

Group Hotels in St. Petersburg, Russia

by

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An analysis of the group hotels in St. Petersburg, Russia as of January 2007

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Introduction

This study analyzes the group hotels in St. Petersburg, Russia and their place in its market. These group hotels include mini-, 3-, 4- and 5-star properties. Main attention will be to the luxury hotel groups' four Ps of the marketing mix: Product, Place, Promotion and Price as well as other marketing elements. Then the main tendencies of the St. Petersburg group hotel market will be postulated which will form the future hotel development in the "Venice-of-the-North".

I ST. PETERSBURG: BEAUTIFUL TOURIST DESTINATION

St. Petersburg, located in the North-West corner of Russia, is the second biggest Russian city and the fourth biggest European metropolis. Founded by Peter the Great, who wanted to open a Russian "Window to Europe", in May 1703 St. Petersburg was the Russian imperial capital from the Eighteenth to the beginning of Twentieth Century. (The capital was transferred to Moscow after the Russian revolution in 1917) St Petersburg is an eminent cultural center on a European scale. Since 1990 the city center has been on UNESCO list of world heritage sites. St Petersburg has, notably, more than 70 museums. The most famous are the Hermitage and Russian Museum.

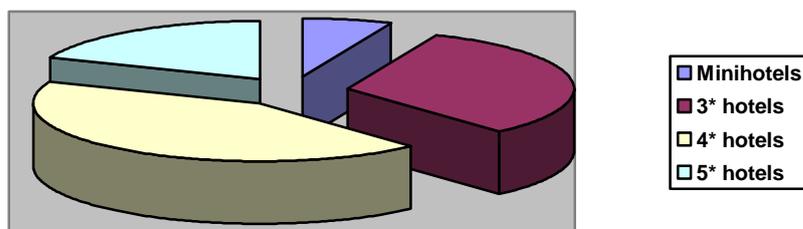
II TOURISM INFRASTRUCTURE

St. Petersburg has 3.5 millions tourists annually (2005). (see Appendix 1) These tourists spend almost 1.3 billion euro. Following is a comparison between St Petersburg and Paris and London, the world's two most visited cities. St Petersburg has 20% of the number of tourists of London-Paris. However it has only 10% of the gross tourist sales of these two great destinations. 50,000 people work in the St Petersburg tourism industry including about 23,000 working in hotels and restaurants. Thirty civil servants are engaged in tourism development with a 460,000 € annual budget which is only 14% of London-Paris' budget. 130 hotels have a total of 33,000 beds. Compare with London and Paris which have 1,480 hotels with 166,936 beds.

III HOTEL GROUPS

There are 54 hotels in 24 chains belong to 21 groups with 6,479 rooms. (see Appendix 2) Below in Graph 1 is a division of groups by category.

Graph 1 Division of hotel groups' rooms by category



The graph shows that 42.8% of the rooms are in 4-star hotels (January, 2007). The percentage of the 3-star and 5-star hotels are 31.8% and 18,9% respectively. Mini-hotels have only 6.5% of the total St Petersburg chain hotels.

It should be noted that in Russia there are very few hotels that have official Russian star ratings. There is no international organization that reviews and assigns hotels categories. In Russia the hotels are not required to be officially rated, and almost no hotels have official star ratings. Therefore this study is based on the ratings assigned by the four following principal websites:

- 1) http://www.besthotelsrussia.com/st_petersburg_hotels.html
- 2) <http://www.saint-petersburg-hotels.com/>
- 3) http://www.hotelinspector.com/st_petersburg_hotels.htm
- 4) <http://www.petersburg-russia.com/accommodation.html>

The owner and general manager of the first listed Internet site described how the stars are assigned. It is actually each hotel which decides its own star rating. Consequently the stars of Russian hotels do not always correspond with ratings in Europe.

III.1) 5-star Hotel Groups

Among the seven 5-star St Petersburg hotels five belong to the groups. All these are non-Russian owned international groups. (see Table 1) One representative group will be examined in detail and be taken as a model. Afterwards only the other group differences will be examined.

