Association (ASPA) 2007.

The European Spas Association has established the following aims:

- to monitor and analyse the condition of the spas and health resorts in the individual EC member countries
- to stimulate exchange of experience, best practise and know-how
- to produce and develop programmes for health and well-being products and strategies for prevention and rehabilitation for all living within Europe
- to establish, promote and improve the standards in all spas and health resorts within Europe
- to stimulate and resource spa research
- to define and harmonise common training programmes and courses and to determine a professional structure for the European spa industry
- to establish a framework for collaborative marketing opportunities for ESPA member countries.

The European Spas Association is an umbrella organisation representing 24 members from 22 European countries. Marketing co-operations and commissions of ESPA include:

- Baltic Sea Spas Co-operation (BSSC)
- European Spas Competence Centre (ESCC)
- Network of Classical Natural Cures
- Royal Spas of Europe
- The European Parliamentary Advisory Council (EPAC)

Source: European Spas Association 2007b.

The International SPA Association, based in the United States, is recognized worldwide as the professional organization and voice of the spa industry, representing more than 3,000 health and wellness facilities and providers in 75 countries. Members encompass the entire arena of the spa experience, from resort/hotel, destination, mineral springs, medical, cruise ship, club and day spas to service providers such as physicians, wellness instructors, nutritionists, massage therapists and product suppliers.

ISPA's mission is to advances the spa industry by providing invaluable educational and networking opportunities, promoting the value of the spa experience and speaking as the authoritative voice to foster professionalism and growth.

Source: International Spa Association 2007a.

The Spa Business Association is the single trade body for the spa sector in the UK and Ireland. Members are drawn from all involved in this vibrant and rapidly-growing area, to form a collaborative and inclusive association which can truly represent with "one voice" the many interests of the sector. Their audience includes government, media, investors, legislative bodies and consumers, as well as the membership itself, to increase awareness of:

- The spa sector's value to the economy
- The benefits our members provide to the health and well-being of the nation,
- The need for standards and accreditation and professionalism within the sector,
- The need for the quality and quantity of therapists within the industry

Members participate in networking events and campaigns such as Spa Week and are active in shaping the work of Association.

Source: Spa Business Association 2007.

2.3 Definitions

Health tourism, wellness tourism, and spa tourism are often identified interchangeably because they all focus on improving the well-being of the traveler. In reality they are quite different.

Health tourism is usually sought out by people looking for treatment for a medical condition or ailment. This form of travel is often associated with someone visiting a destination as a result of a medical condition to take advantage of therapies that will make them well or improve their health (Verschuren 2004).

Wellness tourism is popular with people who are generally healthy and are seeking an experience to maintain their quality of life, a certain level of health, and their well being (Verschuren 2004). For wellness tourism, desirable basic requirements can include a swimming pool, sauna, whirlpool or steam bath, healthy nutrition choices, physical fitness options, relaxation and mental activity, and the presence of at least one wellness professional such as a wellness trainer, physiotherapist, a doctor, or sports instructor (Mueller *et al* 2000).

"A spa is a comfortable environment in which to learn how to use the tools of life enhancement and get motivated back into the real world and practice what they have learned" (Harding 1989). Many day spas will cater primarily to non-tourists. For a spa to be considered part of the tourism industry, it should offer health and wellness programs overseen by a trained professional and have a percentage of its revenue traceable to tourists.

The ASPA and the Spa Business Association define the spa experience in the following categories in Table 2.0:

Table 2.0: The Spa Experience

ASPA			**Spa Business Association**		
Type	*Definition*	*Criteria*	*Type*	*Definition*	*Criteria*
Day Spa	A business that provides professionally administered spa services that are offered to clients on a daily basis within appropriate Day Spa facilities.	Sub Types: Wellness Spa Evidence of Day Spa facilities, spa and body therapy, wellbeing and lifestyle programs, and the offering of spa cuisine Bath House Spa Evidence of Day Spa facilities, spa and body therapy, as well as bathing facilities MediSpa Evidence of Day Spa facilities, fully integrated complimentary therapies and cosmetic and/or orthodox medical services, Spa services that include body and water therapy. Cosmedi Spa Evidence of Day Spa	Day Spa	A facility that invites the client to take a few hours out of a busy schedule to find some “me-time.”	Spa facilities. A range of therapeutic treatments. Special packages. Membership offers or benefits for frequent visitors. Gym facilities and classes with qualified instructors (i.e. yoga or Pilates).

		facilities, cosmetic medical procedures, beauty and Spa services that include body and water therapy.			
Destination Spa	A spa facility with the purpose of providing guests with greater wellness through spa services, fitness and educational programs, and coaching. Clients will stay for several days at the facility and spa cuisine is served exclusively.	Sub Types: Resort Spa Evidence of Spa services that include body and water therapy, as well as available guest accommodation Hotel Spa Evidence of Day Spa services, Spa services that include beauty, body and water therapy, and hotel accommodation Spa Retreat Evidence of Spa services that include body and water therapy, Spa cuisine, and Guest accommodation Health Spa Evidence of 3-7 day + packages that are programmed and include diet, fitness, etc. Packages to be supplemented by Spa/body treatments. Spa cuisine and	Destination Spa	Sometimes know as 'health farms,' or 'hydros' and includes resorts. Destination spas provide a relaxing break to take time out from the world, to be pampered, to experience new therapies and activities, to eat healthily and possibly lose weight, to de-tox or give a healthier lifestyle a kick-start.	Comfortable accommodation Spa facilities (e.g. steam rooms, bubble-jet pools, sauna, relaxation areas). A range of therapeutic treatments. Healthy eating and nutritional guidance. Fitness assessment. Tailor-made packages. A countryside setting with fresh air/quality environment. Outdoor activities. Gym or fitness equipment, and a range of organized classes and activities with on-site instructors. Relaxation areas. A health check questionnaire or visit to medical personnel.

		guest accommodation must also be available.			
Natural Bathing Spa	Spa business operating within a retreat location, offering extensive use of communal bathing in naturally occurring waters or mud pools with a full range of spa services which may or may not be provided on site, and guest accommodation	Sub-types: Mineral Spring Spa Spa services in conjunction with communal bathing facilities that include but are not limited to mineral springs. Hot Spring Spa Spa services in conjunction with communal bathing facilities that include but are not limited to hot springs. Natural Mud Spa Spa services in conjunction with communal bathing facilities that include but are not limited to natural mud. Sea Water Spa Spa services with extensive use of sea water.	Hotel Spa	A spa facility located within a hotel or resort that offers professionally administered spa services. This may include spa cuisine options as well as fitness and wellness components. This is the second largest group of spa facilities in North America and it is predicted that spa facilities in resort settings will move from a resort amenity to become the deciding factor for consumers selected vacation destinations (Verschuren, 2004)	Spa facilities. A range of therapeutic treatments. Some gym or fitness equipment.
			Spa Town	A resort or community often possessing a water source with healing properties offering a	A water source often rich in minerals and legend, sometimes credited with specific healing properties.

				range of facilities from clinics to casinos, leisure pools to horse riding, luxury hotels to beauty salons.	Spa architecture and historic facilities Cultural activities and festivals Parks and outdoor activities Restaurants and hotels to make a stay comfortable. Climate and environment to enjoy walking, cycling and outdoor activities.
Source: Australasian Spa Association 2007/Spa Business Association 2007					

Icelandic context

Iceland's best known spa, The Blue Lagoon, Myvatn Nature Baths, and the thermal pools in Reykjavik would fit into a category of Mineral Springs Spa.

The Mecca Spa in Reykjavik offers a Hotel Spa experience based at the SAS Radisson. Services are focused on pampering, weight loss, stress reduction, and relaxation. Mecca Spa provides a controlled environment to take care of the visitor's health and looks. Quality service and training opportunities and healthy snacks and beverages allow visitors to relax and pamper themselves.

The Nordica Hotel and Spa in Reykjavik also offers a Hotel Spa experience including a wide range of treatments including massages, body and facial treatments where high quality therapeutic body products are used. Facilities include two jacuzzis, relaxation pool, two aroma steam rooms and an outdoor sauna. The spa offers a number of signature treatments including the volcano treatment using geothermal mud, the ice and fire therapy using lava rocks and cool marble stones, and the butterfly therapy using blends of essential oils to hydrate, and balance the body and mind.

The Laugar Spa is a five-star Health Spa Resort located in the valley of Laugardalur in an area of natural hot springs in southern Iceland. Facilities include a full-sized outdoor and indoor pool, gym, a spa, beauty and massage clinic, restaurant, hairdressing salon and a sports shop. The spa offers six different saunas and steam rooms in addition to a jacuzzi, foot-bath, and relaxation room.

In late autumn 2007 Hotel Selfoss will open a luxury Hotel Spa – The Riverside Northern Light Spa which will be richly equipped with steam room, sauna, hot pool, rainwater showers, relaxation room, lounge and bar. KLAFS specialists from Germany have designed and orchestrated the spa to interpret Icelandic nature and the theme of the Northern Lights. The Northern Light Spa will be a place you can relax your body, enhance your vitality and improve your look (Icelandic Tourism Board 2007a).

2.4 Industry Profile

Global Size

The global revenue generated by the health tourism industry is estimated to be in the order of $7.7 billion per year (Tourism Queensland 2007) however it is difficult to know how much of that applies directly to spa tourism. There is general agreement however that the spa and wellness industry is experiencing rapid growth.

Revenues for Canadian spas jumped from $610 million in 2001 to $1.5 billion in 2003 (Leading Spas of Canada 2007). In North America, one out of four Canadian and US adults has been to a spa. Over half of those have been to a spa in the last year. This represents a potential market of 3.7 Canadian consumers and 32.2 American consumers. While many of these people are visiting day spas, there is over a quarter of them who went to a resort or hotel spa representing a sizeable market for spa tourism (CTC 2006a). In addition, a large percentage of spa visitors say they will visit a spa again. For day spa users, 81% intend to visit a spa within the next year; it is equally as high for resort/hotel spa users (78%) and destination spa users (81%) (Tourism Queensland 2007).

There are at least 1,200 spas in Europe (European Spa Association 2007b). Historically, European spa tourism has been in established spa villages such as Bath, Baden Baden, and Karloy Vary.

