Overview of the Russian Spa Industry (2008)

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1. General information on the Russian health and wellness market

The tradition of medical wellness, or in other words health maintenance, is well-rooted in Russia. Before modern fitness centres, spas, beauty salons and cosmetology clinics became widely available in Russia for the last 5-10 years, there were health establishments in the cities and the country, which provided traditional wellness services. Some medical clinics offered hydrotherapy, physiotherapy and various physical training services under medical supervision on a daily basis. Moreover, Russia is rich in natural curative resources and there are still many famous health resort destinations across the country. The principles of medical rehabilitation and health maintenance were established in Russia centuries ago in accordance with German, Swiss and Eastern European resort models.

In Russia medical health resorts are often called sanatoriums. They are known for their strictly medical approach and offer natural curative resources such as balneology (including mud therapy and mineral water treatments), physiotherapy, climatology and specialized medical examinations and treatments. Sanatoriums are mostly outdated and require a long-term stay, with the duration of the stay being customised to the specific health requirements, usually as long as 14, 21 or even 28 days. During Soviet times, prices for accommodation and treatments in sanatoriums were generally subsidised by the government and trades unions. As a result, it is no wonder that such treatments were extremely popular among the Russian population.

Apart from sanatoriums, there used to be many "profilactoriums", simpler version of sanatoriums, which focused on preventive measures, rather than medical treatments. Profilactoriums were usually established by state organisations and offered free treatments as an additional fringe benefit for their employees. Apart from establishments with medical and preventive treatments, there was a great choice of country-located resorts offering leisure and recreational activities. To this day, many Russians still remember "the golden era" of affordable prices and a great variety of resorts. Although health maintenance-related treatments were usually of high quality, accommodation and other services were at a lower standard.

Due to overall economic and political changes in the country, the state health resort industry in Russia has drastically declined in the last 15 years. Most state establishments are now outdated. Until 2004, sanatoriums and resorts were subsidized by the government. With the decision to end government funding, these establishments are undergoing redevelopment (many have been recently privatised) and restructure their services to adapt to the current market situation.

Today, when the tourism industry is well established, Russians often choose to go abroad for spa and medical treatments, where the prices for treatments are at the same level or lower as our domestic market, but accommodation and services are incomparably better. It is expected that this change in customers' needs will promote the appearance of more modern spa resorts and wellness centres in Russia.

With the overall deterioration of the state medical and health care system and the rapidly growing sector of private medicine, all levels of society have shown their need for modern health services with western-style management and customer care. In recent years, wellness and beauty has become a matter of growing interest and concern for the Russian population. With life becoming more fast-paced and stressful, combined with new information and opportunities provided by advanced technologies, people are striving to keep themselves in shape and in good health.

Therefore, the modern concept of wellness and spa philosophy based on preventive measures and luxurious services, rather than curative medical procedures is penetrating the society. In 2003 the Russian Ministry of Health approved the federal programme "Programme to protect and improve the health of the healthy for 2003 – 2010", in which the main focus is put on development of health preventative measures, rehabilitation and wellness.

In line with the rest of the world, this increasing demand for a healthy life-style in Russia was first reflected in the boom of the fitness industry. Modern fitness clubs started to appear in the country 10-15 years ago. According to the IHRSA, the volume of the fitness market in Europe in 2006 reached $25,6 bn, out of which the Russian share was estimated at $701 million. It is estimated that the fitness industry is growing on average 20-30% per year and in 2005 the growth reached 40%. There are about 1100 fitness clubs in Russia with 502,000 members in total.

2. The emergence of the Russian spa industry

It seems that the very word "spa" has become rather commonplace in Russia. It must be admitted that in Russia, spa is already a reality, and not just a promotional myth. Taking into account the established tradition for health-related holidays in the older population and the recent trend for modern western spa and wellness programmes, the number of high quality spa establishments (in all categories) is expected to grow considerably over the course of the next few years.

The appearance of the spa industry in Russia was predetermined by excellent achievements in rehabilitation and national kurortology (resort curative science), wellness and health traditions and high level of professionalism of medical specialists. By implementing national advantages and rich international experience, the Russian spa industry has all the necessary resources for development over the next few years into one of the most successful regional spa industries in the world.

It was around 10 years ago when the first spa establishments started to appear in Russia. If at the beginning the demand for spa services was insignificant, today the supply side of the business is far behind the clients' needs and demands. The modern client wishes to be provided with prevention and wellness programmes that can be incorporated into their lifestyles. The spa market only began to grow in Russia 3-5 years ago when Russian investors identified this sphere of business as promising. The spa business in the Russian regions is a few years behind Moscow and St. Petersburg. However, regional investors are very actively joining this sector. It is estimated that real competition will only begin in 4 to 5 years after the market is slightly saturated.

The spa industry is not yet officially recognized by the Russian government. However, spa business is one of most dynamically developing type of small and medium sizes businesses in Russia. Absence of recognized spa standards is the main obstacle for the industry. At the moment all regulations for spa industry such as licensing and certification, architectural, technical, safety and hygienic specification, educational and professional requirements and so on are not clearly defined yet in Russia. Lack of educational and training system for spa specialists is the main problem for spas in operation.

There are no Russian architectural and construction companies including specialists in engineering systems which are qualified and experienced in providing services for spa projects. If international companies are involved in Russian spa projects, realization of such projects are usually 1,5-2 times longer than average project in Russia. Specific finishing materials, specialized equipment and cosmetic products for spas are also imported which increase the average expenditure. The cost of construction of a spa center may start from $1,000 to $3,000 per sq. m and higher, depending on the quality of fittings, the concept, and equipment.

The young industry is balancing between three governmentally recognized industries such as the official medicine and kurortology, beauty industry and public baths and swimming pools. Under the current regulation almost all spas (both medical and non medical) have to be medically licensed. This requirements is very confusing for new market players and is considered as one of the barriers for entering the market. It is mandatory to have at least one doctor (or physiotherapist) on site. On the one hand, this incurs more up-front costs for opening a spa (expenses for licensing and medical staff hiring), but on the other hand this provides at least effective medical supervision, and that helps ensure the clients' safety – which obviously is a spa's top priority.

3. The Russian spa industry in facts and figures

Unfortunately, there hasn't been any professional qualitative and quantitative research conducted on the Russian spa market. In addition there isn't any professional spa association in Russia that could be considered as the voice of the industry. All the data available on the current state of the

Russian spa industry are based on the spa experts' opinion and fragmental statistical data of various professional bodies from fitness, hotel, tourism and real estate business.

Magram Market Research estimates that the spa market in Russia is growing faster than the beauty market. Specialists estimate that the volume of the Russian spa business is around $800 million - $1bn, out of which the Moscow market constitutes $120 -150 million.