Table 1 5-star Hotel groups

Hotel	Group
1. Astoria	1. Rocco Forte Hotels
2. Corinthia Nevskij Palace Hotel	2. Corinthia Hotels International
3. Grand Hotel Europe	3. Orient Express Hotel Trains & Cruises
4. Radisson SAS Royal Hotel	4. Rezidor SAS Group

III.1.1. Orient Express Hotel Trains & Cruises

The Grand Hotel Europe is the acknowledged leading St Petersburg hotel. Ms. Kulikova, Grand Hotel Europe sales Director, said that most of the hotel **clients** are mature guests and 60% are women in her subjective impression. As in most St. Petersburg hotels the average stay is 3 nights.

The largest group of guests is from the United States (21%) and other parts of Russia (19%). It should be noted that Russian and American guests are the most numerous in all the hotels. The third place for number of hotel guests is the home country of the hotel group. Grand Hotel Europe previously belonged to the Kempinski hotel group. However, now it belongs to Orient Express Hotels, therefore currently it has English clientele in the third place, followed by Germans, Italians, Spanish then French.

Five or six years ago Japanese started actively travel abroad to St Petersburg. Grand Hotel Europe, like other hotels, understood that it was and still is a new potential market and adapted its offer to this specific clientele (Japanese thongs [slippers], tea and breakfast). As of January 2007, Japanese were 7% of the Grand Hotel guests.

What are the potential markets that St Petersburg hotels target now? Now and continuing in the future Americans will be the biggest market. According to Mme Kulikova this clientele is still increasing. In addition she named as growing markets Europe, Latin America (especially Brazil), China and Russia. It should be noted that three of the mentioned countries are BRIC which are in the process of significant economic development.

Attention to the Chinese clientele is especially important because of the considerable projects which will develop in the near future including a construction of Chinatown in St. Petersburg.

The majority of the Russian clientele comes from Moscow and the oil producing regions. The fact that Russians are the big spenders is notably.

Like other hotels, Grand Hotel Europe wants to develop corporate clientele because they generate higher revenues. As of January 2007 business travellers represent 40% of the guests.

The development of Asian clientele is particularly important for Grand Hotel Europe.

Product (the Hotel's assets)

All four 5-star St Petersburg hotels cited their assets as: location, conference facilities and service level as their main benefits. Grand Hotel Europe also offers their guests exceptional service. The hotel offers all necessary services and also meets special

individual requirements. The hotel was recently renovated. The hotel is an historical building protected architecturally by Russian law and is the largest hotel in the 5-star category with the most numbers of restaurants (four). Their limousine fleet has eight business class BMWs.

Location

All the 5-star hotels are in historical center of the city.

Price

The price range for a 5-star St Petersburg hotel for standard double rooms, as of January 2007, was 261-519 €. See Appendix 2.

Promotion

The main promotional activity is abroad.

In the Russian market Grand Hotel Europe works with travel agencies (“invitations for travel agents and corporate travel agencies who invites their best corporate clients”, Mme Kulikova, Grand Hotel Europe sales Director). The hotel publishes ads in 2 or 3 Russian magazines.

In St. Petersburg some 4- and 5-star hotels regularly place ads for their restaurants and for special occasion and events such as holidays (New Year Eve). These publications are elite magazines and newspapers—distributed free of charge in the restaurants, hotels and chic shops—such as *Pulse SPb*, *Pétersbourg*, *The Saint-Petersburg Times Focus*, *TimeOut Pétersbourg*, *Where* and *On Nevsky*. Also information about these hotels is available in tourist guides. For example: *Petersburg, The Official City Guide*; *All You Need in St. Petersburg* and *St. Petersburg in Your Pocket*. Also ads are place in the magazine *Firmenniy* which targets in-the-know-about-luxury-life readers and in such newspapers as *SPB Times* and *Delovoy Petersburg*. In addition, Grand Hotel Europe sponsors festivals and cultural institutions (like the Mariinski Theater).