Icelandic Situation

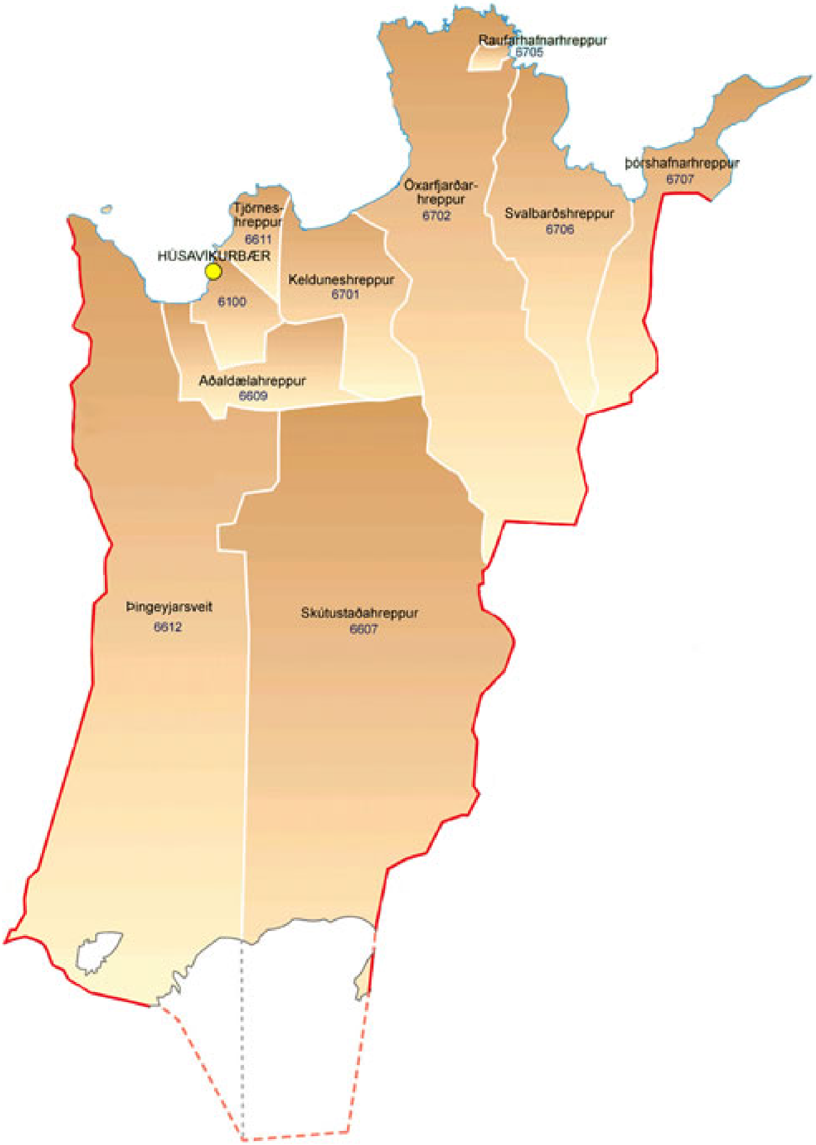
Three spas in Reykjavik, Iceland are members of the European Spas Association (none in Northeast Iceland). However, none of them have the EUROPESPA certification (European Spa Association 2007b).

The Blue Lagoon is experiencing a rapid increase in visitation with 361,445 guests in 2004, a 20% increase from 2002 (European Spas Association 2007a). Over 95% of visitors to Iceland visit a spa, making spa a key sector for development in the country (Icelandic Tourist Board 2007a).

2.5 Study Boundaries

The study boundaries for this report include the region of Northeast Iceland defined by the Þingeyjarsýsla Administrative District. The district extends from Eyjafjörður in the west to Langanes peninsula in the east, spanning the entire area from Vatnajökull glacier in the south down to the northeastern coastline. It is Iceland's largest administrative district (see Figure 2.0).

Figure 2.0 Þingeyjarsýsla Administrative District



Source: Snow Magic 2007.

2.6 Resource Inventory

Northeast Iceland is considered one of Iceland's tourist hotspots. It is a thinly populated, expansive, and enchanting region with endless opportunities for outdoor recreation and nature exploration for the visitor. The following resource inventory identifies a number of the unique selling points of the region.

The western part of the region is dominated by the lava-covered Odadahraun plateau that slopes northward to the Arctic Circle. Glacial rivers, impressive waterfalls, and underground springs dot this landscape of mountains and valleys. Godafoss is one of the most popular waterfalls in the area. Traveling east, the coastal fishing town of Husavik has gained a reputation as Iceland's foremost whale-watching destination. South of Husavik, Lake Myvatn, which sits on the Mid-Atlantic Ridge, has become a popular tourist destination for bird watching, and its unique geological formations and hot springs. In 1974, the region was designated a conservation area with the pseudo crater field at Skutustadir, at the southern end of the lake, preserved as a national natural monument. The Myvatn Nature Baths, opened in 2004, is the largest spa attraction for visitors in the region welcoming over 50,000 visitors annually. Krafla, to the northeast of Myvatn is a geologic hotspot and is the site for hiking and visiting one of the geothermal power plants of Iceland. Winter tourism activities are also gaining in popularity in the region through the Snow Magic project.

To the northeast, Jokulsargljufur National Park is noteworthy for its impressive waterfalls, birch forests, and rock canyons with the Dettifoss waterfall having the greatest volume of any waterfall in Europe. Asybergi, in the north is the site of a newly opened visitor's centre for the park. Traveling to the east along the coastal road provides travelers with an opportunity to visit the twelve lighthouses of the region as well as the small, isolated communities and wild countryside of Iceland's mainland just south of the Arctic Circle. Bird watching, hiking, horse riding and the unique geology of the region are attractions for visitors. The Lagnenes peninsula at the far eastern edge of the region is known for hiking, camping and observing marine seabird colonies including a colony of gannets. The Kverkfjoll ice caves and the Askja caldera are two popular attractions on the High Plateau in the region's interior (Þingeyjarsýsla Development Agency 2007).

Tables 2.1 and 2.2 provide a detailed spa and product inventory of Northeast Iceland. Table 2.1 focuses on spa resources, services and their appeal to visitors. Table 2.2 identifies natural and historical attractions, restaurants, local foods, interpretation services, tour operators, shopping opportunities and conference facilities in the region. Services are evaluated based on their appeal to visitors and development potential.

Table 2.1: Northeast Iceland Spa Inventory

NORTHEAST ICELAND SPA INVENTORY			
Spa Resources	Community	Services offered: T = spa treatments available C = spa cuisine P = spa products for sale W = fitness or wellness programming	Greatest appeal to visitors from: I = in the area A = add on to trip N = new destination trip
Resort/ Destination Spas/Hot pots			
Gistiheimilid Stong	Myvatn	W	I, A, N
Gistihusid Narfastodum	Laugar	W	I, A, N
Hotel Raudaskrida	Husavik	W	I, A, N
Sumarhus Kaldbaks-kot	Husavik	W	I, A, N

Keldunes	Kopasker	W	I, A, N
Mineral Springs Spas			
Jardbodin Myvatn Nature Baths	Myvatn	W, T, P	I, A, N
Swimming Pools			
Sundlaugin Laugum	Laugar	W	I, A, N
Felagsheimilid Heidarbaer	Husavik	W	I, A, N
Sundlaug Husavikur	Husavik	W	I, A, N
Sundlaug Reykjahlid	Myvatn	W	I, A, N
Gistiheimilid Lundur	Kopasker	W	I, A, N
Source: Þingeyjarsýsla Development Agency 2007			

Table 2.2: Northeast Iceland Tourism Inventory

NORTHEAST ICELAND TOURISM INVENTORY – ATTRACTOR			
Resource	Unique features	Greatest appeal to visitors from: I = in the area A = add on to trip N = new destination trip	Tourism development potential S = short term M = medium term L = Long term
Natural or Scenic Attractions			
Northeast Iceland	Hiking	I, A, N	S,M
Godafoss/Fossholl	Waterfall	I, A, N	S,M
Dettifoss	Waterfall	I, A, N	S,M
Myvatn Lake	birdlife, geothermal/geologic attractions	I, A, N	S,M,L
Bjarnarflag	geothermal attraction	I, A, N	S,M
Hverarond	geothermal attraction	I, A, N	S,M
Krafla, Gjastykki rift	geothermal attraction	I, A, N	S,M
Storagja	hot springs	I, A, N	M
Lofthedir ice caves	Spelunking	I, A	S,M
Ludent craters	geologic attraction	I, A, N	S,M
Asbyrgi/ Jokulsargljufur National Park	geologic attraction, visitors centre	I, A, N	S,M
Askja	geothermal attraction	I, A	L
Grotagja	Hotsprings	I	L
Dimmuborgir, Kirkja	lavafield, geologic attraction, cave	I, A, N	S,M
Hverfall, Ludent, Gatklettur	geologic attraction	I, A, N	M
Vindbelgjar peak	geologic attraction	I	M
Hofdi, Kalfastrond	nature park, bird watching	I, A, N	M,L
Gyduhnjuksgil, Blafjall, Seljahjallagil	geologic attractions	I, A, N	M
Skutustadagigar, Geitey	pseudocraters, hiking	I, A, N	M
Arnvatn	Birdwatching	I, A, N	S,M
Vindbelgjarfjall	hiking, scenic views	I, A	M
Neslond	Birdwatching	I, A, N	S,M
Hlidarfjall	hiking, geologic	I, A	M,L

	attractions		
Historical Attractions			
Laugar	historic building	I, A	S,M
Reykjahlid	church, museum, market, swimming pool, sheep pens	I, A	S,M
Graenavatn	historic farmhouse	I, A	S,M
Ytri-Neslond	farm, bird museum	I, A, N	S,M
Byggdasafnid Grenjadarstad	folk museum	I, A	S,M
Samgonguminjasafnid Ystafelli	Museum of Transportation	I, A	S,M
Lighthouses	14 historic structures	I, A, N	M,L
Cultural or Social Attractions & Events			
Vogar	farming community, local cuisine, accommodations, sheep round up	I, A, N	S,M
Skutustadir	Snow Magic winter events, accommodations, services	I, A, N	S,M
Arnavatn	Farmstay	I, N	S,M
Handverksmarkadurinn Fossholi	Handicrafts	I, A, N	M
Landsvirkjun Power Plant	power plant and gallery	I, A, N	S,M
Hid islenska redasafn	phallological museum	I	S
Safnahusid a Husavik	district culture centre	I, A	S
Steingervingasafnid Hallbjarnastodum	fossil museum	I, A	S
Handverkshusid Kadlin	Handicrafts	I	S,M
Ferdathjonusta baenda Grimstunga	Farmstay	I, N	S,M
Ferdathjonusta aenda Grimstunga	Farmstay	I, N	S,M
Ferdathjonustan Hlid	Farmstay	I, N	S,M
Ferdathjonustan Vogum	farmstay, restaurant	I, A, N	S,M
Handverkshusid Dyngjan	handicraft market	I, A	S,M
Myvatnsmarkadur	handicraft market	I, A	S,M
Landsvirkjun - Kroflustod	power plant	I, A	S,M
Boka- og byggdasafn N-thing	Folkmuseum	I, A	S
Restaurants/Cafes/Local foods			
Verslunin Laugabaer	fast-food restaurant	I	S
Fosshotel Husavik	Restaurant	I, A	S
Heimabakari	Bakery	I	S
Kaffi Skuld	Café	I	S
Kofinn	gourmet hut	I	S
Veitingastadurinn Gamli Baukur	Restaurant	I	S
Veitingastadurinn Salka	Restaurant	I	S
Gamli Baerinn	Café	I, A	S
Cowshed-cafe	Café	I, N	S
Elda	smokehouse, accommodation	I, A, N	S,M