The number of spas in Russia is unknown. Specialists differ considerably in their estimations due to the shortage of the official statistics and lack of criteria for qualification of establishments as spas. Very roughly, in Russia there might be around 300-500 spas in all categories including spa salons, club spas, hotel/resort spas, spa/wellness hotels, residential spas and medical spas (not counting beauty salons with spa elements and outdated mineral springs resorts and sanatoriums).

Russian spa industry in facts and figures	
Date of birth	1998
Largest category	Day spa
Average size: Day spa Club spa	 300-600 sq.m 1,500 sq.m
Number of treatment rooms	10-15
Number of staff	25-35
Number of treatments in the spa menu	up to 200
Average price for a spa package	$250
Age of regular clients	35-45

The pricing policies in the spa sector depend on such factors as the target client's purchasing power, the location of the spa establishment, the variety of spa services and the cost of cosmetic products used. Spa treatments are considered by service providers as luxurious and therefore are highly priced. High prices for spa treatments are determined by expensive lease terms in the city centres, costly equipment and products (mostly imported) as well as by high wages. There isn't any middle pricing segment for spa treatments and products for home use.

On average, the bill at a quality spa center stands at around $100 which could be the price for hairdryer service or purchase of a product for home use. More realistically, though, the average cost for a 1,5-3,0 hours spa treatment will stand at $150-250. In Moscow prices for spa treatments vary 2-3 times depending on the spa establishment and the treatment. For instance, a mud therapy treatment may cost as low as $30 and as high as $165.

The most popular spa treatments in Russia are manual massages (variety of techniques) and traditional Russian thermal bath (banya) techniques. In Moscow the following treatments are also very popular: aromatherapy, balneo and hydro-therapy, mud treatment, cryotherapy, hot stone treatments, thalasso and phyto-therapy. Least expensive are talasso, muds and wraps. Most often spas offer scrabs/wraps (84% of spa treatments), manicure and pedicure (classical and spa type). Back massage is offered more often than facial massage. For facial treatments there are usually offered peels and cleaning.

4. Spa clients

Analogous to the fitness centre clients, the number of spa clients in Russia is estimated at 1-3% of the population of the age 16-65. Core group of spa clients are wealthy men and women of the age 35-45 with high disposable income of $3,000 and above. The growing group of middle class spa clients (top cluster of Russian middle class) has monthly income of $1,500 - $3,000.

In Russia, 88.2% of women and 30.9% of men use cosmetic skin products. Some experts say that the ratio of men to women as spa users is 30% to 70%. They also believe that around 30% of spa clients use spa to maintain their overall health level, whereas 20% keep their body and skin in good condition. Relaxation and stress release at spas are not yet the main needs in the Russian spa clients.

Russian spa-goers (even on the periphery level) are very demanding to quality of the treatments and level of service:

- very result oriented
- interested how long the results last
- interested in resolving several problems per one visit
- conscious about their health safety during after the treatment
- looking for an individual approach
- price/quality sensitive

Demographics	Age	18-60 30-50 - most active 35-45 – most wealthy
	Income	$1500 -3000 and higher
	Education	Higher
Psychographics	General personality	Leader, commander, inspector, aesthete, idealist, perfectionist
	Life style	Active attitude towards life, interest in healthy life style
	Rate of use	Average: 1-2 times a month More often when on a spa programme: a few times a week Gift certificate users: once per 6 -12 months
Behaviors	Sought to fulfill needs	Body shape correction Weight loss Relaxation and harmonization Self-indulgence Increase of efficiency at work Anti-ageing Stress release Overall health level maintenance Increase of self-esteem
	Level of spa knowledge	Society accepted the word spa. New clients – knowledge from spa experience received abroad Core clients – very knowledgeable
	Attitude towards spa	Positive, great interest and desire to experience spa treatments

The majority of Russian spa clients are actively involved in business (investors, owners, top and middle level managers). They are frequent travelers and active tourists. Many of them have houses abroad and therefore use foreign spas. Many from this group have changed their attitude towards relaxation and holidays. A few years ago their relaxation pattern was something like hunting, fishing and heavy drinking. Today, they are more concerned about their healthy living and find spa as a perfect place for revitalization and relaxation.

Another sizeable group of clients are women who do not work. They are wives and girlfriend of super rich. Very often these clients show their personal interest in spa business as many consider investing in or developing their own spa establishment.

The clients would like to see the spa therapists' list with biographies, photos and qualifications before booking a treatment. They always prefer to have an introductory/test treatment to see whether they like "the therapist hands" before signing up for spa packages/programmes. The clients are always interested in establishing personal relationship with their spa therapist. Many would prefer if possible to have treatments at home.

The main source of information for the Russian clients is their own experience obtained when visiting spas abroad or in Russia. For the last 2-3 years the level of general spa knowledge has increased in the society due to intensive popularization of the foreign spas through travel and professional press and TV. An indicator of growing awareness of spas is an increase of use of spa certificates among clients with not very high levels of income.

Very high Spa-IQ level dictates that the Russian spa market constantly improve the level of services, variety of treatments and professionalism of spa specialists to the highest standards.

5. Categories of spa establishments in Russia

It would have been natural and logical if the first Russian spas originated from sanatoriums where water (balneology and hydrotherapy) treatments are a tradition. However, the first Russian spas began to appear in major cities in the form of day spa or spa salon. In the 1990s, after Russians first got an opportunity to travel and visit spas abroad, they began to open their own spa salons.

Today the Russian spa business is expanding to include all of the various categories of spas, which are recognised world-wide such as club spas, day spas or spa salons, medical spas, mineral springs spas, resort/hotel spas, spa/wellness hotels, residential spas and so on. Almost all internationally known spa categories can now be found in Russia apart from cruise ship spas.

In Moscow the number of spas and their quality are comparable with other world capitals. In the rest of the country, spa services are being sporadically introduced in spa and beauty salons, fitness clubs, cosmetology clinics, hotels, countryside resorts, recreational centres and so on.

The most popular types of spas are club spas, day spas (spa salons) and spa resorts (with natural curative resources). Hotel/resort spas and spa/wellness hotels are becoming very popular. The most recent trend in spa development in Russia is the creation of large, multifunctional spa and wellness complexes (from 4 000 sq. m) and residential spas. However, the segment for spas at office centers and large shopping malls is practically vacant.

There is an interest of Russian clients in genuine ethnic spa techniques such as Aurveda and Thai massage. In many spas in Russia (if fit with the concept), traditional Russian bath techniques could be found. A concept of ethnic Slavic spas is becoming popular.

In Russian regions concept of eco spa is already known. The following types of eco spas such as Siberian spa, Bashkir spa, Volzhskoye spa and others benefit from the choice of regional cultural and curative traditions as well as local natural resources. However, the notion of sustainable spas is not yet developed in Russia.