In Moscow, the St Petersburg hotels place ads for their hotels and conference facilities. Grand Hotel Europe publicizes itself in Moscow magazines and somewhat on radio and television. The hotel also has representatives in Moscow.

In addition, the sales managers go to other Russian cities, contact their guests directly and participate in exhibitions.

In the international market St. Petersburg 5-star hotels place their ads in about 12 catalogues published twice a year. Grand Hotel Europe participates in charge cards’ (Visa, Master, and American Express) travel programs which publish hotel information in their catalogues and in the [Virtuoso](#) program.

The final promotional method is through the hotels groups. The luxury hotels of St. Petersburg participate in road-shows organized by their chains.

Among other means of promotion, the hotels utilize the Internet and ads on GDS.

Place

All the 5-star St Petersburg hotels have their Internet sites which accept clients' on-line, real-time reservations. In addition, reservation can be made through travel agencies or tour-operators and directly with the hotel by phone.

The chain's policies

Orient Express Hotel Trains & Cruises began as a railway travel company and then started to buy hotels (vertical integration, inorganic growth). This group prefers to buy the hotels' buildings rather than just manage them.

As of January 2007 the group has 50 hotels all around the world. It buys only hotels which are in culturally valuable buildings. Its hotels do not have a common style. Each hotel is distinctive. There are some standards but in general the hotels are quite independent. The group offers its hotels non-obligatory participation in its promotional programs.

In 2007 the Grand Hotel Europe will increase its room rates (profitability strategy) and it continues to invest in renovation.

Group's strategy is to buy a hotel in Moscow. It is not looking for another hotel in St Petersburg.

Weakness

Most of the hotels complain of the difficulty of finding qualified staff. There is no service culture in Russia; people do not know how to give attention to guests' needs. Another problem for Grand Hotel Europe is the loss of staff. According to Mme Kulikova, after working in this hotel for a short time and learning some skills in their specialty, the employees often accept positions with competing hotel which appreciates the Grand Hotel's training. Grand Hotel Europe has 500 employees in winter and 600 during the summer which is a high guest-employees ratio.

Competition

Grand Hotel competition is all the other six 5-star hotels. However the main competitor is a hotel Astoria. Grand Hotel Europe claims to be a "5-star hotel luxe". Hotel

Astoria with its prime location and historical building also calls itself “5-star hotel luxe” and targets the same clientele.

III.1.2. Rocco Forte Hotels

Astoria is a challenger in the St Petersburg market. Just next to it is the 4-star hotel Angleterre which belongs to the same hotel group: Rocco Forte Hotels. According to Mr. Kraemer, Director of the Sales Department for both hotels, division of the **clientele** by country is: Russians (30%), followed by Americans, British, French, Italians, Spanish, Germans, etc. The ratio leisure to business guests is 50/50. In hotel Angleterre corporate guests are 80%. Mr Kraemer says, “The [hotel’s guests] age and other characteristics are not important; it [occupancy] depends on targeting groups and market... Concentration depends on events in the city and it is changing every year.” Accordingly Astoria’s marketing policy is to advertise and use other means of promotions in the cities which are connected to St. Petersburg events.

In the St. Petersburg market hotel the Astoria is in the 2nd place after Grand Hotel Europe. Among the strength of hotel Astoria Mr Kraemer cited architectural excellence and superior service.

The hotel wants to increase their **profitability** by transforming rooms into suits. In addition, it wants to install State-of-Art technology.

Rocco Forte Hotels **group strategy** is to expand through acquisition of hotels in Moscow, Milan and Paris. The group’s main competitors are the Four Seasons and Mandarin Oriental hotel groups. Like Orient Express Hotel Trains & Cruises, Rocco Forte Hotels prefers to own their hotels’ buildings rather than just manage. This group’s headquarters makes less than 20% of local decisions. The group markets the brand name, establishes standards and develops and maintains the group’s Internet site. In 2007 the group decided to upgrade Angleterre to a 5-star, business class hotel, while maintaining Astoria as a 5-star hotel de luxe.