Smoke house Reykjhuid Skutustodum	smokehouse selling salmon, char, trout	I, A, N	S,M,L
Interpretative Services			
Asybrygi Visitor's Centre	National park visitor centre	I, A, N	S, M, L
Fossholi Information Centre		I, A, N	S, M, L
Myvatnsstofa/ Myvatn Information Centre		I, A, N	S, M
Husavik Information Centre		I	S, M
Thorshofn Information Centre		I	S, M
Saudanes Information Centre		I	S, M
Hvalasafnid a Husavik	whale museum	I, A, N	S, M, L
Hotel Gigur	information centre	I	S
Tourism Ground Operators/Tour Packages			
Highland Expedition Tours	Highlands	I, A, N	S, M, L
Hvalaferdir	birdwatching, whalewatching, fishing, horseriding, waterskiing	I, A, N	S, M, L
Reyjavik Excursions		I, A, N	S, M, L
Myvatn Tours	Askja, highlands	I, A, N	S, M, L
Nordur-Sigling	birdwatching, whale watching, fishing	I, A, N	S, M, L
Sba		I, A, N	S,M,L
Jeppaferdir/Super Jeep Tours	jeep tours	I, A	S,M,L
Vogar ferdathjonusta	travel service	I, A, N	S,M,L
Discover the World		I, A, N	S,M,L
Hotel Reynihlid	bike rentals/ tours	I, A, N	S,M,L
Sel Hotel Myvatn	snowmobile, x-country ski tours	I, A, N	S,M,L
Hestaleigan Torfunesi	riding tours	I, A, N	S,M,L
Hestamidstodin saltvik	riding tours	I, A, N	S,M,L
Hestaleiga Arngrims	riding tours	I, A, N	S,M,L
Myflug	Flightseeing	I, A, N	S,M,L
Trex Travel Experience	bus tours	I, A, N	S,M,L
Shopping/souvenirs			
66 degrees North	outdoor clothing/souvenirs	I, A	S
Blomabudin Esar	Souvenirs	I	S
Bokaverslun Thorarins	books/souvenirs	I	S
Meeting, Conference Facilities			
Fosshotel Laugar		I, A, N	S,M,L
Fosshotel Husavik		I, A, N	S,M,L
Sumarhus Kaldbaks-kot		I, A, N	S,M,L
Hotel Reynihlid		I, A, N	S,M,L
Source: Þingeyjarsýsla Development Agency 2007			

2.7 Stakeholders

The development of the health/wellness and spa industry in Northeast Iceland includes the participation of public and private stakeholders representing regional development, private industry, and research institutions.

The Þingeyjarsýsla Development Agency is presently supporting the industry through the commissioning of a strategic marketing plan for the spa sector. Atthing is a regional development agency for the region of Thingeyjarsýsla, Iceland's largest administrative district, stretching from Vatnajökull glacier to the Northeast coastline and covering 18% of the country's area. Atthing is owned jointly by The Institute of Regional Development, 7 regional municipalities, and some labor organizations and companies in the region.

The purpose of Atthing is to support development, employment and business life in the region by working with local communities, companies, organizations and individuals to promote and encourage innovation, co-operation and networking. Atthing has participated in several co-operative projects both regionally, nationally and internationally.

Among organizations that Atthing works closely with on a regular basis are Húsavík Academic Center, University of Akureyri, Hólar University, The Icelandic Tourism Research Centre, Impra Innovation Center, The Institute of Regional Development as well as other regional development agencies to name a few (Þingeyjarsýsla Development Agency 2007).

Myvatn Nature Baths, due to its rapid growth, is also working on private initiatives aimed at marketing and product development linked to their attraction. Opened on the 30th of June 2004, Mývatn Nature Baths is the latest addition to the region's many visitor attractions.

Drawing on a centuries-old tradition, the tastefully designed complex offers bathers a completely natural experience that begins with a relaxing dip amidst clouds of steam rising up from a fissure deep in the Earth's surface, and ends with a luxurious swim in a pool of geothermal water drawn from depths of up to 2.500 meters.

Containing a unique blend of minerals, silicates and geothermal microorganisms, the warm, soothing waters of Mývatn Nature Baths are beneficial to skin and spirit alike, creating a sense of wellbeing. Facilities include a reception area and cafeteria, changing rooms and showers for up to 120 guests, three natural steam baths accommodating up to 50 bathers at a time, and a 5000m2 geothermal bathing pool maintained at a constant temperature of 38-40ºC (Myvatn Nature Baths 2007).

The Husavik College is based in the community of Husavik on the northeast coast of Iceland. The college has been conducting market research surveys as well as identifying and testing the mineral content and quality of the water at the Myvatn Nature Baths.

The Icelandic Tourism Research Centre is also assisting public and private agencies through research linked to the biological science and benefits of the industry for spa and wellness.

The Icelandic Tourism Research Centre was founded in September 1999. It is a cooperative project between three universities, the University of Iceland, the University of Akureyri and Hólar College. Sharing of facilities and skills in order to promote research and education is of mutual interest to the universities. This strengthens the link between the universities and the business community and increases knowledge in the field of tourism. The Tourism Research Centre is a centre for research, education and collaboration in tourism related issues. The institutes' main tasks involve tourism related research, cooperation with domestic and foreign research institutes, publishing of scholarly papers and promotional material, information dissemination, consultation and arrangement of seminars, hosting conferences and giving lectures in tourism studies.

The organisation draws on the resources of three different Universities and is thus able to set up seminars and research projects that draw on a host of various expertises in different fields, mainly though related to business, tourism and geography. The in-house experts are from business administration and geography mainly.

The ITRC co-operates with a host of academic institutions as well as the three Universities mentioned above. The Stefansson Arctic Institute and the University of Akureyri Research Institute are amongst our key partners. The Centre has close ties with official institutions such as the Icelandic Tourist Board, the Regional Development Institute of Iceland and the Icelandic Civil Aviation Administration. Additionally the Centre operates in association with the Icelandic Travel Industry Association (ITRC 2007).

3.0 DEVELOPMENT OBJECTIVES

3.1 Objectives of Study

This report is being undertaken to assist the Þingeyjarsýsla Development Agency in the development and marketing of the spa industry in Northeast Iceland. Due to the geologic activity in the region, the region has gained prominence as an area offering natural hot springs for bathing under the open sky. Historically, two natural bathing sites for travelers visiting the region have been the Grjotagja chasm and the Viti crater at Askja.

In 2004, the Myvatn Nature Bath opened and has quickly become the main outdoor spa attraction for the region welcoming over 60,000 visitors in 2005. In addition to natural bathing sites, there is also a network of geothermally-heated swimming pools, hot tubs, pool fountains and saunas in almost every town and at the majority of accommodations in the region. Hveravellir and Laugafell are two of the most popular destinations for visitors in search of relaxation and renewal of one's body and soul.

In an effort to further develop the spa industry in the region, the objectives of this study are to:

- Organize a steering committee to provide input and guidance to the strategic marketing recommendations for the spa industry in Northeast Iceland.
- Conduct a market analysis for the spa industry to identify target markets.
- Identify strengths, weaknesses, opportunities, and challenges for developing the spa industry in Northeast Iceland.
- Provide the Thingeyjarsýsla Regional Development Agency with strategic product and marketing recommendations for the spa industry.

3.2 Steering Committee

The steering committee for this project includes the following local stakeholders.

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4.0 MARKET ANALYSIS

4.1 Iceland Tourism

Tourism is recognized as one of the fastest-growing sectors in the Icelandic economy, providing 12.7% of the country's income from foreign sources, accounting for 5.1% of the GDP, and employing 6,900. Tourism receipts from international visitors in 2005, estimated at 40 billion ISK, represent a 31% increase from the year 2000. In 2005, visitors, on average, spent 69,700 ISK per visit (Icelandic Tourism Board 2007b).

Visitation to Iceland has increased by an average annual rate of 7.2% over the last decade. In 2005, there were a total of 369,500 visitors to Iceland with over 95% arriving by air through Keflavik Airport, 8,100 through the Seydisfjord seaport, and 5,000 through other airports and seaports. An additional 56,000 guests arrived in Iceland by cruise ship.

International tourist arrival statistics from 2005 indicate that the largest geographic markets for Iceland originate from Nordic Nations (95,007), the United Kingdom (58,217), the USA/Canada (57,697), Germany (38,981), and France (20,621). Over 50% of visitors receive their information on Iceland from the Internet with approximately 32% obtaining information from brochures and guidebooks (Icelandic Tourism Board 2007b).

High season extends from June to September with occupancy rates at approximately 65% during the four months. The average stay of visitors is 10.4 nights in the summer and five nights in winter with the majority of overnight stays in Reykjavik, the South, and the North in high season.

A profile of overseas travelers to Iceland from 2005 focused on gender, age, occupation, and income revealed that there is slightly more men than women visiting (54 to 45%) with the average age of visitors at approximately 42 years. Occupational status data indicated that the majority of visitors are professionally trained (36%), in managerial positions (18%), or in the teaching, medical care fields (13%). Household income levels tended to be average or above average to the general population in the respondent's own country.

International respondents revealed that the majority of people travel independently (60%), on holiday (80%), to enjoy the unique nature of Iceland (65%). Other reasons for visiting include culture/history (25%), low airfares (15%), and visiting friends and relatives (12%). When in Iceland, the main leisure activities include nature observation (72%), swimming (60%), and shopping (55%) (Icelandic Tourism Board 2007b).

<u>Northeast Iceland</u>

Northeast Iceland is one of the most popular tourist destinations outside of Reykjavik. In the summer of 2006, approximately 100,000 foreign tourists (not including cruise ships) visited Þingeyjarsýsla region, with 76,000 staying an average of 2.7 nights. Domestic visitors to the area totaled approximately 100,000 visitors in 2005 with approximately

39,000 visitors staying an average of 4.4 nights. Most popular destinations for foreign visitors included Myvatn (90,000), Dettifoss (73,000), and Husavik (71,000) with visitors commenting that the best features about Northeast Iceland included the nature/landscape (43%), whale watching (15%), and Myvatn (11%).

In 2006 approximately 62,500 guests visited the Myvatn Nature Baths, up from 50,000 guests in 2005. Foreigners account for 60% of visitors in summer and 40% in winter. Weather (36%), bad roads (16%), and high prices (11%) accounted for three of the top weaknesses of Northeast Iceland as a tourism destination.

Participation in international tourism projects over the past four years, including Snow Magic and the Northern Coastal Heritage Project (NORCE) are providing new opportunities to develop shoulder season activities and additional products in the region linked to cuisine, crafts, wildlife viewing, and cultural heritage. A new tourism booklet and CD released in 2006 also are providing new marketing opportunities for the region (Tourism Research and Consulting 2007).