Beauty salons with spa elements

In 2004 the volume of the Russian beauty market reached $2 bn and since then it has been growing by 25-30% per year. Only in Moscow there are about 2500 beauty salons. The cost of beauty services per visit is as low as $20 in the cheapest segment and from $350 in the VIP sector.

An average consumer is a young woman with higher education who spends around 13% of her income on beauty services. According to Symbol-Marketing, the average life cycle for beauty salons in Moscow is 5–10 years. Every month around 20-30 new beauty salons open in the city.

High end beauty salons usually offer a 1-3 hour stay with a wide range of hair, facial and body treatments. They often offer a traditional mix of services from hairdressing to apparatus cosmetology treatments with elements of spa services. Some of the up-scale beauty salons provide western-standard spa treatments. This is in line with the global trend for merging beauty and spa businesses.

According to Symbol-Marketing such spa treatments as scrabs/muds and spa manicure are on offer in every 5th beauty salon in Moscow. It is estimated that there are more than 350 beauty salons offering 2-3 spa treatments, which do not require specific equipment.

There are about 150-200 beauty salons in St. Petersburg in the middle and premium segments. Of these, no more than 20 – 50 can be considered high-quality VIP salons offering spa services.

Day spas (or spa salons)

In Russia, day spas, or spa salons, are becoming extremely popular at the high-end of the health and beauty market. It is often difficult to differentiate between high quality beauty salons offering an extensive range of cosmetology and spa treatments and spa salons. This is mainly determined by the cultural preferences of the Russian clients, especially women, who expect to find a wide range of services from hairdressing to cosmetology treatments in one place.

However, specialists tend to apply the following norm – spa salons should offer no less than 80% of their services classified as spa services with the remaining 20% to be allocated to hairdresser's and cosmetology treatments. Some experts say that before recently the number of day spas constituted no more than 10% of the number of newly opened beauty salons in Russia. Today this figure reaches up to 50%.

According to very strict estimation there are no more than 50 spa salons in Moscow and around 15 in St. Petersburg. The average size of a spa salon is 300-600 sq. m. Average expenses for creation of this type of spa constitute $300,000 – $600,000. The best example of this type of spa in Russia are Villa SPA (Kaliningrad), Tretyakov SPA (Moscow), Prostranstvo Krasoty ("beauty space") (Novosibirsk), Roman Holidays (St. Petersburg) etc.

For the last few years a new trend for creating large multifunctional spa/wellness centres has emerged in Russia. Investors are looking for projects from 1,000 to 10,000 sq. m with expenditure of $1500 to $5000 per sq. m. In addition to spa facilities such centres consist of extended aqua zones with a variety of swimming and relaxation pools, a thermal zone with a selection of international spa experiences, fitness centre, beauty salon, medical rehabilitation and cosmetology treatments as well shopping and restaurant facilities.

These centres either operate as independent business or they are parts of residential/shopping establishments. One of the first in this class was Cascade Wellness Centre in Moscow. There are around 30-50 new projects of this kind in Russia undergoing various stages of architectural planning and construction.

Club spas

Spa services are extremely popular when offered at fitness centers and wellness clubs. By combining fitness services and spa treatment their customers are offered an ideal wellness mix, while investors benefit from merging two lines of business.

In order to fight competition and cope with the saturation in the elite sector of the fitness market, all top clubs have a swimming pool and wellness area and offer top quality spa services at their club spas. This spa category is one of most developed and popular in Russia. It is estimated that in Moscow, St. Petersburg and large Russian cities the number of club spas could reach the figure of 100-150.

The fitness company Planet Fitness, one of the biggest fitness chains in Russia (31 clubs across the country) working in the middle sector, has developed their unique “Spa Territory” concept under which two company’s brands operates: “Beauty Planet” for beauty salons and “Oriental Express” for spa salons and spa clubs. This concept is implemented not only in the company owned clubs but also is offered as consulting service to outside projects. As of February 2008, there are 13 functioning spa projects – in Moscow, St. Petersburg, in Samara and Stockholm (Sweden).

The leader of the Russian fitness industry the company World Class (20 % share of the market), rated in the world “Global 25” best fitness clubs, represents the luxury and premium segment. Best clubs of this chain offer high standard spa treatments in their luxury chain salons “Beauty Spa” with selection of best spa treatments from all over the world.

Medical spas

Medical spas, which provide a wide range of medical services as well as spa treatments, are an important type of spa and their popularity is rapidly growing. It is projected that the number of state-of-the-art medical spas in Russia will grow considerably in the next few years in keeping with the increasing world-wide demand for this type of spa.

Normally, a medical spa is an integrative part of a medical clinic or a sanatorium/resort in the city or outside. Medical spas in Russia mostly focus on preventative health measures based on balneology, physiotherapy and physical training. However, in order to add that “looking good” factor almost all spas offer cosmetology treatments.

Usually the private medical clinics (multifunctional or specialised) provide spa treatments as additional services available to their patients. Best examples of such clinics in Russia are the AO

Medical Clinic, Milod, Aquamed and T'elos Beauty in Moscow and MEDEM International Clinic and Hospital in St. Petersburg. In addition to their medical services they offer physiotherapy, massage and balneology treatment as well as modern spa treatments not only to their patients, but also to the general public. Their fitness units, which offer physical training under medical supervision, are good alternative to conventional fitness centres.

Medical spas always provide initial medical examination and then design individual programmes to their clients depending on the clients needs. The majority of Russian medical spas deal with joints/vertebra and skin problems.

A new format of a city based rehabilitation centre was recently introduced in the St. Petersburg market. The private rehabilitation centre The Fifth Ocean is specialised in health maintenance services for those suffer traumatic injuries. It is equipped with the state-of-the-art balneology and physiotherapy equipment and offer all traditional rehabilitation and spa services under medical supervision in a relaxed atmosphere of non-clinical environment.

There is a group of medical cosmetology clinics with an emphasis on apparatus cosmetology, and aesthetic dermatology. Chemical peels, microdermabrasion, laser hair removal, photofacial rejuvenation, Botox injections and similar skin treatments are medically licensed in Russia and normally offered in specialised cosmetology clinics. These clinics offer spa treatments to their clients as additional services.

In Russia we do not name cosmetology clinics as spas. For the Russian clientele the word “clinic” with regards to medical cosmetology is an indicator of medical professionalism, safety and results. However, in some beauty salons it is quite common to find a cosmetology treatment room with a licensed dermato-cosmetologist.

