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MARKET INSIGHTS
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RUSSIA

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This Market Insight is one of an ongoing series of market profiles produced by the Market Intelligence Group [MIG] of the European Travel Commission [ETC]. New market profiles will be added to the series and updated at regular intervals.

The members of the MIG comprise the Research Directors of the 39 National Tourist Offices (NTOs) that are members of ETC. The group regularly commissions and publishes market intelligence studies, handbooks on methodologies and best practice, and facilitates the exchange of European tourism statistics on the 'TourMIS' web platform.

More information on ETC's programme of market intelligence activities - including links to studies and sources of European tourism statistics - can be found on the organisation's corporate website: http://www.etc-corporate.org.

OVERVIEW

- Russian outbound travel fell during the second half of the 1990s, reaching a low of 17.9 mn trips in 2001. It then recorded consistent annual increases, exceeding 36.5 mn trips in 2008, according to official data – representing an average increase of 11% a year in 2001-08. However, as the world economic downturn took hold, outbound trips fell by 18% in 2009, to 29.9 mn.
- Preliminary indications suggest that 2010 will prove to be a record year (leisure trip volume is reported to be up 44% in the first quarter of the year).
- The World Tourism Organization (UNWTO) ranks Russia as the world's ninth largest market in terms of travel spending. Spending increased in local currency terms by 13% a year from 2003 to 2008 to US$23.8 bn, but is estimated to have fallen by 12.5% in 2009.
- Of total trips, a large share are to CIS countries (members of the former Soviet Union) and other neighbouring countries, such as Finland, China, Poland and the Baltic States. However, many of these are simply for same-day shuttle trading or shopping.
- Much of the travel growth out of Russia in recent years has been for sun & beach destinations such as Turkey and Egypt, but many other destinations (including most destinations in Europe) have shared in the buoyant demand from Russia.
- Nevertheless, destinations for which no visas are necessary, or which offer visas on arrival, have enjoyed a particular advantage. Turkey, Egypt, Dubai, Israel, Tunisia and Thailand are good examples. Many trips are decided, and booked, at the last minute, so Russians prefer to avoid the possible hassle of applying for visas.
- Wealthy Russians comprise an important element in the luxury travel market. They tend to be very big spenders, demanding high standards and exclusive service in everything – chauffeur-driven cars, personal shoppers and guides.

- There is no doubt that Russians are very enthusiastic travellers and it is no longer just the elite of Russian society that can afford to travel – although this is of course the most attractive market to target. Enthusiasm for travel abroad has also spread to the fast-emerging middle classes. And as their numbers grow, this will fuel further demand for outbound travel.
- All Russian tourists, whatever their socio-economic level, have a reputation as brand-conscious shopaholics.

COUNTRY PROFILE

Currency

- Rouble (Rb)

	2005	2006	2007	2008	2009	1 Jun 10
Rb per euro	35.17	34.11	35.01	36.58	44.14	37.95
Rb per US$	28.28	27.19	25.58	24.85	31.64	30.85

- The rouble fell sharply against both the euro and the US dollar in the last quarter of 2008, but by the end of May 2010 had very largely recovered against the euro. From a low of Rb46 per euro in August 2009, it rose very steadily to Rb38 per euro in May 2010.

Population

- The total population in 2010 is estimated at 140.4 mn, down from 148.5 mn in 1995. In its '2008 Revision', the United Nations expected it to shrink by a little under 0.4% a year in 2010-20.
- The decline in the population since the mid-1990s is attributed to social and health problems which followed the collapse of the old regime. These problems seem to be easing: life expectancy has recovered a little, to 67.9 years (61.9 years for men and 74.1 for women), and infant mortality has fallen back to 11 per 1,000 live births. But the fertility rate in Russia (the average number of children per woman) is estimated at only 1.5 – well below the notional 'replacement rate' of 2.1.
- The population density is 8 persons per km^2 and the urban population was estimated at 73% of the total 143 mn in 2005.
- Russia has 1,067 major cities, 11 of which have a population of 1 mn or more. The largest cities are Moscow, St Petersburg, Novosibirsk, Nizhny Novgorod and Yekaterinburg. Vladivostok and Khabarovsk, the two main cities in Russia's Far East region, both have fewer than 600,000 inhabitants.
- Moscow, the capital, has a population of about 10.5 mn and is the largest city in the country, as well as being the economic and political centre, the seat of the president, the government and the Duma (Parliament).

Age

Breakdown (%)	2010	2020[f]
0-4 years	5.4	5.4
5-14	9.6	11.3
15-24	14.4	9.9
25-34	16.3	14.7
35-44	13.6	16.1
45-54	15.7	13.0
55-64	12.1	14.1
65-74	7.4	9.7
75-84	4.6	4.3
85+	0.9	1.4
Total	100.0	100.0

- More simply, the population may be broken down as follows: 0-24 years: 29%; 25-59 years: 53%; over 60: 18%. This compares with world averages of 45%, 35% and 11%.