4.2 Market Characteristics – Geographic, Demographic, Psychographic, Behavioral Considerations

Visiting spas is a popular activity for many people. For some, their spa experiences will be visits to day spas near their home for treatments that pamper or relax. But many people see spa treatments as an important tool in maintaining their health and appearance and are incorporating spa experiences into their vacation. And for some, going to a spa is the main focus of their trip and they are willing to travel great distances to visit the spa of their choice. Northeast Iceland has the attractions and facilities to appeal to all of these people.

Spa-goers are slightly more likely to be female, married, middle aged, have some higher education, and be willing to spend money on spa treatments to look and feel better and that sustain their ability to enjoy their current activity level. As shown in the following table, there is a slight difference between the people visiting day spas and those traveling to destination/resort spas, but these differences are expected to blur as day spas incorporate many of the elements of a destination spa, for example, mini-retreats, spa cuisine or education programs (Verschuren 2004). This trend capitalizes on the extra revenue opportunities available from a holistic mind/body/spirit experience offered at a destination spa. In Canada, the resort/hotel spa represents only 14% of spa locations, but accounts for 41% of total industry revenue (Leading Spas of Canada 2007).

Table 4.1 The Spa-goer Profile

The Spa-goer Profile			
Demographic*[1]	**Canadian****	**American****	**United Kingdom*[2]**
Gender Day Spa Destination/Resort Spa	 Female 96% Female 84%	 Female 85% Female 65%	 Male 48% Female 52%

Age Day Spa Destination/Resort Spa	 25-55 36-55	 Mean age is 45 years Mean age is 47 years	 Average age is 36.3
Education	37-47% university degree 33% associate degree	39-40% - college degree 41-46% some college	
Household income Destination/Resort Spa	Expressed in Cdn$ <$50K = 25% $50K-80K = 28% $80K – 120K = 23% $120K – 162K = 12% $162K – 242K = 8% > $242K = 4%	Expressed in US$ <$35K = 27% $35K-45K = 11% $45K – 75K = 31% $75K – 99K = 15%	£30,500
Marital Status	50% married 35% empty nesters 29% families w 1-2 children	60%+ married 14% single 20% divorced /widowed/separated	66% married 28% single
Spa Awareness Factors	Word of mouth, website or previous experience	Word of mouth, received as a gift, website, newspaper advertising, travel agent, books/guide	
Why Visit a Spa?	Rest, relaxation, skin care, body treatments/massage, wellness education programs, healthful cuisine, outdoor adventure activities, hydrotherapy, yoga, T'ai Chi, Qi Gong, meditation	Relaxation, pampering, stress reduction, rejuvenation, weight loss, enjoyment/personal reward/mental health, health reasons, fitness, beauty services	
Spa-Goers Favorite Non-Spa Leisure Pursuits? Day Spa vs. Destination/Resort Spa	Adventure: 40% – 43% Heritage: 12% - 12% Family time: 28% - 22% Golf: 9% - 9% Learning/Education:		

	3% - 6%		
Willingness to Travel for Destination/Resort Spa Vacation Day Spa vs. Resort Spa Users	Anywhere 63% vs. 61% To Europe 1% vs. 3%		
*1 characteristics are the same for day spa versus destination/resort spa customers unless differences noted **Data taken from 1) Canadian Spa Association, Research of the Canadian Spa Industry, Mary H. Tabacchi, 2003: 2) International Spa Association, The International Spa Association's 2002 and 2004 Spa Industry Studies, Price Waterhouse Coopers, 2002/2004 3) The American Spa-Goer Survey, Yesawich, Pepperdine & Brown, 1999. *2 no distinction between resort spas and day spas; data from International SPA Association – 2003 Spa-Goer Study, United Kingdom			

In addition to the information shown above, research into UK and German spa-goers shows that there are differences between countries in the popularity of certain spa treatments, however the appeal of a spa experience appears to be universal.

4.2.1 Geographic Considerations

United Kingdom

UK residents appear to be keen spa-goers. A 2002 study by the International Spa Association found that one in three UK residents has visited a spa in the previous year and that they tend to be fairly young with almost 48% under 35 years old (NFO 2003). Half of all spa-goers have a household income below $100,000 suggesting that marketing based upon household income may not be a valid strategy for spa-goers (CTC 2006a).

Approximately 2% of UK residents have been on a spa holiday abroad and 22% indicated they would like to take a spa holiday. In 2003/04 it would appear that there were 20,000 outbound spa trips sold in the UK indicating great potential in this market. Popular spa destinations include Bulgaria, Dubai and the Far East (Mintel 2005). Mintel (2005) suggests that enticements for taking a spa holiday include: receiving the spa holiday as a gift, having friends along, all inclusive packages and special family discounts. Many of these travelers book their trips through general tour operators that are selling holidays at resorts that include spas versus selling specialized spa packages.

The International Spa Association found that facials (50%), pedicures (45%) and manicures (41%) are the most popular treatments, a slight departure from other countries such as Germany or the US that rate full-body massages as one of their top three treatments (International Spa Association 2007a).

Germany

Germany accounts for the largest share of the international spa and health business, representing 30 – 40 % of total European demand (Tourism Queensland 2007). There is limited statistical data on the demographic characteristics of German spa-goers but some researchers suggest that women slightly outnumber men and that there is a noted increase in spa going as Germans grow older. Income does not appear to be a determining factor, likely due to the presence of government funding for some treatments. There is a clear spa culture with the highest incidence of spa usage in Europe (Cockerell *et al* 2003).

The International Spa Association has found that the most popular spa treatments for German tourists are sauna/steam baths (71%) followed by full body massage (34%) and facials (28%) (International Spa Association 2007a).

4.2.2 Demographic Considerations -- The Male Spa-goer

Men are more likely to be a spa traveler than might be expected given the low representation in some research literature. Over one third of male spa-goers use spas while traveling and the frequency of their spa visits when traveling is higher than for women. (CTC 2006a).

4.2.3 Psychographic Considerations -- Motivations

The American Academy of Family Physicians estimates that 60% of all problems brought to doctors are stress related (Verschuren 2004). People, especially baby boomers (those people born between 1946 and 1964) are willing to spend money on wellness treatments that sustain a high quality of life and allow them to participate in the activities they currently enjoy.

In general, spa-goers seek to look and feel better, too lose weight, manage stress, slow the effects of aging, reduce pain or participate in the use of natural supplements to improve their health (Canadian Spa Association 2003). However, spa travelers often have one motivation at home and another when traveling. Spa-goers often approach spa visits as important to maintaining their health and wellness, but on vacation they may approach it with the desire to indulge themselves and seek escape and pampering (CTC 2006a).

Spa travelers are more likely to be experienced spa-goers and on average try a wider variety of services. This may suggest that consumers are not typically introduced to a spa while traveling, but instead this is how spa-goers spend their time while on holidays. By far, the most popular treatment is massage followed by facials, manicures and pedicures (CTC 2006a). Of all types of spa-goers, spa travelers tend to be most critical of spa experiences probably based upon the considerable experience they have had with spas (CTC 2006a).

Some spa travelers plan first around the type of spa experience rather than where they want to go. Other spa travelers are more concerned about cultural education or stories to tell when they get home (CTC 2006a).

When spa travelers go on vacation they are likely to chose a resort or hotel spa. A large number aspire to getting a massage while on holiday, but the focus is not just on spa services. Many spa-goers also enjoy shopping, taking in cultural attractions and dining. It has been described as a holiday focused on "seeking pleasure whether in the spa or out and about" (CTC 2006a).

Table 4.2 Leisure Activities

Which Leisure Activities Did You Participate in on Your Most Recent Spa Vacation?		
	U.S. Respondents %	Canadian Respondents %
Shopping	53	60
Culinary travel experiences	47	54
Cultural attractions	43	44
Fitness programs	37	39
Land-based activities	29	29
Gambling	28	23
Movement classes	23	22
Water-based activities	22	27
Golf	13	16
Skiing	8	12
Hands on learning activities	7	10
Tennis	6	8
Source: CTC 2006a		

Spa tourists enjoy spending money. A study in Australia found that domestic spa tourists spent more per night (Aus$143 per person pre night) than total domestic visitors ($108) (Tourism Victoria 2007)! They went on to classify spa tourist as big spenders (57%), medium spenders (29%) and light spenders (15%).

Most spa-goers consider themselves to be in good or excellent health; many take vitamins and limit the amount of fat they eat (Tourism Queensland 2007). Many of them will want holiday experiences that match their lifestyle. At least 20% of Europeans are looking for more active, health conscious holidays and would like to find health or fitness facilities integrated into the holiday resorts they visit (Tourism Queensland 2007).

The most important benefits sought by spa-goers are: to relax and release stress, to get a break from everyday life, to be pampered, to renew healthily one's mind, body and soul, to enjoy life without a fixed schedule, and to enrich relationships with one's partner and children (CTC 2006a).

4.2.4 Behavioral Considerations

Preferences

Generally spa travelers prefer destinations close to home as shown in Table 4.3, but no matter where there live, spa travelers are likely to visit spas in regions other than their own. There does not appear to be a strong seasonality to spa vacations. The most important conditions in choosing a spa vacation destination are:

- accommodations,
- personalized services,
- cost/value,
- affordability, and
- types of spa treatment.

Child-related services appear not to be important nor is the ability to participate in outdoor activities such as golf, tennis or skiing (CTC 2006a). This may call into question the viability of recent initiatives by some spa operators to combine spa services with golf or ski holidays; however it also possible that additional marketing and consumer awareness will increase the popularity of spa packages combined with active pursuits. While shopping is a preferred activity of spa travelers, it is not a major determinant in selecting the spa destination (CTC 2006a).

Spa travelers consider the quality of spa treatments and services, the cost of services and the spa, and staff hygiene very important (CTC 2006a). Consumers are more educated on spa services and are more demanding of quality and consistency of services. Some are focused on getting greater value for their money (CTC 2006c).

Table 4.3 Preferred Destinations

Where is Your Preferred Destination for a Future Spa Vacation Within the Next 2 Years?		
	U.S. Respondents %	Canadian Respondents %
USA	68	30
Mexico/Caribbean	31	39
Europe	25	24
Canada	15	45
Asia	10	12
Other	3	4

Source: CTC 2006a

About a quarter of spa travelers prefer at least part of the time to visit ‘undiscovered places’ before too many hotels and restaurants are built (CTC 2006a). This may present an opportunity for Northeast Iceland as the region has not yet been discovered by large numbers of spa-goers, but promises a very unique experience.

When marketing to spa-goers it is important to recognize that the spa-goer may not be the actual consumer. More than two thirds of Canadian spa-goers have purchased spa gift certificates usually for another family member (Leading Spas of Canada 2006).

Selling health and beauty products at a spa may represent revenue opportunities. Younger spa visitors are likely to purchase their health and beauty products from a spa and 24% of all spa-goers purchase their health and beauty products from spas (Leading Spas of Canada 2006).