Spas in hotels/resorts

According to the official statistics there are about 100 top standard hotels in Russia, including sanatoria and resorts, and this number is expected to grow up to 150-200 in the next few years. Nearly all five-star hotels in the main Russian cities are managed by internationally recognized hotel operators, who offer spa treatments in the form of a beauty salon, spa or wellness zone. Typically their services include fitness studios, swimming pools or jacuzzi, steam bath and sauna facilities as well as a beauty salon. Services are offered to both hotel guests and day-visitors. Among most recently opened 5-star hotels with spas are Ritz Carlton Moscow and Holiday Club St. Petersburg.

Modern resorts and hotels with spa complexes for short wellness holidays started to appear in the Russian market during the last 3-5 years. These establishments offer a variety of recreation and conference facilities, indoor and outdoor sports and leisure activities such as skiing, hunting and golf. They often include swimming pools and wellness areas. Some of the resorts offer selected medical and extensive spa treatments. They are located either in the picturesque areas around large Russian cities or in traditional countryside curative regions and sea-side resort places. Their guests are foreign and Russian tourists.

In 2005 a new national classification system for hotels was introduced in Russia. For instance, for 4 and 5-star rated hotels, the classification system requires allocation of swimming pools, sauna, gym, massage/treatment rooms. This regulation together with the overall wellness trend in the society motivates further development of high quality spas in hotels and resorts.

The wellness and spa concept is becoming trendy and therefore the resort sector of the market is already rapidly growing, which is demonstrated by the number of new investment projects either recently proposed or already in progress. Several projects of high international standards are currently under development in the Krasnodar region with the town of Sochi to be the host city of the Winter Olympic Games in 2014.

Spa/wellness hotels

The spa (or wellness) hotel trend emerged in Russia about 5 years ago and is actively developing. The term “spa hotel” is applied to both city and the country located hotels. This trend is consumer driven as more and more hotel guests prefer hotels that offer wellness facilities over ordinary hotels. Spa and wellness zones in the country hotels mainly attract families for short stay holidays.

Wellness zone and spa services allow spa hotels to attract clients year-round and help to fight seasonality slowdowns or compensate an unsuccessful location. If city hotels, which enjoy high occupancy levels almost all year round, can afford to restrict their standard offer to a small fitness area, but countryside hotels, which have highly seasonal demand, use the spa offer to increase their attractiveness and maintain customers for a potentially longer period. This is an important issue for hotels that are not situated at the natural curative resources and have no other attractive tourist features such as historical site seeing or specialization on conference activities.

However, there is no clear definition of this type of hotel. This term is applied to a hotel with a few massage treatment rooms as well as to a full functioning medical sanatorium and everything in between. This is partly due to Russian tradition for healthy holidays in sanatoriums and resorts. However, there is a great difference between the modern spa and the traditional sanatorium whose main activity is medical rehabilitation.

Although sanatoriums have highly qualified medical specialists, they lack the major features of modern spas, such as comfortable accommodation, a relaxing atmosphere and western-style customer service. Sanatoriums, with their hospital-like atmospheres and treatment of their clients as patients, have become less popular in recent years. Just a few recently redeveloped sanatoriums in Russia, after adding extensive spa departments, could be regarded to some extent as spa establishments such as spa resorts or spa hotels.

As an example, sanatorium Bolshiye Soli (“big salts”) in Yaroslavl and a high quality Plaza SPA Hotel, opened in early 2006 in Kislovodsk (Northern Caucuses), promote not only medical components for curing but also spa treatments, relaxation and leisure.

Some specialists simplify the concept of spa hotels and categorize as this any 4-5 star hotels with an extended fitness center. However, more strictly, hotels can only be in this category provided the main specialization of the hotel is spa as a concept of wellbeing. An obligatory feature of these hotels is an individual approach and offer of personalized spa and wellness programs to each client. Where location is concerned, the close proximity to mineral springs or other curative sources is attractive but not necessary for a spa hotel.

It is estimated that at present there are no more than 15-20 hotels of this type in Russia with the majority of former sanatoriums and a few newly built spa hotels with the modern concept. There are already a few examples of western-standard spa hotels in Russia and this segment of spa hotels will grow by 60% in the near future.

In the Moscow region there are around 10 hotels positioning themselves in this sector. Among them are the Imperial Park Hotel, Arthurs Spa Hotel, Foresta Tropicana Hotel, Galereya Boutique Hotel, Molnia Spa Hotel, Revital Clinic. Luxury Barvikha Hotel & Spa (a member of the Leading Small Hotels of the World) is opening soon.

In the St. Petersburg city centre a 5-star spa-hotel Holiday Club St. Petersburg (by Finnish chain Sokos) was opened in 2007 with a spa department opening this summer. This is the first city located hotel in St. Petersburg which is positioned as spa hotel. In the St. Petersburg region there is a spa hotel Aquamarine and a spa centre in the ski resort Igora.

There was recently announced 30-50 projects for the creation of spa hotels in the major cities and the regions in Russia. For instance, the Oslo Marin group plans to open a spa hotel near St. Petersburg worth $30 million in 2009.

Significant expenditure into creations of spa hotels ($1,500 – 3,000 per sq.m) dictated high range of accommodation and spa services pricing. Wellness programmes are designed to last from 1 to 21 days. For instance, the hotel rate at the Arthurs Spa Hotel is $100 per person per night in a standard room and $350 in an apartment. However the guests should be prepared to pay from $150 per night including wellness services. Use of aqua facilities in Heliopark Thalasso (Moscow region) cost from $35 to $100. In the Old Estate Spa Center (Pskov) signature treatments cost around $130 with a cost for a day spa package from $450 to $1650.

Residential spa and wellness complexes

Given their potential, spas have caught the attention of construction firms, especially those involved in the upscale residential development. Almost all prime residential estates (in the city centres, outskirts, suburbs and countryside) have already constructed or have plans for integration spa and wellness components in their facilities. Sometimes the construction firms operate these facilities by themselves, but the majority of the firms rent out or sell spa and wellness components to specialized companies.

These spa and wellness objects within modern residential development could be as small as a tiny beauty salon built-in into a residential block or as big as a wellness centre of 2,000 – 10,000 sq.m. in a separate, purpose-built building. Very often these spa centres cater both to the residents and non-residents in order to increase occupancy and operate at a profit.

Real estate developers state that practically all buyers of expensive apartments are potential customers of spa centers and therefore spa within the living area is a key competitive advantage for modern housing estate. A spa center on the territory of a residential complex is economically effective from the day the sales begin, and pays back after 30% of the apartments are sold out. Profitability of such complexes is highly dependent on the concept, features and amenities as well as effective management.

One of the first and biggest residential spas in Moscow is a recently opened wellness park Else Club (9,000 sq. m) at Alisa residential estate. This project was started in 2002 with an investment totaled at 20 million Euro and expected payback period of 3 years. The development company Krost is planning to open two more spa centres of a different format in its residential projects with further investment of 5 million Euro.