- According to the UN, the numbers of children and young people (aged 0-24) will fall by 13% by 2020 and those aged 25-59 will fall by 7%, while the numbers of those over 60 will increase by 20%.

Ancestry & Migration

- Russia is a multi-ethnic society. The largest ethnic groups include Russians (81%), Tatars (4%), Ukrainians (2%), Bashkir, Chuvash, Chechens, Armenians and Byelorussians (1% each). There are a great many other indigenous nationalities, often surviving in tiny numbers.
- Large numbers of Russians live abroad. Official data suggests there are about 15 mn in the countries of the former USSR (including 1.5 mn in Estonia, Latvia and Lithuania), 850,000 in the USA, 200,000 in Western Europe, 125,000 in Brazil and Argentina and 20,000 in Australia and New Zealand. Other estimates vary widely. There are also estimated to be about 1.0 mn emigrants from Russia in Israel.

Language & Religion

- Russia has similar religious diversity. There has been a resurgence in the numbers of people asserting a religious identity since the end of the communist regime, and over 60% of the population (and 80% of ethnic Russians) now identify themselves with the Russian Orthodox Church. 10-15% are Muslims (mainly but not exclusively in the North Caucasus and Volga-Urals region). However, more than 150 confessions can be found across the country.
- Over 80% of the population claim Russian – the official language of the country – as their mother tongue, although other languages are used in ethnic minority regions.

Economic Data

	2005	2006	2007	2008	2009[e]
GDP (Rb bn)	21,625	26,904	33,103	41,256	39,016
GDP (US$ bn)	764	989	1,294	1,660	1,229
Real GDP growth (%)	6.4	7.7	8.1	5.6	-7.9
GDP per capita (US$)	5,326	6,929	9,100	11,690	8,694
Inflation (%)	12.7	9.7	9.0	14.1	11.7
Unemployment (%)	7.2	7.2	6.1	6.3	8.5

Russia's Economy 2009-10

- The Russian economy made a formidable recovery after the economic crisis and default on its international obligations in 1998, riding a boom based largely on increased oil and gas revenues. However, the global economic crisis affected Russia particularly badly, partly because of the collapse in oil and gas prices, and partly because the heavily indebted state and major corporations found it difficult to sustain their international borrowings. GDP is estimated to have fallen by nearly 8% in real terms in 2009.
- With the recovery in international commodities prices, the prospects for the Russian economy have been improving in 2010. The IMF, in its April 2010 *World Economic Outlook*, predicted increases in real GDP of 4.0% in 2010 and 3.3% in 2011, implying that the economy will very largely have recovered the ground lost in 2009 by the end of 2011.
- The rouble fell heavily against both the US dollar and the euro in 2008-09, but has been strengthening steadily since September 2009 – very gradually against the US dollar, but more emphatically against the euro (which has been declining against the US dollar).
- Inflation surged to an average of 86% in 1999 in the wake of the financial crisis and has been a problem ever since. It remained stubbornly high in 2008-09, but fell back to 6.0% in May 2010 (which is still three times the average for OECD countries).
- In 2008-09, faced with difficulties in re-financing its debt and with an outflow of capital from the country, the government was forced to raise interest rates sharply, and they remain high. For instance, in April 2010 *The Economist* quotes 7.75% for three-month commercial loans and 5.75% for 10-year government bonds, compared with averages of 0.75% and 2.75% in the eurozone.

- Real disposable incomes were increasing by around 10% a year during the recent economic boom, reflecting increases in employment and in real wages. After a sharp set-back in 2009, they are forecast to resume growing by perhaps 5% a year over the next few years. The distribution of incomes has become more unequal – to the great benefit of those affluent enough to travel abroad regularly.
- The short-term prospects for the Russian economy look good, as long as international oil and gas prices remain high and international financial markets stable. However, the extent to which the Russian economy depends on oil, gas and minerals exports is worrying. There are many serious institutional and structural problems that could undermine prosperity if the prices of these exports were to falter.