III.1.3 Corinthia Hotels International

Nevskij Palace Hotel has been managed by Corinthia Hotels International since 2002. According to responses to the survey conducted for this study circa 60% of the clientele are foreigners and 70% of the guests are business people. It is the only hotel in 5-star category which has menus in its restaurants in four languages: Russian and English (also offered by all the other 5-star hotels) as well as in German and French. The chain is now (2007) reconstructing two adjacent buildings into very luxurious suites and conference rooms (horizontal integration, internal growth).

III.1.4 Rezidor Hotel Group

The Rezidor Hotel Group owns the following chains: Park Inn, Country Inns, Regent, Radisson SAS Hotels & Resorts and Missoni which have combined 270 hotels worldwide. The St Petersburg Radisson SAS Royal Hotel has been part of the Radisson SAS Hotels & Resorts group since 2001. Park Inn Pulkovskaya and Park Inn Pribaltiskaya recently came under the management of the group as claimed 4-star hotels. Recently the Rezidor group gained control of two hotels in Sochi, the winter Olympic city of 2014.

III.2) 4-star Hotel Groups

Among the 13 St Petersburg 4-star hotels eight are owned/control by groups. (see Table 2)

Table 2 4-star hotel groups

Hotel	Group
1. Angleterre Hotel	1. Rocco Forte Hotels
2. Ermitage Hotel	2. Valka hotels group
3. Golden Garden (Golden Country)	3. Boutique Hotel Group
4. Kempinski Moika 22 Hotel	4. Kempinski Hotels
5. NovoHotel	5. Accor Hotel chain
6. Park Inn Pulkovskaya Hotel	6. Rezidor SAS Group: Park Inn Hotels
7. Park Inn Pribaltiskaya Hotel	7. Rezidor SAS Group: Park Inn Hotels
8. Renaissance Baltic Hotel	8. Marriot Hotels

III. 2.1 Rezidor Hotel Group

Rezidor Hotel Group and more precisely its **Park Inn Hotels** chain's Park Inn Pulkovskaya Hotel and Park Inn Pribaltiskaya Hotel (managed respectively since, June 2006 and January 2007) will be examined as follows. These two hotels have much in common. Both of them were privatized in 2005 and their owner is a Norwegian entrepreneur.

According to Ms Koroleva, sales manager of the Park Inn Pulkovskaya Hotel (December, 2006), the ratio of **guests** leisure to corporate clients was 50/50. Their guests are, descending order, Russians (30%), British, Germans, Fins, etc. Leisure tourists stay on average three to five nights and corporate guests circa 7 nights. Travel agencies book 60% of the guests. Consequently, the nationality of the guests depends on the country of origin of the tourist groups. For example, in 2006 the hotel accommodated mostly Turkish,

Chinese and Italian groups. Unfortunately these nationalities do not spend on additional hotel services.

The two St Petersburg Park Inn Hotels especially target corporate clientele and below the reasons are examined.

Strengths and weaknesses of the Park Inn products

The two St Petersburg Park Inn hotels have enormous capacities: 840 rooms in Pulkovskaya and 1,200 rooms in Pribaltiskaya. Hotel Pribaltiskaya offers 10 conference rooms. The biggest seats 1,200 people. Pulkovskaya largest conference room seats 600.

However, the two Park Inn hotels are rather far from St. Petersburg's historical center. Though information on their Internet sites states: "The hotel [Pulkovskaya] is on Moskovsky Avenue close to the heart of the city with all its attractions within easy reach." and "The hotel [Pribaltiskaya] is just a 10 minute drive to great cultural attractions such as The Hermitage." Hotel Pulkovskaya tries to smooth over this disadvantage by offering a free shuttle bus between the hotel and the center.

The huge capacities, conference facilities and distance from the city center, outlined above, are the reasons the St. Petersburg Park Inns concentrate on attracting conferences and congresses.