In the Moscow market some real estate development companies co-operate with fitness chain operators. In the year 2005, MIAN Corporation launched construction of two fitness centers in their residential complexes that will be run by Terra Sport chain. DON-Stroi is working together with the Orange Fitness chain, while Capital Group is co-operating with World Class.

The demand for construction of modern spas in the elite suburban areas in Moscow is growing. The Park Group development company revealed plans to open a sports and health spa complex at the residential health resort Vitro Village. S-Holding plans to begin construction of a 47,600-square-meter shopping and leisure center on Rublyovo-Uspenskoye Shosse. Konti Group is currently building a sports complex at the Pokrovskoye-Glebovo residential estate.

The boom in such construction is client driven. The investors in housing estates admit that even though health and fitness industry is not their core business, it is a promising sector. Such projects are not as rewarding as construction of housing estates due to the high construction cost ($2,000 to $3,000 per sq. m. incl. equipment) and long payback term (7-8 years).

6. National spa features "Spa a la Russe"

Main traditional curative techniques

- Russian bath (banya) and banya's massage ("birching")
- Traditional Russian massage (more than 20 types) with use of natural ingredients such as honey, buckwheat, herbs etc.
- Traditional phytoherapy (curative methods with herbs and plants)
- Apitherapy (medical use of honeybee products: honey, pollen, propolis, royal jelly, and bee venom)
- Cold water dousing, swimming in an ice-hole, water tempering
- Bathing and wraps with natural curative ingredients (honey, cotton, hay, cream, peat, flax, forest cherries, wild mushrooms, cedar nuts, "panty" (extracts from Siberian deer horns) and so on)

Russian bath (banya)

A few years ago, some Russian specialists argued that traditional Russian steam bath (banya) was the only genuine type of national spa. Today in Russia like in many other countries, spa as type of wellness establishment is regarded as combination of traditional Russian and international spa techniques and procedures such as German, Austrian, French, Eastern European, Scandinavian, Indian and Asian spa traditions.

Russian banya is a unique kind of steam bath in terms of combination of temperature and humidity (roughly - temperature 65 C and humidity 65%) has been known in Russia for many centuries. Every household in Russia from a poorest peasant to aristocrats had their own banya for hygienic purposes. Banya is usually a stand-alone log building with a changing and a rest zone, a bathing area and a steam room (called 'parilka').

In parilka there is a stove and wooden benches where people sweat and enthusiastically beat themselves with a bundle of dried birch leaves (called 'venik'). Veniks are soaked in hot water before use. This beating (or birching) is in fact very soft and helps open the pores and rid the body off toxins. It is recommended to wear a felt hat to protect hair from the heat. When the heat becomes intolerable, Russians run out and dip into a swimming pool or a lake with cold water or just pour a bucket of cold water on themselves. This procedures may be repeated in rounds until pleasant.

Massage and herbal tea are normally complementing the ritual. Birching and body massage are a kind of art for a banya user, which is performed by skilled attendants (called "banschik). For centuries Russians have considered banya as the best place for relaxation and socializing with friends. Among Russian businessmen banya with decent steam and professional attendants is very popular for business meetings. Usually men order beer or even some vodka and snacks. The majority of Russian men (when in a group) would prefer going to banya rather than to a spa which concept they don't yet really understand.

If banya had been recognized as a type of spa, 90% of Russian men and at least 20% of women would be counted as regular spa goers. Banya is adored and enjoyed by Russian men, that is why they are so reactant to accept modern spa concepts. However, if there are some health problems like heart disease or hypertension, banya's ritual is not recommended without medical supervision. Moreover, such wild things as alcohol consumption and too much food in banya put additional stress on to the body which eliminates relaxation effects.

Therefore, when banya's techniques are integrated into spas, the clients are supervised and individually pampered with steam, birching, massage and soft drinks. Every foreign spa visitor is recommended to try the spa treatment based on Russian banya's tradition or go to an authentic public or private banya with friends.

Slavic spa models

A Russian spa expert, Andrey Syrchenko, the Director of SPASCHOOL International (Moscow) has introduced a concept of Slavic spa model. The philosophy of this model is based on rich historical health traditions of four main centers of Slavic culture as independent branches of ancient Indo-European culture: Baltic (Northern part of Elba-Oder inter-river area), Eastern (Kiev and Novgorod), Southern (Balkanian) and Western (Poland, Chech and Moravia) Slavic tribes. It is suggested that our Slavic ancestors were adepts of Ayurveda in India, keepers of Celtic healing traditions and followers of Tibetian wisdom.

The modern Slavic Spa Model provides an instrument for harmonization of the mind, soul and body in a spa environment, which reflects Slavic national mentality. This model could also be very interesting for foreign spa clients looking for regional spa traditions.

The main features of the Slavic spa model:

- Compulsory medical supervision of the clients
- Traditional banya's techniques (adopted to modern needs)
- Traditional curative techniques (accepted by modern medicine)
- Location (urban and in the countryside)
- Architecture and design in Slavic style
- Special etiquette (traditional Russian hospitality and high level of professionalism)
- Healthy lifestyle ethics for the staff (all personnel must follow the main principles of healthy lifestyle in their everyday life and not just declare them to clients)
- Effective management

7. Education and training of specialists for spa industry

(by Elena Bogacheva, CEO, SPA Priori (Moscow))

Within an average spa structure there are three staff groups: administrative, operational and technical personnel. The key staff of any spa category is a spa therapist - the one who performs main spa services. This job position, comprising a number of different functions, requires a wide range of professional and personal characteristics. The team consists of the following positions:

Manager (higher education, experience in beauty industry)	Masseur (higher and secondary medical education)
Chief medical doctor (spa coordinator)	Cosmetologist (higher medical education
Clients relation manager	Spa therapist (physiotherapist, nurse)
Administrator/receptionist	Wellness coach
Product sales assistant	Spa chef

The main problems with spa personnel:

- Absence of professional standards and staff attestation criteria
- High requirements to basic professional qualifications
- Lack of competent specialists
- Absence of specialists data base
- Unsatisfactory service skills in personnel
- Absence of systematic training for spa therapists
- Lack of attention to the level of competencies of administrative personnel
- Underestimated role of education for personnel

At present there is no educational establishment in Russia that can offer a systematic curriculum to meet the spa industry needs. That is why professional postgraduate trainings play a very important role in spa education of massage and beauty therapists. Open trainings and master-classes organized by companies distributing cosmetic products and equipment for the spa industry provide fairly good working knowledge of benefits and protocols of some spa therapies.

Alongside with this easy and free form of education, many spa owners and spa directors support continuing education of their staff and organize in-house trainings, mainly with the help of outside coaches. The most popular training courses in Russian spa industry include “Spa Ethics”, “Retail Sales in Spa”, and “Teambuilding course”, which reflects current problems in the industry.