TRAVEL PROFILE

Russian Outbound Trips

	2004	2005	2006	2007	2008	2009[e]
Total (mn)	24.4	28.5	29.1	34.3	36.5	29.9
% annual change	19.3	16.7	2.2	17.9	6.4	-18.0
Holiday trips (mn)	6.6	6.8	7.8	9.4	11.3	10.7
% annual change	16.3	3.5	14.3	20.5	20.2	-18.0

- Official outbound data from Goskomstat (shown above) should be interpreted with caution as it often differs substantially from other sources (see below, in 'Leading Destinations').
- The figures include same-day trips – mainly cross-border trips for shopping and shuttle-trading – as well as trips by those not classified by UNWTO as 'tourists', such as coach drivers and the crews of ships, airlines and rail companies.
- Holiday trips probably include some travel for business purposes, as visas for business trips are often more difficult to obtain.
- The average annual growth in total trips from 2003 to 2008 was 12%; that for holiday trips was 15%. Both total and holiday trips are thought to have declined by 18% in 2009, but preliminary indications suggest that 2010 will be a record year for Russian outbound travel.

International Travel Expenditure (excl transport)

	2004	2005	2006	2007	2008	2009[e]
Total (US$ bn)	15.7	17.3	18.1	21.2	23.8	20.8
% change	22.1	11.5	3.2	17.1	12.1	-12.5
Spend per trip (US$)	645	605	620	620	650	695

- The World Tourism Organization (UNWTO) ranks Russia as the world's ninth largest market in terms of travel spending. Spending increased in local currency terms by 13% a year from 2003 to 2008 to US$23.8 bn, but is estimated to have fallen by 12% in 2009.
- Average spending per trip (US$682 in 2008) appears to understate the spending power of Russian travellers who, according to most other sources, rank well up among the world's leading spenders on international travel. A high share of all spending is reportedly on retail goods.

Leading Destinations

Arrivals from Russia in European destinations ('000)

	Measure	2004	2005	2006	2007	2008
Ukraine	TFr	5,994	6,044	6,429	7,258	7,638
Turkey	TFn	1,594	1,856	1,842	2,455	2,866
France	THSr	301	339	401	499	594
Spain	TFr	252	298	342	427	509
Germany	TCEr	293	319	363	411	498
Finland	TCEr	190	221	299	386	477

Czech Republic	TCEn	164	186	240	322	418
Poland	TFr	na	685	710	545	410
Italy	TFn	141	175	212	246	397
Greece	TFn	142	182	261	200	309
Bulgaria	VFr	152	178	218	246	291
Austria	TCEr	149	109	134	178	264
UK	VFr	148	177	241	224	208
Cyprus	TFr	84	98	115	146	181
Croatia	TCEr	68	80	109	157	175
Switzerland	THSr	na	79	93	115	131
Montenegro	TCEn	16	41	61	102	118
Netherlands	THSr	58	94	83	89	101
Sweden	TCEr	66	65	83	93	100
Lithuania	TCEr	49	51	60	78	92
Hungary	TCEn	46	49	59	71	91
Estonia	TCEr	42	53	67	56	82
Latvia	TCEr	44	40	50	60	71
Norway	TFn	28	27	35	50	64
Portugal[a]	TCEr	30	26	36	47	64
Belgium	TCEr	38	49	58	59	62
Belarus	TFn	12	27	25	36	50
Slovenia	TCEn	15	16	17	22	29
Slovakia	TCEn	18	20	20	23	26
Monaco	THSn	4	6	7	11	17
Romania	TCEr	17	15	16	15	17
Serbia	TCEn	10	11	12	16	16
Moldova	TCEn	8	8	6	7	8
Albania	VFn	1	1	2	7	7

Notes: These figures represent arrivals as reported by the destinations according to standard UNWTO definitions – TF = tourists at frontiers; VF = visitors at frontiers; TCE = international tourists at all forms of commercial accommodation; THS = international tourists at hotels and similar establishments; n = by nationality; r = by country of residence, [a] From the Commonwealth of Independent States (CIS).

- It is particularly important in the case of visitors from Russia to be aware of the measures used by individual destinations. Many European countries count tourists arriving at commercial accommodation (TCE), but in some destinations tourists crossing the frontiers (TF) can be very much more numerous, and visitors (including same-day visitors) at the frontiers (VF) very much more numerous than either. For instance, in 2008 Poland recorded 196,000 TCE visitors from Russia, 410,000 TF and 1,290,000 VF. Finland recorded 477,000 TCE visitors and 2,331,000 VF visitors. Conversely, in some destinations, a visitor may be counted several times in the TCE counts, and/or not at all at some points of entry. Italy recorded 1,046,000 TCE visitors, but only 397,000 TF visitors in 2008.
- For similar reasons, very large numbers are recorded at the frontiers of many of the countries of the Caucasus and Central Asia (notably Kazakhstan, 1,106,000 VF in 2008) and China (2,123,000 VF). For comparison with the figures shown for European countries, in 2008 Egypt recorded 1,825,000 VF, Thailand 321,000 TF, Tunisia 236,000 THS, Israel 206,000 TF, the USA 143,000 TF, South Korea 136,000 VF and Japan 66,000 VF. The UAE is believed to receive over 0.5 mn visitors a year from Russia.
- Not many European countries have yet published their visitor counts for 2009. Among those that have, arrivals from Russia were down 15-25% in the Czech Republic, Austria, Cyprus, Croatia, Lithuania, Belgium, Slovenia and Romania, but held up well (or even grew by a few percentage points) in Bulgaria, Montenegro, Latvia, Norway and Serbia.
- The following table shows the official outbound data for 2005-08 and provisional data for 2009 published by Goskomstat. However, with the exception of Ukraine, data for CIS destinations is not included. ·This official data differs sharply from inbound arrivals in the respective countries (shown above), and the latter is considered more reliable.