Trip Planning

Almost all spa travelers participated in the planning of their trip. Many people prefer to work without travel agents and plan their own trip with the help of the Internet.

People tend to book the accommodation and transportation components of their trip online, but are not booking their spa services online as frequently although over a quarter of them have purchased spa services as part of a spa package (CTC 2006a). More people are not booking spa treatments at the same time as their other travel arrangements because many spas do not offer online booking. Northeast Iceland operators should consider adding online booking of spa services to maximize their revenue opportunities.

The most important elements in planning a spa trip are the desired destination and the type of spa experience sought. When seeking spas on the Internet, search engines appear to be an important source of information as shown in Table 4.4.

Table 4.4 Websites Used by Spa-goers

Websites used by Spa-goers to find spas on the Internet	
Google	43%
Spa Association websites	15%
Local City websites	13%
MSN/Sympatico	10%
Other	9%
Do not use the Internet	27%

Source: Leading Spas of Canada 2006

The use of magazine advertisements to attract spa-goers would be a desirable strategy as Table 4.5 shows these consumers are well read. The wide cross section would indicate there are several media angles that could be exploited to give Northeast Iceland spas higher visibility.

Table 4.5 Magazines Read

Which Types of Magazines Do You Read on a Regular Basis?		
	U.S. Respondents %	Canadian Respondents %
Travel	61	49
Food/Gourmet	50	49
Business	49	33

Health, fitness, well-living	47	48
News magazines	46	36
Fashion and beauty	37	42
City lifestyle	26	34
Sport/Outdoor	23	21

Source: CTC 2006a

4.3 Northeast Iceland Market Segments

To facilitate the market match process, the following market segments will be considered the most likely consumers of spa products and services in Northeast Iceland and are the main focus of the marketing recommendations.

Casual Spa-goers

These people have taken a spa treatment before and would be interested or could be convinced to try a spa experience in Northeast Iceland as part of their vacation. The spa experience is not the determining factor for their trip, but visiting a spa would be seen as a pleasurable way to relax while on their trip. They would likely respond to products that make it easy to add spa experiences to their other activities, or marketing that appeals to their desire to relax and pamper themselves while on holiday.

Dedicated Spa-goers

This type of traveler frequently visits a spa at home and is very motivated to maintain or improve their current level of health and wellness. They may be willing to travel to Iceland for the sole purpose of taking a spa holiday, but they may also be in the country for other reasons and be very interested in adding spa experiences to their visit. This type of spa-goers is likely to be more concerned with quality and will be expecting the same level of quality and service as found in spas in other countries.

New Spa-goers

Some travelers to Iceland may not have been to a spa, but would be willing to purchase a spa treatment or service as part of their trip especially if they felt is was an authentic way to experience Iceland’s culture or heritage. This consumer may be unaware of the range of spa treatments and require more education on spa services, codes of conduct, quality controls, etc. to fully enjoy their spa experience. These travelers will be more likely to add a spa experience once they are in the country or to participate if it is part of a package or bundled services.

While it is recognized that there are cultural differences among the countries that are Iceland’s main tourism markets, it is felt that for market planning purposes the spa motivations and habits will be sufficiently similar to group people of different geographic origins into these market segments. If research funding can be obtained, it would be worthwhile to conduct detailed studies into the preferences and background of spa travelers to Northeast Iceland and refine this classification further.

4.4 Competitive Analysis and Positioning

A destination's positioning strategy defines the way in which its tourism products/services are different from the competition. Because consumers are overloaded with information about tourism destinations, they often simplify buying decisions by organizing "positions" in their minds, for example, Vegas is great for adult entertainment, New Zealand an adventurer's paradise, France, a place to view great art. As a result, marketers plan positions that will provide destinations with the greatest advantage in selected target markets. A marketing mix is then designed to promote the planned "positioning" to the customer.

The positioning task consists of three steps: identifying a set of possible competitive advantages upon which to build a position, selecting the right competitive advantages, and effectively communication and delivering the chosen position to a carefully selected target market.

Marketers can follow several positioning strategies based upon on specific product attributes, or their strengths relative to an existing competitor. Destinations can differentiate their product according to:

- <u>Physical attributes</u> – what sets them apart in terms of natural/cultural heritage resources, USPs (unique selling propositions).
- <u>Service</u> differentiation – offering services that differentiate them from competitors.
- <u>Personnel</u> differentiation – hiring or training better people than their competitors.
- <u>Location</u> differentiation – location advantages vs. competitors
- <u>Image</u> differentiation – differentiation based on company or brand images.
  (Source: Kotler *et al* 2003)

Destinations must identify several potential competitive advantages from the above list to determine their best possible positioning relative to their products/services. Differentiation relative to competitors can be established by satisfying the following criteria:

- <u>Important</u>: difference delivers a highly valued benefit to target buyers.
- <u>Distinctive</u>: difference is offered in a more distinctive way.
- <u>Superior</u>: difference is superior to other ways that customers obtain the same benefit.
- <u>Communicable</u>: difference is visible to buyers.
- <u>Pre-emptive</u>: competitors can not easily copy the difference.
- <u>Affordable</u>: buyers can afford to pay for the difference.
- <u>Profitable</u>: difference can be introduced profitably.
  (Source: Kotler *et al* 2003)

European spa-goers have a wide variety of choices available to them, many of them within two to four hours flying time. Iceland draws most of their visitors from Britain, the U.S., Germany and the Nordic countries. Iceland's spas will need to understand the strengths and weaknesses of competing destinations and develop their unique positioning strategies to expand spa tourism in Northeast Iceland.

Several of Iceland's spa tourism competitors are described in the following pages. This information can indicate gaps that Northeast Iceland can use in the development of their positioning strategies.

United Kingdom

The spa industry in the United Kingdom is well established, but there does not appear to be a current estimate on the size of the industry. Anecdotal evidence would suggest that the industry may have doubled in the last five years, however it appears there is a lack of coordination in marketing spa travel to the domestic market. VisitBritian is becoming more active in marketing spa travel, but some people feel the UK is well behind other spa markets when it comes to investment by public agencies. There has been support for redeveloping some of the traditional spa towns; the Bath Spa project in Bath has received substantial funding for its renewal and it's expected other traditional spa towns will also benefit (CTC 2006b).

Germany

The German spa industry is very well established with well defined spa types and treatments. There is considerable emphasis on health and many spa treatments are covered by the national health care system (CTC 2006b). The long history of Germany's spa industry gives it a great deal of authenticity and the country's tourism agencies are very proactive in marketing their spa tourism.

Sweden

Sweden has a vibrant and expanding tourism industry. Foreign tourism is growing faster than tourism in the rest of the world and has the largest share of foreign tourism among the Nordic countries. It has more visitors per inhabitant than the European average. Several of its most popular attractions are swimming pools and baths, drawing millions of visitors a year. For Swedish travelers Finland and Denmark are their most popular destinations, likely due in part to their geographic proximity (NUTEK 2007).

Finland

Finland is very focused on health and wellness tourism. It is also the only Nordic country to increase its market share of hotel tourism in 2006. Spas and leisure centers are their most popular tourism attractions, drawing 3.9 million visitors in 2006. Over a third of their foreign leisure travelers tried health and wellness related activities such as the sauna, exercise for health, or beauty care services. They found no significant difference between men and women's wellness travel. The most popular activity among travelers was the chance to experience a Finnish sauna with nearly a third trying this experience. Nearly one fourth participated in exercise for health such as walking or swimming.

Most of the wellness and health travelers came from France, Norway and Germany. The French and Germans were more likely to prefer the Finnish sauna while Norwegians were more likely to participate in the exercise for health. Many Finnish visitors were seeking peace and quiet (62%) (Finnish Tourism Board 2006).

Norway

In 2006 Norway lost market share of its hotel tourism to the rest of Europe. It is the Nordic country with the greatest seasonal fluctuation in tourism. Many people who visit Norway have been there before, unlike Iceland where most people are visiting for the first time. Norway is focusing their tourism industry development on experience concepts especially for seasonal development and travelers taking short breaks. High priority areas for them will be theme holidays, meetings and incentive travel, and revitalizing round trips and base holidays (Norwegian Tourism 2006). A search of spas on the national website provided 22 travel choices, a relatively modest offering (Visit Norway 2007).

Denmark

Denmark's tourism industry is well developed, however international arrivals have been flat in recent years and Danes are traveling abroad in large numbers (Economist Intelligence Unit 2007). Denmark lost market share in hotel tourism in 2006 (Visit Norway 2007) and the government has launched a number of initiatives to improve Denmark's attractiveness as a tourism destination. These include more focus on business tourism, development of several locations that offer natural experiences, golf, culture, fishing and gastronomy experiences (Economist Intelligence Unit 2007).

Visit Denmark undertakes marketing for Denmark, Greenland and the Faroe Islands A search of spas on the official website returns only 26 choices (Visit Denmark 2007).

Australia

Australia is not a major competitor to Iceland, but it is a country that is actively developing its spa tourism and is positioning itself as a global leader in this field. It is a relatively young entrant to spa tourism, but government and industry associations are developing comprehensive strategies to grow the industry domestically and internationally. They are developing accreditation and rating systems for consumers to improve customer satisfaction with their spa holiday. It is likely to become a major player in the spa tourism market in the coming years (CTC 2006b).

Northeast Iceland Positioning Strategies

Stakeholders in the study region have spent considerable effort to date developing brands and positioning strategies. Two of the most well known are The Diamond Circle and The Pearls of Nature. The Diamond Circle attempts to link the consumer's recognition of the Golden Circle attractions near Reykjavik with similar assets in Northeast Iceland. In fact, the Myvatn Nature Baths are referred to as the Blue Lagoon of the North in one tour guide further reinforcing this parallel. The Pearls of Nature links the natural spectacles in the region with the unique and special appeal of pearls, an easily understandable reference for most travelers.

Ideally a positioning strategy will result in a brand that can be used for several different types of tourism such as the 100% Pure brand developed in 1999 by New Zealand tourism industry (Tourism New Zealand 2007). The 100% Pure concept builds on the country's competitive advantages of world-class nature, unpolluted environment and unique culture. The 100% Pure brand is adaptable for cultural, natural and wellness tourism businesses and regions and provides a model for Northeast Iceland.

Regional positioning strategies should complement national positioning strategies to avoid confusing consumers and to maximize marketing returns. It would be worthwhile to develop a positioning strategy for spa tourism and Northeast Iceland that can be used for other tourism sectors such as nature or adventure, and that works with the country's overall marketing strategy or image. For example, Iceland is often referred to as the land of fire and ice by the media. Travelers may respond to images and slogans that invoke such a contrast, for example, "Fire and Ice" "Fire Meets Ice" "The Hottest Cool Destination".

Developing a compelling positioning strategy will require time and input from a range of stakeholders including the broader tourism industry. It would be helpful to create a working group to evaluate possible positioning strategies and brands against the criteria suggested by Kotler *et al* 2003. There are many unique features that Northeast Iceland can use to build its competitive advantage such as its geothermal resources, rare landscape, mystical nature (e.g. sagas, Yule lads, trolls, etc) and natural phenomena. It will be important to support national images and those of potential partners such as the Blue Lagoon.