8. STRENGTHS/OPPORTUNITY/WEAKNESS/THREATS OF THE SPA INDSUTRY IN RUSSIA

<u>KEY STRENGHTS/OPPORTUNITY</u>

1.Rich health maintenance traditions
2.Strong medical and kururtology science
3. Wealth of natural curative resources
4.Growing interest of clients in spas and healthy life style
5.Wealth of medical specialists with excellent basic qualifications
6.Absence of competition
7.Huge investment resources from private business
8.Gtreat potential for implementing Hi-Tech medical technologies in wellness sphere
9. Easy adaptation of international spa techniques at the Russian market
10.Thousands outdated health resort establishments waiting for redevelopment

KEY WEAKNESS/THREATS

1.Low percentage of the population with enough purchasing power
2. High prices for spa services
3.Almost 100% import of equipment and cosmetic products
4.Absence of standards and regulation for spa industry
5.Absence of professional consulting
6.Lack of information for professionals and general public
7.Abcense of systematic educational programmes for specialists
8.Absence of management companies for spa industry
9.Absence of professional associations
10.Pressure from the state inspection bodies
11. Absence of service oriented skills in Russian personnel
12. Low interest from federal and regional government
13.Over exaggerated expectation from the clients
14. High investment risks

9. Perspectives of development of the spa industry (in 5 years time)

Some experts predict that the number of spas in Russia will increase by 250-300% in the near future. If there is established a mutual relationship between the state, investors and spa professionals, Russia has a great chance to become one of most developed spa country in the world.

1. Growth of interest in spa industry from the state and big corporations
2. Introduction of all necessary regulations for spa industry
3. Development of spa objects affordable for middle class clients
4. Redevelopment of outdated spring resorts and sanatoriums at prime curative locations
5. Increase in number of spa hotels
6.Construction of large multifunctional spa/wellness centres
7.Development of small spas within a walking distance in residential and commercial areas
8.Increase in number of medical spas with their specialization in healthy lifestyles as well as anti-aging, beauty and cosmetology treatments
9. Creation of educational system for the industry specialists
10.Creation of a strong professional association
11.Increase in awareness of spa philosophy in general public
12. Development of civilized business models for the spa industry (incl. financing)
13. Civilized competition
14. Regular qualitative and quantitative research on the industry

10. Best spas

10 best spas/wellness centres in Russia:

Day spa “Prostranstvo Krasoty” (Novosibirsk)	Spa resort “Plaza Spa” (Kislovodsk)
Wellness hotel “Yugorskaya Dolina” (Hanty Mansiysk)	Spa resort “Bolshiye Soli” (Yaroslavl)
Hotel & Spa “SHE-VERO” (Krasnogorsk)	Grand Hotel & Spa “Rodina” (Sochi)
Spa salon at leisure centre “Piramida” (Kazan)	Spa club “Beauty Embassy” (Ufa)
“Banya land”at resort Krasnaya Polyana (Sochi)	Day spa “Villa Spa” (Kaliningrad)

5 best spas/wellness centres in Moscow	**5 best spas/wellness centres in St. Petersburg**
“Palestra”	“Roman Holidays”
“Oriental Express”	“Madam Grand”
“Tretyakov Spa”	Spa centre in the “Igora” resort
“Chalet Margeaux”	Spa hotel “Holiday Club St.Petersburg”
“First Spa”	“Oriental Express”

Annex 1. Political and economic situation in Russia

<u>General data</u>

The Russian Federation is located on 2 continents - Europe and Asia. With a land mass of about 17.08 billion square km spread over 11 time zones, it is the largest country in the world in terms of geographical area.

Population (December 2007) - 142 million
The average family in Russia consists of 3.2 people (father, mother and one child).
Average life expectancy in Russia: мen – 58.7 years; women – 71.8.
In comparison with American population this is by 16 years lower for Russian men, and by 9 years lower for Russian women.

By 2025 Russian population will reduce by 17 million and the share of people older than 65 will reach 25% (The World Bank).

Russia is comprised of about 2,153 towns and 1,030 cities.
12 cities - with population more than1 million
20 cities - with population more than 0.5 million

Russian capital - Moscow (population more than 10 million)
The second largest city – St. Petersburg (population around 4.5 million)

Governmental structure – federation with a republic type government
Federal administrative structure – presidential administrative system led by a head of state elected for 4 years

Dmitry Medvedev, 42 won the presidential elections held on 2 March 2008 (with 70.28% of the vote).

Russia has a free market economy:
- Gross Domestic Product (Nominal GDP, $bn): 6.4(2005), 7.4(2006), 8.1(2007E), 8.3(2008E)
- Consumer price inflation: 10.9% (2005), 9% (2006), 11.9% (2007), 9.5 % (target for 2008)
- People capable of working: 75.1 million (53% of population, as of Nov 2007)
- Unemployment: 1.5 million (Nov 2007)
- Average monthly wage ($): 484.2 (Apr 2007), 738.6 (Dec 2008), 614.7 (Jan 2008)
- Average income per capita ($): 425 (Jan 2008) (increased by 28.5% from Jan 2007)

Internet users: 4.9 million

Salaries and income

It is expected that the wages will continue to grow by 1-11% per annum.

The minimum subsistence level (cost of living) stood at 3,800 rubles ($155) in the second quarter of 2007. A total of 22.3 million people (15.8% of the population) earned less than the figure. Cost of living is expected to reach $200 by the end of 2008.

The minimum monthly salary is regulated by regional authorities in Russia and is corrected quarterly. In Moscow it stood at $245 and in St. Petersburg – at $163 (Jan 2008). The cost of living in these cities was estimated at $260 and $185 respectively. The minimum salary in Moscow will grow to the minimum subsistence level by September 1, 2008 and make up $300.

10% of Russian population (most wealthy) have monthly income of $1550 which account for about 30% of all incomes. 10% of the population have monthly income of $95 which account to 2 % of all incomes.

34% Russians assess their financial position as "bad", 56% – as "average" and 9% - as "good".

The level of salaries of the wealthiest group is 22 times higher than of the most poor group.

The group with annual income more than $25 000 per household has grown by 65% in 2007.

In 2007 in Moscow 36% of families had monthly income of more than $400 per capita and 10% of families had more than $2375 per month per capita. In St. Petersburg the group with monthly income more than $400 constitutes 30% of population and 10% of the population earn more than $1120 per month.

In Moscow average income (first half-year of 2007) was $1165. The highest wages are in the financial organizations ($2245), the lowest — in the educational institutions, public health organizations, social services and scientific researches ($645). Average salary in St. Petersburg in 2007 stood at $625 per month.