St Petersburg Park Inns' huge size allows them to offer additional facilities which are extra strengths: Pribaltiskaya has a big aqua park named Waterville with a sport club and spa inside (diversification strategy). Pulkovskaya owns a brewery, bakery and three big restaurants which are very successful.

However, a guest of the hotel Pulkovskaya shared, "Unfortunately this hotel still has soviet atmosphere". Therefore significant investments with a new, fresh, guest-welcoming approach to upgrading the infrastructure must be made. Certainly, Park Inns' international strategies will improve the Pulkovskaya and Pribaltiskaya hotels.

Promotion

One of the distinctivenesses of Pulkovskaya's promotion is based on its proximity (only 5 km) to St. Petersburg's domestic and International airport, Pulkovo. Therefore partnership with Pulkovo airport and the airlines companies is obvious. Ads are placed in the Airlines inflight review magazines.

Place

St. Petersburg's 4-star hotels use the same distribution channels as 5-star hotels.

Price

The price range for 4- star hotels is very wide, as of January 2007, for a standard double, from 87 € to 490 €. However, the mean is about 200 € per night.

Competition

Until under the management of Park Inn, hotels Pulkovskaya and Pribaltiskaya were direct competitors. Now these two hotels main competitors are hotels Moscow and Rossiya, both of which are ranked as only 3-star hotels.

Currently the two Park Inns cooperate in exchanging clientele data which gives an advantage over their competitors. The demand for 3- and 4- star hotels room exceeds supply so developing hotels in this sector will be profitable.

Strategy

Park Inn will manage the large investment in renovating hotel Pulkovskaya. Some of the rooms have already been renovated in Pulkovskaya and Pribaltiskaya.

Russian is a very interesting market for Park Inn. The chain will increase the number of hotels in St. Petersburg (more 3- and 4-star hotels are needed) as well as throughout Russia.

III.2.2. Kempinski Hotels

Clientele

The St. Petersburg hotel Kempinski belongs to the same name international hotel group and ranks itself four stars. However 5-star hotels consider it as a competitor.

The majority of the hotel Kempinski's guests are corporate clientele, in descending order, from: Russia (mostly Muscovites), Germany, United States, Italy, France followed by Scandinavia. This corporate clientele actively consumes the additional hotel services bringing highly profitable extra revenue.

Seasonality in this hotel corresponds to the commercial activity in general: May, June and July high season. August is low due to Western European business vacations, then again a jump in September.

The strengths and weaknesses of the products

Western European management style is one of the strength of St. Petersburg Kempinski hotel. It attends to every detail and all its guests' comments and suggestions. This guest-attentive Western European approach is refreshing, client-appreciated and

profitable in comparison to the sadly indifferent, bolshevik style treatment of guests prevalent in most Russian hotels and service establishments.

Kempinski utilizes only high qualities goods. Some of the suites have a view of the Hermitage.

Hotel Kempinski has well equipped conference facilities. In addition it has an outstanding wine cellar and on-premises parking. The patrons in its bar can enjoy the classical painted wooden ceilings. In the tea salon with antique décor guest can warm themselves in front of a working fireplace while listening to a live violinist. Its restaurant has a magnificent panorama of St. Petersburg.

Location

All the 4-star hotels are in the St. Petersburg historical center except the two Park Inn self-proclaimed, 4-star hotels Pribaltiskaya and Pulkovskaya.

Promotion

Kempinski hotel promotes itself heavily. It utilizes mostly the same methods as hotel Astoria does (outlined above) but some differences will be noted below.

Kempinski places ads in German publications (it is a German chain therefore German guests predominate after Russians). The chain offers discount for the conference facilities to loyal guests. It organizes sales-blitzes: sales managers go to other cities and meet prospective corporate clients.

According to Mme Moskvina, the Kempinski sales manager, the most effective means of promotion is organizing events in the hotel.