4.5 Trends

Examining recent tourism trends can reveal opportunities for new spa tourism products in Northeast Iceland. The following section identifies trends that have the greatest application to spa tourism operators.

1. Shorter trips, but greater frequency

Product Considerations	*Possible NE Icelandic Products*
• Spa type getaways	• One or two day packages

2. Eco-adventure spas that link health and wellness activities with outdoor activities

Product Considerations	*Possible NE Icelandic Products*
• Link hiking/golf/spa or ski/spa activities • Interest in local experiences	• Short to multi-day packages that offer outdoor activities and spa treatments

3. Environmentally friendly spas will have appeal

Product Considerations	*Possible NE Icelandic Products*
• Demonstrate sustainable tourism practices • Pollution from air travel making tourist rethinking transportation choices	• Spa treatments certified by accredited spa organization or sustainable tourism organizations • An Icelandic carbon offset program for spa travelers

4. Ancient therapies and products will become more popular

Product Considerations	*Possible NE Icelandic Products*
• Interest in authentic travel experiences • Heritage/cultural tourism products	• Highlight traditional spa practices or rituals • New textures, aromas and sounds in spa treatments

5. New markets will be more attracted to spa experiences

Product Considerations	*Possible NE Icelandic Products*
• More interest in couple's, honeymooners spa products • More men will be interested in spas	• Offer couple's treatments • Create male-focused activities e.g. male cosmetic program, high-intensity fitness programs

6. Spa and wellness retreats will help consumers achieve health goals

Product Considerations	*Possible NE Icelandic Products*
• Spas seen as more than just pampering; helpful in staying healthy and looking good • Programs can focus on specific goals e.g. lose weight, quit smoking, detoxify, recover from grief, increase spiritual awareness • Interest in building habits that continue after the holiday has ended • Long waiting lists in countries like the UK and Canada have created an alternative therapies • Corporate support of spa treatments will increase when people equate wellness with productivity	• Market treatments benefits that help visitors with health goals • Offer education programs on nutrition, wellness, etc. • Create holistic mind/body/spirit spa experiences

7. Medical spas will continue to be one of the fastest growing segments of the industry

Product Considerations	*Possible NE Icelandic Products*
• Popular medical treatments include chemical peels, microdermabrasion, Botox, and medical acupuncture • Travel for dental or surgical treatment increasing where waiting lists are long or health insurance is expensive	• Spa treatments that enhance people's satisfaction with their physical appearance

8. International spa travelers want diversity in spa experiences

Product Considerations	*Possible NE Icelandic Products*
• Want to sample a variety of spas in the same destination	• Packages that link several spa experiences in NE Iceland • Packages with other Iceland spas

It is anticipated that the product opportunities arising from these tourism trends will appeal to causal, dedicated and new spa-goers. These market segments share many similar characteristics and it is likely that most new spa products developed in Northeast Iceland will appeal to all groups.

What may distinguish the spa market segments is the distance they are willing to travel for their spa treatments. Casual spa-goers and dedicated spa-goers are both likely to enjoy an Icelandic themed spa experience, but a casual spa-goer may only be willing to partake if it was offered while they were in the area sightseeing. A dedicated spa-goer may be willing to travel from Reykjavik or even a foreign country for the same experience. The best matches between potential products and market segments are explored further in Section 6.

5.0 OPPORTUNITY ANALYSIS - SWOT

Table 5.0 provides a detailed opportunity analysis for Northeast Iceland's Spa Industry. This information will assist in clarifying the product market match in Section 6.0 and the recommendations for spa in Section 7.0.

Table 5.0: Opportunity Analysis

NE Iceland Region – SWOT Analysis	
Strengths	**Weaknesses**
• Approximately 1 in 4 Icelandic visitors come to the region • Approximately 1 in 3 Icelanders visit the region each year • Unique landscapes • Rich history • Spa tradition • Popular spa destination • Public/private partnerships promoting development of spa industry • Unique local cuisine • Yule Lads program -- shoulder/winter season programs • Most popular whale watching destination in Europe • Presence of an experienced spa operator • Dettifoss has largest volume of water in Europe • Barrow's Goldeneye only nesting site in Europe at Myvatn • Unique Cladiphora (spongy round balls) algae in lake • Frequent air service from Reykjavik • Large number of ground operators to work with • Well-developed day excursion and multi-day packages already exist. • Numerous cruise ship excursions from Akuyeri • Commissionable product for the travel trade • Nature bath upgraded at Myvatn • Brand identity with Northeast	• Unclear branding for region • Lack of marketing website • Day spa operators may be less familiar with the tourism industry • Midges • Poor road infrastructure • Lack of interpretation. • Remote location -- limited time. • Shortage of professionally trained staff in region for spa industry's development • One main attraction for spa-goers at the moment, all services concentrated at one site • Lack of local crafts/products/gift shops • Limited spa cuisine • Limited selection of spa products. • Low awareness among travelers of the Myvatn nature baths and hot springs • No packaged spa tours in NE Iceland • Existing sightseeing tours of NE Iceland give low profile to spa experiences. For example, a regional tour offered by Iceland Experience offers Myvatin Nature Baths only as an evening option, not as a prominent feature of the tour • High concentration of spa visitors over summer months • Only 20% of Iceland tourists are repeat visitors

Iceland spa products • Good shuttle service • Discover The World tour operator working with travel media to promote region • The region of Myvatn has good awareness among travelers to region (second only to whales)	• Visitors spending a relatively short time in region • Poor impression of Myvatn Nature Baths on some Internet forums**
Opportunities	**Threats**
• International spa travelers looking to sample a variety of spa experiences in a destination • Family orientated activities in region complement spas that cater to men, teens, and teenage girls as well as women • Can create mini-retreats at day spas • Can create cookbooks featuring Icelandic spa cuisine • Can create additional beauty and skin products from NE Iceland or alternatively offer other Icelandic products for sale • People enjoying spa treatments can encourage other activities such as healthy dining at restaurants, use of walking paths, etc. • Online ability to buy customized spa services • Can create an environmentally friendly “green” spa destination using local energy and services. • Can create a year round spa destination through continued development of winter season programming • Can create incentives with domestic airlines to improve access and product • Network of educational institutions in region to assist in research and development of spa industry • Co-operative marketing with the	• Renewed geologic activity in region • Supply of skilled professionals may not be able to keep up with demand • Competition from Asian destinations where labor costs are lower • Effect of increasing fuel prices on international travel patterns i.e. will Iceland be seen as too far or too expensive • Increased concern over climate change may cause some travelers to fly less • Some research would indicate spa travelers prefer not to travel too far from home • Fast growth of the spas may lead to market over-saturation and increased competition • Small spas may have trouble competing with large resort spas • Increased negative environmental impacts with growth of industry and transport services provided (i.e. vandalism, graffiti, impacts of jeep tours) • Physical impacts of climate change in Iceland may affect visitor experience

Blue Lagoon • Expand spa products for the region. • Can include interpretive programming of the region on bus tours • Success of Golden Circle itineraries offer possible business model for NE Iceland	

**Source: http://translate.google.com/translate?hl=en&sl=de&u=http://www.iceland-forum.com/viewtopic.php%3Ft%3D2950&sa=X&oi=translate&resnum=7&ct=result&prev=/search%3Fq%3DMyvatn%2BNature%2BBath%26hl%3Den%26rlz%3D1T4GFRC_en___CA215

6.0 PRODUCT-MARKET MATCH

Success for the spa industry in Northeast Iceland will only come if stakeholders make the most successful matches between their product and the potential markets. Attempting to market a product that does not provide benefits sought by a specific market segment will lead to disappointment and a tarnishing of Iceland's reputation among spa-goers.

The inventory and assessment undertaken in this study would suggest that the region's best opportunities in the short term arise from products aimed at casual and new spa-goers. Existing products and services can be enhanced with minimal investment and programming to increase visitation and revenues.

The spa experiences in Northeast Iceland that dedicated spa-goers would enjoy are limited and the spa infrastructure is not yet at the same level of development as established spa destinations such as Switzerland or Germany. Considerable potential exists to target the dedicated spa-goer who is willing to travel for their spa vacations, but additional development and investment will be required. It is suggested that this market be targeting initially by offering products that would appeal to all types of spa-goers that are already in the region or nearby, and willing to add on a stop to Northeast Iceland. Greater penetration of this market can occur in the medium to long term as additional infrastructure and programming is added and quality standards are linked to international accreditations. More recommendations are provided in Section 7.

In Table 6.0, the information gathered during the inventory and SWOT process was analyzed to provide some suggested product opportunities. Each potential product was classified as a guided or self-guided option although in most cases, it would be possible and desirable to develop both.

The potential markets (casual, new or dedicated spa-goers) are shown on the table next to a product where there is a match between the benefits sought by the market segment and the features of the product.

The table also delineates the market match further, looking at how far travelers would be willing to travel for the product. There are people already visiting the area (I) that should be relatively easy to capture through marketing. The people in the region who would be willing to add on a stop in northeast Iceland (A) are the next easiest group to attract especially if cooperative marketing opportunities with regional partners are pursued. The people who will make the decision to add a new trip to the region (N) are more difficult to attract, but the rewards are higher. These people are not a redistribution of visitors in the area, but represent new economic activity to the region and possibly the country.

Table 6.0: Northeast Iceland Product Market Match

Product Opportunities	Guided (G) vs. Self-Guided (S)	**I** Will appeal to people already visiting **in** the area	**A** Will appeal to people willing to **add-on** to a trip from a nearby region	**N** Will appeal to people choosing a **new** destination & making this the primary purpose of their trip
Enhance flagship products with spa visit e.g. combine whale-watching tour with spa visit	G/S	Casual and new spa-goers	Casual and new spa-goers	Casual and new spa-goers
General touring of Iceland with addition of spa experience in NE Iceland	G/S	Casual and new spa-goers	Casual and new spa-goers	Casual and new spa-goers
Active specialty tours with spa experience in NE Iceland – e.g. glacier hiking with spa visit.	G	Casual and new spa-goers	Casual and new spa-goers	Casual and new spa-goers
Student relaxation experience e.g. spa experiences aimed at university students looking to relax after courses	S	Casual and new spa-goers	Casual and new spa-goers	
Educational learning program for students	G	Casual and new spa-goers	Casual and new spa-goers	Casual and new spa-goers
Mini retreats, meetings, conventions, events	S	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers	Casual and new spa-goers
New Icelandic theme spa treatments/experience that highlights unique features of Iceland spa facilities or rituals associated with the use of spas	G/S	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers
Spa themed packages: 1) Nature e.g. hiking or wildlife watching and spa 2) Culture e.g. food or storytelling and spa 3) Recreation e.g.	G/S	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers

golf and spa or skiing and spa 4) Winter and shoulder season	} } }			
Spa packages for girlfriends or mothers and daughters	G/S	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers
Spa treatments for men e.g. a golfer's retreat or a rejuvenation package	S	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers
Spa packages for couples including treatment rooms for couples	S	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers
Integrated spa treatment and cuisine package that incorporates wellness with healthy and local food	G/S	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers
Spa experiences to improve health and wellness through educational programs, for example, stop smoking, lose weight	S	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers
Holistic themed special event e.g. educational exposition	G/S	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers
Spa experience for health professionals to enhance their wellbeing	G/S	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers	
Create package tour with Blue Lagoon and other major spas in Iceland	G	Casual, dedicated and new spa-goers	Casual, dedicated and new spa-goers	Dedicated spa-goer

7.0 STRATEGIC RECOMMENDATIONS

This study of the spa industry in Northeast Iceland reveals that this sector is a relatively new and developing industry for the region, but one that offers tremendous potential. To grow the spa industry in a sustainable manner, marketing, product development, capacity building, and infrastructure development will need to occur simultaneously. The following strategic recommendations are grouped into these core areas to provide the Þingeyjarsýsla Development Agency with a direction that is targeted at real markets of opportunity, with products that have a compelling selling proposition, and that can truly compete in the market place. To undertake extensive programs in any one of these areas without complementary and supportive efforts in other areas would risk compromising the future potential of this sector.

