



EUROPE: *Russia*

ECONOMIC CLIMATE

The threat of an unprecedented economic crisis influenced the recently stabilized spa and wellness market in Russia in a way as different to the majority of international markets as the Russian spa industry itself. With a few important projects, like a huge recreation and wellness complex in Volgograd (concept developed by "Schletterer Spa & Wellness Design") put on hold, a number of others were launched in 2009 - 2010.

Rather than limiting the vast range of proposals and focusing on client retention the majority of Russian spas have even increased their activities by introducing new products and equipment, paying more attention to the inexpensive domestic brands.

While a large number (up to 15 %) of the smaller beauty salons were closed and about 20% of the still operating beauty market experienced a significant drop in clients, the majority of spas - especially in Moscow and some other big cities - were reporting stability and even a slight growth in consumer demand. Therefore key performance indicators on the Moscow spa market - the capital of Russia least hit by the crisis – have not changed drastically.

Reasons include marketing efforts to attract and retain new clients by the experienced players, as well as reduced spending by Russian consumers on tourism abroad. As the economic crisis hit, the trend of "escapism" and "modesty" resulted in many "nouveau-riches" becoming active spa-goers instead of spending huge money on luxury.

The unfavorable economic climate has changed the shape of the spa and wellness industry in other ways. A number of previously successful players (i.e. Moscow "Rixos Royal Spa", "Petrovka Sports Wellness Club") left the market by the end of the summer due to a critical increase in rental price. In the meantime the most luxurious spas – "ESPA" at "Ritz Carlton Hotel" in Moscow and "Dominique Chenot Spa" at the "Barvikha Luxury Hotel"- have kept their prices rather low to boost new clients in addition to hotel guests. Many other spas on the Russian market have offered a new balance between price and value by focusing on express-packages rather than offering extensive 6-hour treatment programs.

Despite significantly reduced budgets on education and marketing, conferences, professional shows and forums devoted to spa and wellness demonstrated a stable growth. As the crisis achieved its climax in many other sectors, in September 2009 two new events were launched for Russian spa professionals – the International Congress Spa & Beauty in Moscow and SpaFest in Turkey.



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Another important development was the launch of a state-supported educational program “Management in Beauty and Health Industry”, which, for the first time in the history of the Russian spa industry, included a 16-hour course of lectures on the spa business.

With the future of the Russian spa and wellness market seen linked to the development of the hospitality industry, the developments in this segment are crucial. In 2009, despite the complicated economic situation, 17 new hotels were opened in the capital of Russia, and the occupancy rate was stable in September 2009.

According to estimates by “Ernst & Young”, only 17% of the 261 Moscow hotels belong to international operators. The double digit growth of this segment predicted by the year of 2014 for Moscow as well as Krasnodar region and Sochi in particular- to host the Olympic Games. Although five star and luxury hotels constitute only 5%-7% of the market, the hospitality market development will inevitably give a boost to the Russian spa and wellness industry. Another key factor to ensure the future growth of the local spa market is the vast number (over two thousand) of traditional balneotherapy and rehabilitation institutions (“sanatoriums”) waiting for investment and reorganization in accordance with the European business-model.

The current economic crisis, alongside with spa-goers tightening their budgets, has coincided with two serious developments, introducing new regulations. First, the profession “cosmetologist” was officially declared as “medical” in July 2009 which has resulted in quite a number of spa and beauty institutions needing to work under a medical license. Furthermore, the formal certification of beauty products was annulated and substituted by an optional declaration. This change might open the market to a big flow of new cosmetic brands, including local ones.

INNOVATION

In contrast to vast offers of diverse treatments and services (some spa menus have up to 200 various treatments), nowadays Russian spa and wellness centers tend to focus on signature products and treatments, and introducing new medical technologies in order to assure tangible results to their clients. The achievements of Russian medical science opens new prospects for the spa business.

Gaining tremendous popularity among those interested in healthy lifestyles, is the method of endo-ecological rehabilitation elaborated by professor Y.M. Levin, head of the Russian clinical lymphology scientific school. Based on purification of the intercystial space by means of phytotherapy and spa treatments, this method has been successfully implemented in the Russian sanatorium “Kivach” (located in the Northern Russian region of Karelia), a medical destination spa, specialized in detoxification programs.



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In collaboration with the Foundation for Development of the Spa Industry, the new preventive method is being introduced in medical spas. The next step is adapting the method to day spas. A new education program which combines spa-therapists training with the endo-ecological method, is going to be launched shortly at the State Friendship University.

Integration of medical science into the slowly developing Russian spa and wellness industry is sure to become a major factor fueling its growth in the near future, as new medical spa technologies become attractive investment products.

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