Competition

Though Kempinski is a 4-star hotel its competitors are 5-star hotels (Grand Hotel Europe, Radisson, Astoria, Nevsky Palace, and Renaissance). However unlike its 5-star competitors, the Kempinski is interested primarily in corporate clients.

Group's strategy

The St. Petersburg hotel Kempinski sends a report to its headquarters every month. The managing group gives guide-lines with instructions for each department. According to Mme Moskvina who said in January 2007, "Because the hotel is opened one year it is following a 'development strategy'".

Previously Kempinski hotel group managed Grand Hotel Europe.

III.2.3. Marriot Hotels Group

The Marriot Hotels Group has the following 16 chains:

Marriott Hotels & Resorts, JW Marriott Hotels & Resorts, Renaissance Hotels & Resorts, Courtyard by Marriott, Residence Inn by Marriott, Fairfield Inn by Marriott, Marriott Conference, Centers, TownePlace Suites by Marriott, SpringHill Suites by Marriott, Marriott Vacation Club, International, Horizons by Marriott, The Ritz-Carlton Hotel Company, L.L.C., The Ritz-Carlton Club, Marriott ExecuStay, Marriott Executive Apartments.

As of January 2007 the Marriot Hotels Group manages seven Russian hotels: five in Moscow and one each in St. Petersburg and Samara. In St. Petersburg the group supervises the Renaissance Baltic Hotel. Unwisely, as of August 2007, its Internet site is still only in English though Russians are approximately 40% of the guest. It seems, strangely, that they are ignoring the largest group of their guests.

III.2.4. Accor Hotels Group

The French group Accor (having the eight chains: Sofitel, Novotel, Mercure, Switchhotel, Ibis, Motel6, Etap and Formule1) is represented in St. Petersburg by the only one hotel: Novotel, obviously part of Novotel chain.

According to Mr. Yablonsky, ex-sales Director of the St. Petersburg Novotel, almost half of the **clientele**, 45%, are the leisure guests (25% are groups and 20% individual tourists). A little bit more than half, 55%, are corporate clientele (15% are groups and 40% individual businesspeople). The particularity of this hotel is that it has a large number of the Spain tourist groups.

Among the **strength** of this hotel Mr. Yablonsky cited that it is completely newly constructed (in fact, it is the only recently built hotel in St. Petersburg historical center), hotel with convenient location near the public transportation.

The particularity of the St. Petersburg Novotel is its contemporary style.

Group's strategy

Accor has about 4,000 hotels managed by eight chains in 100 countries. In Russia, as of January 2007, Accor has two other Novotel hotels in Moscow.

III.2.5 Boutique Hotel Group

Boutique Hotel Group manages the mini-hotel Golden Garden since October 2005 (the hotel is three years old).

The hotel's ***clientele*** comes from Moscow and other Russian cities (45%), Italy, Germany, Switzerland, the United States and Israel. According to Ms. Martina, sales manager of Boutique Hotel, the number of Israeli guests is significant because the hotel's owners have business relationships in Israel and a hotel's casino. Only the 15% of the guests are corporate clients and the hotel wants to increase this number.

The strengths and weaknesses of the product

Golden Garden hotel has only 24 rooms which allows highly personalized service. Ms Martina, sales manager of the hotel, cited, among others, the discreet attention to the private lives and confidentiality of their guests. The hotel's décor is elegant. However, with only 24 rooms it is not economically feasible to provide all of the services usually associated with luxury hotels such as health club, spa, saunas, beauty salon, etc.

Promotion

Using the same methods as the hotels discussed above, Golden Garden hotel spend a large budget on promotion. It should be noted that the hotel actively utilizes "event-management" (organizing special occasions in the hotel) and co-sponsoring some St. Petersburg cultural programs such as the International Festival of Art and a Rostropovich concert.

Competition

According to Ms Martina, Golden Garden hotel is a competitor to Radisson and Grand Hotel Europe by its location and to all 5-star mini-hotels by its size (Golden Garden hotel ranks itself 5-stars). Therefore the competition is rather strong, and will increase as additional international groups enter St. Petersburg market.