Market opportunities are not created by a destination having something to sell – they are created by the will of customers to buy. Products need to be developed that people will buy. The development of the spa industry needs to be focused on products that respond to market demands and that can compete with other popular destinations. It is therefore recommended that under these circumstances, Northeast Iceland should focus on developing a few spa products, ones that meet this test, that are market-ready, and that have a chance of success and sustainability as outlined below.

Spa Tourism Northeast Iceland
Guiding Principles for Strategic Recommendations

- The Þingeyjarsýsla Development Agency (ThDA) needs to facilitate **long term regional planning** to fulfill its tourism mandate
- The tourism industry will benefit if ThDA can **upgrade the capacity and quality** of the regions' spas
- **Trained staff are**, and will continue to be, an **important** part of the spa industry's resource base
- **Value added** opportunities must be sought by spa operators and the businesses offering complementary products
- The spa operators of northeast Iceland will need to **evolve and grow** business development and marketing partnerships if the spa industry is to reach its potential in the region
- Generating greater revenues will require creation of products with **clear selling propositions** and which are **market-ready**

- **Industry best practices** can be used to develop new and creative initiatives to address industry issues

- Creating **unique experiences** will be critical to compete with European and international spa destinations

Marketing

Evaluate Regional Competitive Positioning Strategy

The region has struggled in the past to develop a unified brand or competitive position. It is recommended that stakeholders from across the region continue work in this area. Finding a positioning strategy that can be used by the spa industry as well as other members of the tourism industry will be necessary to create a strong brand and maximize advertising expenditures.

Due to the rich natural heritage of the region, the geothermal activity in the area, the abundance of marine life, the availability of local foods, the community recycling programs, and Iceland's green transport (hydrogen buses) it is strongly recommended that Northeast Iceland position itself as a green/ecotourism destination within Iceland and use this position to create a new brand (see sustainable tourism under product development).

The Greenbox in Ireland (Greenbox 2007) should be looked at as a model. The Greenbox is a member of Ecoclub and the EU's flower accommodation. This destination has won numerous awards including the Tourism for Tomorrow Award and the First Choice Responsible Tourism Award. The destination promotes its carbon neutrality, ecological and social consciousness, Blue Flag beaches, health and wellness, slow food and organic gardening, cycle and hiking trails, sustainable architecture, the arts, centers of learning, and family holidays. Northeast Iceland has a tremendous potential to develop a similar marketing strategy with the spa industry as one component of the destination's green offerings.

Organize a Marketing Campaign Focused on Strengthening/Integrating Spa in the Media and Travel Trade Programs

In marketing Northeast Iceland, there is a need for a cooperative marketing strategy with the Icelandic Tourism Board to develop a travel trade and media program for the region to increase visitor awareness of the spa industry. There should be a concerted effort to develop an annual marketing budget that integrates the purchase of online ads for spas on Icelandic marketing websites. Tourism representatives for Northeast Iceland should meet with the Icelandic Tourism Board to schedule the hosting of a designated number of travel writers and discuss new ways promote spa in the region. A travel trade program that targets Northeast Iceland's participation at a number of national and international tradeshows should be developed (eg. ITB, Westnorden Travel Mart). In addition, meetings should be arranged with a number of high profile tour operators that presently visit the region to discuss how spa could be integrated into present packaging for the region. Discover the World, a UK operator with a presence in Northeast Iceland (Discover the World 2007) would be one operator that should be targeted.

Offer Online Booking and Incentives for Spa Treatments or Packages.
Due to the growth in self-guided travel, the new regional marketing website for Northeast Iceland should offer opportunities for online booking for spa treatments and/or packages. This will help to increase the efficiency and ease by which casual and new spa visitors can enjoy the spa experience in the region. Offering coupons, contests, or incentive packages in the shoulder season or off-season would provide an opportunity to build a regional/national clientele and raise awareness about spas in the region and also to target new markets. Activities and events linked to the Advent Season/Yulelads in Northeast Iceland may provide one opportunity to link these activities to a spa experience. Northeast Iceland should explore how they can be listed on the global spa online booking resource, Spa Finder.com, the Internet's most trafficked consumer spa website (Spafinder.com 2007). Local companies offering spa experiences should link into the spa finder gift certificates and specials programs.

Approach Bus Tour/Cruise Line Companies about New Packages
As almost 50% of Iceland visitors take an organized tour (Icelandic Tourism Board 2004), efforts should be made to approach major bus tour/cruise companies with new tour products. Iceland Experience offers a 5 day/4 night package, "Iceland's Spas and the Blue Lagoon" however it does not take visitors to Northeast Iceland (Iceland Tourism Board 2007a). Possibly, a similar trip could be created that incorporates Northeast Iceland's spas. Iceland Experience currently offers a 5 day/4 night package "Magical Myvatn Tour" however it gives the Nature Baths only a cursory mention as an optional activity (Iceland Tourism Board 2007b). The visibility of this attraction may be improved by inviting tour company representatives for a familiarization tour. By making them aware of the unique features of the Nature Baths and other spa facilities in the area, they could be encouraged to develop new packages. The cruise lines visiting the region should also be targeted. The Cunard Line offers a cruise to the "Land of Fire and Ice" that stops in Akuyeri to explore opportunities for spa excursions (Cunard Lines 2007).

Develop a Cooperative Marketing Partnership with the Blue Lagoon
Spa visitors enjoy experiencing a variety of spas during a vacation. With the Blue Lagoon now owning a minority share in Myvatn Nature Baths, a marketing partnership with the owners of the Blue Lagoon, should be organized. The spa owners with a majority stake in Northeast Iceland's Myvatn Nature Baths can leverage their marketing dollars and the brand recognition of the Blue Lagoon. The cooperative marketing initiatives could take the form of joint advertising buys, new packages, or hosting of travel writers. Potentially spa owners from other regions could be invited to join the partnership to provide coverage across Iceland. All members of the partnership must be able to provide market-ready products and have the same commitment to quality if the partnership is to succeed.

Use Myvatn Marathon to Increase Destination Awareness with Health Enthusiasts
Special events can be very important in creating destination awareness. The region already has an established event, the Myvatn Marathon in June that would appeal to

fitness enthusiasts looking for a unique running location. Advertising this event with running groups in Europe and North America as an exotic running destination could draw visitors for the event or subsequent vacations. These visitors would be very likely to use spa facilities.

Packaging and Programming linked to high yield MICE markets
With a number of larger hotels in the region offering conference facilities, Northeast Iceland should target the MICE (meetings, incentives, conferences, events) market, known for providing high yield opportunities for destinations offering these services. This market would offer new and casual spa-goers who are visiting on business the opportunity to enjoy spa services as part of their time in the region. Lake Taupo Hot Springs Region in New Zealand provides a number good examples of how to build a business and spa incentive market (Lake Taupo 2007). This market requires the highest quality of services and innovative experiences, so it will be important to work on product development in conjunction with marketing activities to succeed in this area.

Market to Wellness and Health Professionals
People working in the health care or wellness industry may have a ready appreciation for spa services and may be willing to refer people to spas or visit one themselves. It may be possible to further develop the domestic spa market by creating a marketing campaign for Icelandic health professionals. One Ontario spa, the Hillcrest Valenova, honored the nursing industry by awarding a special trip to winner of the 2007 Nightingale Recipient. Details are shown at (Hillcrest Valenova 2007). This support of health care workers can generate additional publicity and referrals from the health industry.

<u>Product Development</u>

Northeast Iceland as a Sustainable Tourism Destination with Spa Services
With increasing global concern for the state of the environment, many tourism destinations are adopting sustainable tourism practices. One of the leading global affiliation, benchmarking and certification programs for sustainable travel and tourism is Green Globe (Green Globe 2007). It is based on Agenda 21 principles endorsed by 182 countries. The mission of Green Globe is to facilitate sustainable environmental and social practice, deliver maximum benefit to stakeholders, and provide choices for concerned consumers. Over 62% of travelers state that a 'green' endorsement will encourage them to consider one accommodation over another. In addition, over 80% of Fortune 500 companies have created environmental charters (GMIST 2006).

Northeast Iceland has a unique opportunity and should consider participating and becoming certified in the Green Globe Communities Program. Due to the rich natural heritage of the region, the geothermal activity in the area, the abundance of marine life, the availability of local foods, the community recycling programs, and Iceland's green transport (hydrogen buses) it is strongly recommended that Northeast Iceland position itself as a green/ecotourism destination within Iceland and use this position to create a new brand and to build a series of market-ready all natural spa products linked to this image (see marketing –brand positioning). Pure Vida, Costa Rica (Pure Vida 2007) offers an environmentally friendly spa experience and ecotour packages and activities including hiking, kayaking, boat trips, whitewater rafting, and wildlife watching to name a few.

Quality a Desired Objective

Northeast Iceland is developing a reputation for its unique mineral baths. These naturally-occurring geothermal hot pools are providing visitors with an outdoor experience that is not found in many other spa destinations. To cater to the casual or new spa-goer markets, there is a need to develop infrastructure, such as spa treatment rooms and facilities, to expand specific health and wellness offerings in local hotels and natural mineral bath facilities. There are limited services for massage therapy and spa treatments. By developing quality spa treatments that complement the present offerings, Northeast Iceland will improve its competitive advantage in the marketplace and extend the stay of spa-goers in Northeast Iceland. Quality Spa Treatments in the UK (Quality Spa Treatments 2007) offers Sports Massage, Indian Head Massage, Deep tissue Massage, Moroccan Massage, Anti Cellulite, and Swedish Massage. The Wharekauhau Luxury Accommodation and Spa in New Zealand (Wharekauhau Spa 2007) offers Hot Stone Massage, Therapeutic Massage, Relaxing Facial, Body Pearl Polish, Mud and Honey Body Wrap, Best Foot Forward, and Indian Head Massage. A range of products and packages should be considered for developing a customized, flexible spa product that is certified through one of the spa associations serving Iceland.