Income difference between the wealthiest and the poorest Moscow citizens reduced in 2007 by 20% in comparison with 2006.

Middle class

14% of Russians place themselves in the middle class, in cities — 20%. The number of middle class people with monthly income from $500 to $3 000 per person is growing in Russia faster than the group of superrich people with annual income per household of $125,000 and more. The number of households with annual income of more than $1 million is around 200,000.

At the end of 1990s in the BEA report "The formation of the Middle Class in Russia", the criteria used for identification of the middle class were income, educational and professional status and terms of self-identification. In 2001 just 15% of the population was considered to be middle class. By 2005 that figure had risen to 37% of the population.

In 2005 the range of income divided the middle class people into 5 groups: 1st group (32%) with income of $250-350, 2nd group (38%) – $350-500, 3rd group (22%) – $500-700, 4th group (6%) - $700-100, 5th group(2%) – over $1, 000 per family member per month. In terms of consumption the middle class, in 2001 it accounted for 45% of consumption, whereas by mid-2005 it amounted to 75%.

In St. Petersburg in 2005 it was estimated that around 15% of inhabitants could be described as middle class (500,000 people), and the bulk of this group (65%) had income of $350-500 per family member per month. The upper middle class level was set at an income over $1,500 per capita per month. In 2008 the lowest level of the middle class is described as the group with income level of $450, age of 25-45 and occupation in health, construction, scientific, industrial sectors, governmental administration, services and business.

Consumers and consumption

Russian consumer model (2005)

- well acquainted with market economy
- very selective
- demand for a wide product assortment
- more particular about quality
- consumer is informed about their rights
- open and friendly

The population expenditure pattern (2006-2007)

The largest item of expenses of the Russian people - meat products (10.7%), the leading positions - strong drinks (7.12%), clothes and underwear (5.19%), cars (4.24%), fruits and vegetables (3.69%), milk and dairy products (2.84%), footwear (2.52%). For services - public utilities (8.9%), passenger transportation services (3.31%) and personal services (2.71%). 41% of Russian citizens expend 50-74% of their incomes for food, 32% expend 25-49% of their incomes for food, 16% — almost 100%, 5% — less than 25% of their incomes (2007).

In 2007 about 52% of Russians denied themselves trips owing to the lack of money and 35%– buying things during 2006. The population also economizes on medical treatment (33%), denies itself trips to friends or relatives (33%), visits to entertaining institutions (30%). It has been found out that 20% economize on buying foodstuffs, 16% on receiving guests and 15% on paying for education.

26% of the Russian middle class have no spare cash means, 33% buy expensive durable goods, 18% save up money at home for incidental expenses,16 % keep money with Sberbank, 13% help friends and acquaintances, 13% purchase currency, 6% deposit spare money with commercial banks.

Forecast of changing structure of consumption (by the year 2013)

The structure of consumption in Russia will change completely and will come nearer to the models of the Western Europe countries. The share of foods there will fall to not more than 15% of expenses (in the year 1999 — more than 50%, the year 2005 — 30%).

It is supposed that there will be a sharp decrease in the expenditures for all the categories of foods, with the exception only of strong drinks. It is expected that the increasing prices of energy carriers and housing municipal economy will lead to the increased share of expenses for the services payment from 23% in the year 2005 up to 43% in the year 2011. Also the volume for durable goods expenses will grow considerably — from 26% in the year 2006 up to 34% in the year 2013.

Wellness trend in consumer behaviour

Healthy life-styles are becoming popular – the main trend of the Russian market at the moment is wellness. Taking into consideration the fact that domestic consumers like to purchase brand-new things, irrespective of the type of goods, the trend may become widespread in the near future. However, «glamour» still remains popular as usual among Russian people. Experts found out that most buyers consider that brand emphasizes social status, therefore goods have to reflect their value.

Annex 2. Hotel development in Russia

(From the tendency to collapse to the tendency for stable development)

The hospitality industry in Russia is experiencing rapid growth. In 2007 the volume of investments into hotel business of Russia was 2 billion USD, more than half of which was made in Moscow. In contrast to residential, commercial and office real estate, hotel development became attractive to investors only 3-4 years ago due to a long payback period for hotel projects (around 10 years). In Moscow, for instance, payback period for an office centre is 8 years and for a shopping centre – 6 years. This is due to a higher level of investment required per sq. m. in the hotel sector. However, hotels make 20% profitability as compared to 10-11% profitability per annum for shopping and office centers which makes this sector attractive to investors.

According to Knight Frank research there are 445,000 total hotel rooms in Russia including 4,500 hotels and almost the same amount of other means of accommodation. This number is half of the current demand level. There is only 1 hotel room in Russia per 100 foreign visitors (as compared to 50 rooms in Paris). According to the Federal Plan of Hotels Allocation till 2010, developed by the government of the Russian Federation, 353 new hotels will be constructed in Russia by 2010.

Foreign visitors as well as prosperous domestic businessmen prefer to stay in high-end hotels. Normally, the ratio of businessmen/vacationers in Russian hotels is 80/20 for domestic clients and 60/40 for foreigners. As long as business trips tend to prevail over other kinds of tourism, the high-end segment remains a very important segment of Russia's hotel.

Almost all international hotel chains are represented in Russia. International hotel operators such as Hyatt, Marriott, Kempinski, Le Meridien, Rezidor SAS, Starwood, Accor, Ritz-Carlton, Raffles, Four Seasons, Mandarin Oriental and others are already present or planning to enter the Moscow market. In St. Petersburg Orient Express, Rocco Forte, Corinthia, Sokos, Accor Group, Rezidor SAS, Marriott, Kempinski, Best Western are all present.

However, many hotels are under the management of Russian operators. While international operators mainly work in 4 and 5-star segments, Russian chains take the niche of highly demanded 3-star hotels. It is estimated that around 15% of all hotel rooms in Russia are managed by Russian chains and 60% of the hotel rooms are run by international chains.

The prime markets of Moscow and St. Petersburg remain the preferred locations for investment and development, however secondary locations are emerging as new targets - including the Black Sea area of Russia, Novosibirsk, Rostov-on-Don, Samara, Yekaterinburg, Nizhny Novgorod, Chelyabinsk and so on.

Moscow market

Undoubtedly Moscow is the leader in the hotel business in Russia. Moscow's supply of hotel accommodation comprises 217 hotels and approximately 40,000 rooms. However, Jones Lang LaSalle Hotels estimates that the international-standard stock is only approximately 9,700 rooms, which is significantly less than in London and Paris (70,000 and 75,000 rooms). By 2011, it is expected that Moscow's quality room supply will have increased to approximately 14,500. It is also estimated that for saturation of the middle segment there should be constructed 23-25 hotels with 300 rooms each.