Group's strategy

St. Petersburg Golden Garden hotel makes its decisions independently from Boutique Hotel Group. The hotel was recently renovated. It hopes to increase the numbers of rooms by the expanding into the adjacent buildings.

Golden Garden is the Boutique Hotel Group's only Russian hotel but it plans to have a hotel in Moscow and Kiev.

III.2.6 Valka Hotel Group

Another 4-star hotel which is even smaller but claims to have luxury services is the hotel Ermitage. It has only 4 rooms and is affiliated with the Valka hotel group.

40-45% of the **guests** are Russians mostly from Moscow and Archangelsk (because of its commercial partners in the Archangelsk region). Guests of other nationalities in descending order are: Americans, Fins, Germans, Italians then Spaniards. In the high season (summer) there are more foreigners and the low season there are more Russians. The **hotel's strategy** is to attract large family groups which would occupy the entire hotel.

Among the **strengths** of the hotel is its special location half way between the Hermitage and the Marble Place Museum, one block from the famed Neva river and its historical building: Princess Gagarina's former palace. The service is highly personalized and the quality of the décor and goods is luxurious. The walls are beautifully oak wood paneled. It is a newly opened hotel (as of January 2006).

All **promotion** is done by the Valka hotel group.

The group was established in 2001, Ermitage was opened in 2004 and affiliated with the group soon after. As of January 2007 the Valka hotel group is a local St. Petersburg hospitality organization including the Comfort, Nevsky Forum, Herzen House and Ermitage hotels. Ermitage plans to increase the number of its rooms by buying additional floors in its building and renovating them into luxury rooms.

III.3) 3-star Hotel Groups

Among the approximately twenty-one 3-star St. Petersburg hotels only six are in chains belonging to four groups. (see Table 3)

Table 3 3-star Hotel Groups

Hotel	Group
1. Azimut	1. Azimut
2. Best Western Neptun Hotel	2. Best Western Hotels
3. Marco Polo Hotel	3. Marco Polo Ho Management
4. Viborgskaia hotel	4. Turriss Hotel Group
5. "Na Sadovoy" Hotel	5. Turriss Hotel Group
6. Rossiya Hotel	6. Turriss Hotel Group

It is interesting to note that two of the four 3-star groups are Russian: the Azimut and Turriss hotel groups.

The Azimut group has eight hotels in seven cities. Its Internet site is only in Russian. Therefore, the group's target market must be only Russian-speaking clientele. The group

plans to open hotels in the majority of Russian cities. Azimut primarily targets corporate clients. In 2006 Azimut had the largest number of rooms (3,000) among all the hotel groups in Russia. It has created a training center and a centralized reservation system.

The Turriss Hotel Group has three hotels in St. Petersburg and two in the surrounding region. Its Internet site is in Russian and English. All the group's hotels except Na Sadovoy hotel have on-line reservations.

III.4) Mini-Hotel Groups

A particularity of the St. Petersburg hotel market is a very large number of mini-hotels. Market forces will push these mini-hotels into groups. Already, as of January 2007 there are some groups of mini-hotels and certainly their number will increase.

IV CONCLUSION

In St. Petersburg there are many 5-star hotels who have strong competition but not enough 3- and 4-star hotels (Mr. Yablonsky, Ms Brun, Mr. May). The St. Petersburg City Government is trying to develop the 3- and 4-star hotel categories. But in opinion of the hotel professionals interviewed for this paper the number of 5-star hotels will increase. According to Russian law, new construction is not permitted in the center of St. Petersburg. However old buildings may be renovated for hotels though, certainly, it is more expensive than totally new construction. In addition, the 3-star hotels are, obviously, less profitable than luxury ones, therefore investors prefer financing 5-star hotels (Mr. Yablonsky).

International hotel groups began to enter the St. Petersburg market in the late 1990s. At that time they had a lot of bureaucratic difficulties which now (January 2007) is much less. Last five new international hotel groups entered St. Petersburg's market without obstacles (Mr. Musatov).