Weave Icelandic Nature and Cultural Themes through Spa Experiences & Packages

Research shows that Icelandic nature (60%) and Icelandic culture/history (38%) were major influences on visitors' decision to visit Iceland. Nature is the most important factor with French (91%) and German (90%) tourists but it also high with the UK (73%) and Nordic countries (72%). Icelandic culture is an important attractor especially with North Americans (36%), UK travelers (34%) and Germans (29%) (Icelandic Tourist Board 2004). Spa operators in Iceland should incorporate themes that draw from Icelandic culture in the naming and type of spa services. They can also provide opportunities to experience nature or cultural attractions to spa visitors as part of their stay in the region. Ideally this will support the competitive positioning and brand developed for the region.

An example of how a destination in northern Canada was able to do this can be seen at www.wilderness-spa.com/spa.htm. Sah Naji Kwe Wilderness Spa located in the Northwest Territories has used their setting on the banks of Great Slave Lake to create a spa experience that brings together elements of the natural environment with healing therapies. This is captured in this excerpt from their website

> "Our summer days last up to 22 hours. Smooth on a coat of healing clay and relax on the sun-warmed granite. Absorb the flow of the natural world around you, and bathe in the warm shallows of Great Slave Lake as eagles and Arctic terns soar above. In the evening, by late August, watch the spectacular show of aurora borealis, the northern lights." (Sah Naji Kwe 2007)

Given the diversity of natural features and cultural lore in Iceland, it is possible that several themes can be used to develop different spa packages or treatments. In the Canadian province of Quebec there is a spa consortium, Relais Sante® Spas that focuses on marketing and standard development. They offer a brochure at (Sparelaissante 2007) that includes packages with themes as diverse as romance, health, Nordic relaxation, or discovery. A review of these packages can provide insights on how various experiences can be combined to create a product with unique selling features. For example, the Sea Whisperers package includes a garden view room, sea salt exfoliation, a body wrap given to the sounds of a relaxing maritime story and an outdoor massage in the gazebo facing the river.

Highlight Local Products

Spas in Northeast Iceland should further strengthen their brand by highlighting any local products that they are using during spa treatments and offer them for sale so clients can take them home. The Highfields Country Inn & Spa (2007) offers a sea flora hydrotherapy wrap that includes wild organic seaweed harvested from the 'cold clean underwater garden' off the Vancouver Island coast. The imagery invoked with this description creates a stronger customer appeal than simply advertising a seaweed hydrotherapy wrap.

Incorporate Rituals into Spa Products

Spa products should engage all of the senses. For example, some spas have incorporated sound therapy as part of their treatments. The Holtz Spa (2007) offers vibrational therapy and healing sounds by including traditional healing sounds of the Himalayas from tuning forks and crystal forks during massage. They also offer Ayurvedic treatments where oil is massaged over the body.

The Nordique Spa in Quebec (2007) is proving very popular with its unique combination of hot and cold therapies. A dip in a hot tub or saunas can be followed by a swim in a cold pool or a river or by rolling in snow. Based upon the traditional Scandinavian spa concept, it is an example of how a spa can distinguish itself in the minds of travelers. Geothermal energy is a cornerstone of Icelandic life. Incorporating local rituals associated with bathing and thermal baths will be of interest to spa travelers and make a visit to the region's spas a must-do.

Start a Conference or Festival With a Health and Wellness Theme.

Baby boomers are showing an incredible thirst for information and treatments that can extend the quality and length of their life. It may be possible to create a conference or special event with a health and wellness theme that will heighten destination awareness with spa-goers. A small rural community in western Canada created the "Nelson Summer of Learning" event which attracted almost 10,000 people to a wide variety of health and wellness activities. More on this event which doubled the city's population for a few days can be found at (Nelson Learning 2007).

Offer Retreats That Have a Health or Wellness Theme
Retreats can provide time for spiritual or personal reflection in a busy world. In addition to providing packages with a focus on spa treatments, it is likely some spa travelers would be interested in products that allow them to improve their emotional and physical health. Examples of such products can be easily found. The Temagami Anishnabai Tipi Camp which incorporates traditional ways with healing retreats is described at (Temagami Anishnabai Tipi 2007). People sign up for retreats on everything from drumming to herbal medicine at the Hollyhock education retreat centre on Cortes Island (Hollyhock Eduation Centre 2007). Another example would be the Wellness Retreat offered by The Briars Resort and Spa at www.briars.ca. This spa is only one hour from a major population center and is able to offer urban dwellers a retreat that includes accommodation, meals, welcome gift, use of a spa robe, spa treatments, yoga, guided nature and historical walks, and exercise options. Northeast Iceland may be able to replicate this formula for regional markets (e.g. offer a retreat for Reykjavik residents or a slightly longer version for international travelers).

Create Special Products for Men.
Although men are a smaller portion of the spa market, products aimed at men could be offered. Some examples might be a Golfer's Retreat or a Rejuvenation Package. The Holtz Spa (2007)) has offered these products plus specials on Father's Day. Although Father's Day is not celebrated in Iceland, it would be possible to offer special spa experiences geared to men or to the people buying gifts for male spa-goers.

Link Food to the Spa Experience
Take advantage of the interest in healthy food by adding nutritious food choices to the menus of local restaurants, hotels, and spas. Where food comes from local sources or has unique health benefits, this information should be provided on the menu or in marketing information as seen on the brochure for Vogarfarm Guesthouse and Vogafjos Café which highlights the smoked Myvatn trout, locally made cheese and Geysir bread baked in the geothermal heat. The *Delicious Iceland* cookbook also highlights many dishes from the region.

A look at a bookstore shelf will reveal many titles offering better health through food choices. One spa capitalized on this interest by offering a spa menu that highlighted foods felt to have healing properties. Executive Chef Jonathan Hosick at the Hillcrest Spa (2007) created alkaline menu options for all meals. Alkaline ingredients are felt by some people to promote health by helping the body shed environmental toxins, provide an unfavorable environment for cancer cells and fat cells, and reduce disease.

Offer Spa Experiences That Strengthen Personal Relationships
In addition to the physical benefits of a spa experience, some people are looking for greater connectedness to the loved ones in their lives. Northeast Iceland spas could develop and offer couples treatment rooms that allow two people to have massages side by side. For example, the Sanctuary Day Spa (2007) undertook a redesign to create a couple's treatment room. Packages for women to get away with their friends are also popular options and could be created in Northeast Iceland. One North American spa has

taken advantage of a popular TV show to boost the brand for its Desperate Housewives/Girlfriends Getaway (Highfields Country Inn and Spa 2007). The package provides spa treatments, but includes time to reconnect with friends and tries to 'rekindle the memories of pajama parties', an image that will evoke feelings of nostalgia and simpler times in most women. A similar product is the Mother Daughter Getaway giving women a chance to reconnect with the female members of their family.

Made in Iceland Carbon Offset Program

The vast majority of international travelers to Iceland arrive by air travel which contributes to carbon emissions. More airlines and travel businesses are offering their customers the opportunity to offset the carbon emissions from their travel. They are also making sure their customers know that they are involved in offsetting carbon emissions and are highlighting their commitment to the environment. The Kolvidur Iceland Carbon Fund is an excellent example of a carbon offset vendor. Spa outfitters, hotels, tour companies and transportation providers could provide their customers with a link to this program at (Kolvidur 2007) and encourage them to offset the carbon emissions from the trip. The program supports green initiatives in Iceland and will provide positive spin-offs for the image of for those companies who participate in their program. For a good example of a carbon offset vendor that has heralded their work with tourism providers visit the Sustainable Travel International (2007) or that of Atmostfair (2007).

Capacity Building

Work With Education Institutes to Develop Training Programs, Certification, and Career Awareness for Potential Spa Workers

Quality spa services in Northeast Iceland will depend on having well trained staff and service providers. It is recommended that a number of the spa providers in Northeast Iceland work with the local educational institutions to develop and offer spa courses and hands-on training for the region. At AUT University in New Zealand, the Department of Sports and Recreation offers a diploma in Wellness Therapies and Fitness Training (AUT 2007) that may be a useful program model. Every week students and staff at the university are offered discounts and free services to help train students in the program. Courses and programs should be encouraged at local universities and colleges to help build the capacity of the spa industry in the region over the long-term. The Icelandic Tourism Research Centre (2007) is one local Institute based in Akureyri that may be able to assist in developing educational programs and research linked to the spa industry.

In addition, it is recommended that spa workers become certified through international spa associations and training programs. This will help Northeast Iceland remain competitive in the marketplace and ensure that quality services are provided. The International Spa Association (ISPA) (2007) has very valuable services listed on their website including: Certified Spa Supervisor Program, Business and Research Tools, Retail Management for Spas Course, Spa Code of Conduct. The British International Spa Association (BISA) (2007) also offers a number of valuable educational and training programs that should be considered.

Infrastructure

To Attract New International Markets We Will Invest in New Infrastructure

Surveys of visitors to Northeast Iceland indicate that poor road conditions are one of the major weaknesses of the tourism product in the region. It is strongly recommended that with the establishment of the new National Park and Visitor's Centre and with increasing visitation to the region, that the Development Agency work with the government to explore opportunities to improve the road infrastructure in the region. In addition to new roads, it is also critical that new infrastructure for expanded spa services and treatments be addressed and planned in a strategic manner as part of quality improvements linked to the spa industry.

Bus Shuttle Services

Visitation to Northeast Iceland indicates that a majority of travelers are independent travelers to the region. For Acadia National Park in the United States, the National Park made a decision to offer a shuttle bus to relieve pressure on local roads in the region. The city of Auckland New Zealand also offers "The Link," a bus service ($2.00) that serves the major sections of the city for visitors and residents without cars. In an effort to promote the green image of the region, it is recommended that shuttle service be considered for travelers that fly in to the airport in Akureyri to reduce the carbon footprint of the region.

A Paved Bike Route

Bike riding is a growing niche market of the adventure tourism sector and Northeast Iceland has a unique opportunity to take advantage of this market, especially in the Myvatn area. The development of a bike trail around the Lake would provide visitors with an opportunity to enjoy the local scenery, visit attractions in the region that would be linked by the trail, and provide health and wellness opportunities. The Cape Cod National Seashore in Massachusetts, USA (2007) has developed a network of paved bike trails through the dunes for visitors. In Quebec, Canada, La Route Verte (2007) is a designated bike route of over 4,000 km throughout the province for residents and tourists interested in experiencing the province on bicycle. The tour operator company Freewheeling Adventures (www.freewheeling.ca) is a specialist in bike excursions and would be an excellent contact for targeting this market.

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