Moscow is a highly successful market where demand comes mainly from business travelers. For the last 8 years the number of foreign tourists visiting Moscow has increased by 2,5 times: in 1999 it was 1,5 million tourists, in 2007 – more than 4 million. On average, a foreign tourist stays in Moscow for 3,5 days and spends $900 per visit.

Moscow shows record-breaking revenues and the lowest labour costs in Europe. According to Jones Lang LaSalle Hotels, Moscow is the most expensive European city with average hotel room rates at $352 per night which increased by 20% in 2007 on the previous year. Average room yield reached $254 per room (increased by 25%) which is ahead of Paris and London.

According to TRI Hospitality Consulting, in 2007 in Europe the highest level of net income per hotel room was reached in Moscow - €140 per day, followed by London (€117) and Paris (€96). The occupancy rate in four-star and five-star hotels was about 70% in 2006. In the middle segment the increase in occupancy rates continued, exceeding the figure for the previous year by 11% (68% in 2005; 77% in 2006). The city's quality hotels report an average length of stay in Moscow between 2 and 3 days.

St. Petersburg market

In St. Petersburg there are 103 hotels with 14,700 hotel rooms in total (not counting mini hotels). Small and mini hotels constitute around 60% of the hotel segment. In 2007 the demand for hotel accommodation still exceeded the supply. Business tourism to some extent had evened seasonality in the hotel occupancy. The highest rate for a standard double room during the high season may reach $620 whereas the lowest rate for 3-star hotel outside the city centre during the low season could be $75-100. In St. Petersburg by the year 2010, the number of hotel rooms will increase by 34,000.

Wellness trend in hotels development

In 2005 a new national classification system for hotels was introduced in Russia. Although international brands may not need a national classification system to prove their “stars”, Russian developers and management companies need this sort of classification to position their properties on the market. For instance, in order to get 4 and 5-star classification rating for a hotel, certain criteria for wellness facilities have to be met such as allocation of swimming pools, sauna and thermal cabins, gym, massage/treatment rooms etc. This regulation together with the overall wellness trend in Russian society motivates further development of high quality hotel spas, spa and wellness hotels and modern resorts.

Annex 3. Fitness industry in Russia

According to the IHRSA, the size of the fitness market in Europe in 2006 reached $25,6 bn, out of which the Russian share was estimated as $701 million. According to estimates by Magram International Research Company, the fitness industry is growing 20-30% on average per year; in 2005 the growth reached 40%. There are about 1,100 fitness clubs in Russia with 502,000 members in total.

The biggest fitness chains in Russia:

1. Russian Fitness Group works under 3 brands (World Class (premium and luxury segment), MaxiSport and FizCult (middle segment)), operates 47 clubs around Russia with the total area of 160,000 sq.m.
2. Planet Fitness works in all segments and has 31 clubs with the total area of 80,000 sq.m.
3. Strata Partners works under 2 brands (Orange Fitness and City Fitness) and operates 24 clubs in Russia with the total area of 60,000 sq.m.

Fitness clubs can be grouped as large, medium and small depending on the area they occupy: large (from 2,000 sq. m), medium (500-2,000 sq. m) and small (up to 500 sq. m). Fitness clubs operates in four segments: luxury, premium, middle and economy. The middle segment offers an annual membership around $1,500 (in clubs with a swimming pool) and around $500 (without a swimming pool). In the economy segment (usually small and medium size clubs) the annual membership can be as low as $200. In the premium and luxury segments members are expected to pay annual membership from $2,500.

Considering going to a fitness club as an option for a healthy life style, the number of fitness club clients is growing in Moscow and large Russian cities. In many companies with young employees, fitness is a part of company employee benefit policy. Those clients who are self funded say that a membership fee is too high. However, they admit that even going to a gym at least once in a while brings some benefits to their health.

Moscow

There are about 2,000 sports clubs in Moscow, some 250 of which may be described as fitness clubs. Swimming pools, saunas, jacuzzi, training rooms, aerobics and gyms are a standard list of facilities in all of Moscow top fitness clubs. On the whole, the Moscow market of fitness services differs substantially from the regional markets. Unlike those in the regions, Moscow sports and health clubs cater mostly for high-income clients. Such clubs make up 40% of the sector, and that share is growing steadily.

Even though sports centres are mushrooming in the capital (one or two new clubs or fitness studios are opened each month in the city) statistics reveal that no more than 3% of Muscovites regularly go to sports centres.

St. Petersburg

In St. Petersburg about 13% of population older than 16 go to fitness clubs at least once a month. From another source, 2% of St. Petersburg inhabitants visit fitness clubs on a regular basis. There are about 200 fitness clubs in the city. The size of the fitness market in St. Petersburg is estimated at $120-150 million. In the middle segment it grows at the rate of 25-30% per year. There are a few fitness chains operating in the middle segment: Planet Fitness (10 clubs), SportLife (8 clubs), Galactic (2 clubs), Russian Fitness Group (4 clubs: brand FizCult (2 clubs) and MaxiSport (2 clubs). In the premium and luxury sector the Russian Fitness Group opened two World Class fitness clubs in 2008 with the membership fee at $2,500.

All major fitness chain operators see the club's location as being of primary importance — either in densely built-up residential areas or in prestigious but quiet residential districts in the city center.
The compulsory requirements are: a parking facility, convenient access and transport routes.

Spa facilities in fitness clubs

In order to fight competition and cope with the saturation in the elite sector of the fitness market, in all top clubs a swimming pool and wellness area is a must and many of the clubs offer top quality spa services for their clients. Club spas are one of most developed spa categories in Russia.

The fitness company Planet Fitness has developed their unique "Spa Territory" concept under which two company's brands operates: "Beauty Planet" for beauty salons and "Oriental Express" for spa salons and spa clubs. This concept is implemented not only in the company owned clubs but also is offered as a consulting service to outside projects. As of February 2008, there are 13 functioning projects – in Moscow, St. Petersburg, in Samara and Stockholm (Sweden).

The leader of the Russian fitness industry, the company World Class (20 % share of the market), was the only Russian fitness company listed in the international rating list of 25 best fitness clubs of the world "Global 25". Today this company represents the luxury and premium segment of the Russian Fitness Group. The best clubs in this chain offer high standard spa treatments in their luxury salons "Beauty Spa" with a selection of the best spa treatments from all over the world.

Tendency – fitness and wellness centres in elite housing estates

While existing chains of health clubs are expanding, new developers and major construction firms in Russia are entering the fitness and wellness market. However, not many construction firms are involved solely in the development of health clubs, fitness centers and studios. They normally build their own facilities as an integrative part of modern residential housing estates in the cities as well as in the suburban areas. This sector has great potential as spa and wellness elements within the living area are considered as a very attractive additional factor for modern society.