International hotel groups can successfully enter the Russian market because of their investments capacity, their know-how, reputation and clientele base. Many additional international groups are actively investigating entering the Russian market. Those groups who already have hotels in the Russian market are seeking additional properties. For example, as of January 2007, the Finish Holiday Club group is about to open their first spa-hotel in St. Petersburg (RATA-news Hôtel & Resort-47) and by 2009 InterContinental Hotels Group will open two new hotels which will be part of the Holiday Inn chain (<http://www.hotelexecutive.com/newswire/pub/18653.asp>). Also a Russian tour-operator is seeking for a hotel in St. Petersburg (RATA-news Hôtel & Resort-47).

Paul May, CEO of City Realty, said that a few years ago the demand was greater than a supply in the high season for traveller's accommodations. In his opinion, now the situation is changed partly due to development of mini-hotels. On the other hand the demand during low season (winter) did not particularly increase. In fact strong seasonality is a common weakness for St. Petersburg hotels. Therefore the St. Petersburg City Government is particularly trying to develop winter tourism. To succeed in promoting tourism, Russian visa simplification is necessary (Mr. May, Mr. Kraemer). Another obstacle to the tourism development is high airfares due, among other factors, to the lofty landing fees charged by the St. Petersburg Pulkovo airport. Only as of summer 2007 are discount air companies beginning to fly to Russia. Unfortunately, not yet to St. Petersburg.

In conclusion, the Russian economic and tourist development is favorable for hotel market expansion. The St. Petersburg City Government supports the development of tourist infrastructure (by 2010 it dreams to double St. Petersburg's hotel capacities). The fact that new groups arrive in the Russian / St. Petersburg market creating competition to existing groups is favorable for diversity, quality of the offer and keeping prices competitive.

Sources:

1. Internet sites of the reviewed hotels—see Appendix-2 “Chain Hotels in St. Petersburg, Russia”
2. Reviewed hotels’ brochures
3. Interviews with hotel sales managers:
 - Astoria Hôtel (5 star) – Mr. Sebastian Kraemer
 - Grand Hotel Europe (5 star) – Ms Ekaterina Kulikova
 - Angleterre (4 star) – Mr. Sebastian Kraemer
 - Ermitage (4 star) – Ms Yulia Titova
 - Golden Garden (4 star) - Ms Julia Martina
 - Kempinski Moika 22 Hotel (4 star)- Ms Galina Moskvina
 - Park Inn Pulkovskaya Hotel (4 star)- Ms Tatiana Koroleva
4. Interviews with:
 - Mr. Sergey Yablonsky
Partner and manger of Russian Voyage
Former Sales Manager of Kempinski Hotel Moika 22 and Novotel St. Petersburg
 - Ms Anna Brun
Public relations Director, [The St. Petersburg Times](#)
 - Mr. Andrey Musatov
Journalist [Vedomosti](#)
 - Mr. Paul May
CEO, [City Realty](#)
 - Ms Julia Ribakova
Exective Director, [Russian Association of Travel Agents](#)
5. Magazines:
[Pulse St. Petersburg](#), *Pétersbourg*, *The St. Petersburg Times Focus*, [TimeOut Petersburg](#),
Firmenniy, Where, On Nevsky
6. Tourist guides:
St .Petersburg The Official City Guide, *All You Need in St. Petersburg*, [St. Petersburg in Your Pocket](#)
7. Newspapers:
[Delovoy Peterburg](#), [The St. Petersburg Times](#), [Vedomosti](#)
8. [Russian Association of Travel Agents News \(RATA-news\)](#)
9. Internet Hotel Reservation Sites:
http://www.besthotelsrussia.com/st_petersburg_hotels.html
<http://www.saint-petersburg-hotels.com/>
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http://www.hotelexecutive.com/newswire/pub/_18653.asp
<http://www.kvs.spb.ru/ru/>

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