

The current situation and the main trends of China's hot/thermal spring industry

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China

Since 2012, China's hot spring industry has been entered a progress of intense transformation from the tourism/leisure-oriented hot spring spa to wellness/health oriented spa, mainly because of the following factors:

1. The China's economy has been entered a "new normal":
 - (1) The growth rate of China's GDP was more than 10% per year in the past more than 20 years, but dramatically dropped to a more normal rate of around 7% since 2012. The speed of China's economic development is estimated to be fluctuated around 7% in the next five years or even longer term;
 - (2) China's economic growth model has also been in transition from the export-oriented and investment-led model to the domestic-demand-driven model;
 - (3) over the past 20 years, more than 80% of the hot spring investors were real estate developers, so, the business model of most hot spring projects were partly depended on real estate development. Now as the real estate market has begun to decline, the pace and quantity of investment in hot springs has responsively begun to slow down;
 - (4) China is rapidly entering the aging society. By 2020, the Chinese

people over 60 years old will account for 20% of the total population, reaching 250 million people.

- (5) The Anti-corruption and economic structural adjustment policies has been changing market structure and life style of Chinese consumers, the mainstream market of hot springs has been transferred from business related customers to family and social gathering related segmentation market.

2. The current situation of China's hot spring industry

- (1) The major function of China's hot spring industry remains tourism /leisure, so we still call the industry as " hot spring tourism industry".

The good news is that more and more investors and operators and even officials from the government has begun to realise that hot spring is a precious natural resource for wellness / health use, rather than for tourism /leisure use.

- (2) In the end of 2014, CHSTA (China Hot Spring Tourism Association) published an annual report on China's hot spring tourism industry (2014), it was the third consecutive year that CHSTA published the industry's annual report. The following are some of the main facts and figures:

- 1) The latest statistics show that the total number of China's hot spring mouth has reached 5,313, including natural hot springs had hot spring wells by drilling .
- 2) By the end of 2012, the total visitors and customers to hot spring facilities were about 120 million person/time, the total direct revenue of the industry was about 3.3 billion euros, but the average consumption of each person/time is only about 180 yuan (25 euros).
- 3) The time of visitors stay at the hot springs is too short, 37.35% of them are day spa visitors, 35.06% of them stay overnight, only

17.78% of them stay over 2 days.

- 4) In addition, 48.99% of hot spring visitors choose to go to hot springs on the weekend, 21.96% of them choose to go in the statutory holidays, 20.21% choose to go during annual leave, only 8.84% choose to go on weekdays (working days) .

(3) From the above statistics, the number of hot spring tourists who go to China's hot springs for the purpose of health and rehabilitation is almost zero.

3. The present situation of China's hot spring sanatoria and hot spring hospitals

From May to August 2015, a small team from the expert committee of CHSTA (China Hot Spring Tourism Association) conducted a survey on the present situation of China's hot spring sanatorium and hospital system, during the survey, they found that the system is facing a more serious problem , in fact, a survival problem.

China's hot spring sanatorium system was founded in early 1950s by introducing the thermal spring sanatorium model and technology of the former Soviet Union and eastern European socialist countries. Most of the sanatoria then was state owned and operated, and some of them belongs to the army. In the business, this system is under the leadership of the ministry of health, so, the system was officially recognized certified as a part of the national healthcare system, and all had medical qualifications, equipped with doctors and nurses.

During the heyday of thermal spring sanatorium in 1960s, there were more than 300 thermal spring sanatoria across the country. Some Chinese doctors were sent to the Soviet Union to be trained as a professional thermal spring doctor, at the same time, some experts from the Soviet Union were invited to China for training cause.

CHSTA survey shows that, currently only about 10% of hot spring sanatorium are still running, and only a few of them are actually doing well. This alarming situation is partly due to the change of healthcare policy, partly due to lacking of talents, especially due to the leave and retirement of a generation of elite doctors and technicians who were trained by the Soviet experts, who were beloved and engaged into this field for many years. Nowadays, all most all the clinical doctors and nurses in the survived sanatorium are educated and trained by the modern American physical therapy & rehabilitation system. Most of them are not interested in thermalism, hydrothermal and balneotherapy., they likely believe in new concepts such as health management, physical therapy & rehabilitation. So we could say that, in China today, the European style of thermalism and sanatorium are facing the situation of disconnection, they has to adapt to the new environment, or perish.

4. Traditional Chinese Medicine and hot spring wellness/health tourism

Traditional Chinese Medicine (TCM) as a part of the world's Traditional Medicine (TM) and Naturopathy, has been rapidly combined with hot springs in recent years, a new type of hot spring products or "hot springs + TCM " is emerging and forming called TCM health hot spring, this will meet needs and consumption psychology of the customer. Now, more than 10 hot springs has been cooperated with TCM doctors, TCM universities and TCM hospitals..

5. The combination of hot springs and Internet and mobile communications is overwhelming.

Inspired by the active advocacy of the Chinese government, almost all the hot springs use mobile Internet technology for promotion and provide with more custom tailored services.

6. Market trends

- (1) China's rising elite class has begun to pay more attention to the health of themselves and their families, both in body and mind, The population of China's elite class who go abroad for wellness tourism and medical tourism is rapidly expanding. The domestic market of hot spring and Spa wellness has also began to increase, along with the investment boom of wellness tourism and medical tourism.
- (2) The development of the insurance and pension business has begun to enter into the silver industry, stimulated the rapid development of the silver industry. Hot springs wellness themes of the pension institutions are widely welcomed by the market.
- (3) The family vacation market has gradually become the mainstream of domestic hot spring industry. The market share of the family unit or multiple family groups who visit the hot spring resort for vacation is rapidly expanding.
- (4) Leisure & recreational real estate developers and financial & insurance institutions are very interested in investing the projects with the concept of hot spring wellness.

7. Several important events and their effects

- (1) Document No. 2014 (31), issued by the State Council, publicly support and promote the development of wellness tourism and TCM tourism;
- (2) On behalf of National Tourism Administration, CHSTA published "*Classification & Accreditation for service-rated Hot Spring EnterpriseLB /T016-2011*"; then, the first batch of 14 five-star hot spring companies has passed the reviews . This is China's first national hot springs star rating activity.
- (3)*The standard and rating for renowned spa towns of China* will be officially launched at the end of October in 2015.
- (2) The highest award in China's hot spring industry is the China Golden

Hot Spring Award. The third annual awards ceremony was held in Dalian in September 2015.

(5) From the beginning of 2015, CHSTA has promoted the concept of thermalism on a large scale by using its official website, professional publications and other media, and striving to introduce modern European advanced hot spring systems to China for reconstruction and restore China's modern thermal spring wellness and medicine System.

(6) Since the second half of 2015, CHSTA has begun to promote thalassotherapy system of European standards. The coastal city of north China in Dalian city has just declared that they had decided to establish an thalassotherapy center with thermal spring that will be up to the international standards and European standards.

Thanks for colleagues and friends!

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