Top non-CIS destinations for Russian Outbound Travel, 2005-2009 ('000 trips)

Destination	2005	2006	2007	2008	% change 2009/08
Finland	2,100	2,341	2,798	3,182	-5
China	2,170	2,352	2,881	3,167	-49
Turkey	1,903	1,830	2,395	2,718	-12
Egypt	770	1,002	1,410	1,610	4
Estonia	1,204	1,254	1,378	1,495	na
Germany	815	753	862	971	-9
Lithuania	793	838	878	745	na
Italy	308	365	482	548	-20
Spain	279	309	399	453	-19
Greece	200	257	306	419	-16
Poland	803	849	738	400	-16
France	335	279	309	373	-16
Czech Republic	183	200	245	304	-6
Thailand	84	163	263	301	-34
UAE	222	234	271	291	-16
Bulgaria	179	209	218	254	-4
UK	218	216	238	230	-9
Israel	126	115	152	215	15
Latvia	225	188	196	210	na
Cyprus	143	143	184	208	-11
Switzerland	120	131	147	173	10
USA	120	131	140	172	6
Tunisia	98	101	140	162	-20
Japan	164	149	161	139	-40

Notes: Excludes destinations belonging to the Commonwealth of Independent States, or the former USSR, many of which are important destinations. Figures for 2009 based on % change in first 9 months. Arrivals figures published by individual destinations differ (often widely) from these figures.

- The leading non-CIS destinations for Russian outbound travellers, in terms of outbound trip volume, are Finland and China, but a significant proportion of trips are for shopping and shuttle-trading.
- The top destinations for holidaymakers are Turkey and Egypt, and (on a smaller scale), Italy, Spain, Greece, Germany and Thailand.
- Most destinations suffered heavy declines in the first nine months of 2009, but anecdotal reports suggest that for some the last few months of the year and the first quarter of 2010 were rather better.
- Among the top 25 destinations, only Israel (+15%), Switzerland (+10%) and the USA (+6%) showed increases in this period – all building on strong results in 2008. (Israel became a visa-free destination for Russians in 2008).
- The heaviest declines were suffered by China (-49%), Japan (-40%) and Thailand (-34%). Trips to Poland have fallen particularly heavily in recent years.
- The trade reports that the leading New Year holiday destinations in 2010 included Egypt, Thailand, India (mainly Goa), the Dominican Republic and European ski resorts.

Purpose of Trip

- Official figures on the purpose of outbound trips are not considered reliable due to the large numbers of business travellers who report that they are travelling for leisure purposes in order to simplify visa and other processes. IPK International's Russia Travel Monitor suggested in 2006 that holidays account for 56% of total trips, other leisure (including VFR) for 19%, and business travel for 25%. The breakdowns reported by individual destinations vary widely.

- For instance, VisitBritain found that in 2008 the breakdown by main purpose of visit was 47% business (an unusually high proportion), 24% holidays, 19% VFR, 10% study and other. In 2009, the main purpose of visit to the USA was 35% leisure/holidays, 26% VFR, 21% business/professional and 10% conventions/congresses. Allowing multiple responses, 69% of trips involved leisure/holidays, 40% VFR, 25% business/professional and 11% conventions/congresses.
- For most Mediterranean destinations, the overwhelming majority of trips are of course for holidays, but many trips to Eastern Europe and Turkey involve cross-border trading or are primarily shopping trips.

Nature of Trip

- Russian travellers have a strong preference for 'sun & sea' destinations in warm climates. There is a growing tendency to combine a beach holiday with sightseeing or wellness.
- More specifically, most Russians (in all consumer segments) hope to take a winter break for the New Year holidays (1-10 Jan) to go skiing or to escape the cold weather on the beach in a warm country, and a summer holiday combining a stay at a beach resort and a sightseeing or city trip. The May and November holidays may be used for a short sun & beach trip or for a cultural or educational trip to a nearby destination (generally with a flight of no more than 4-5 hours). (See also 'Holidays & Seasonality', below).
- A preference for all-inclusive packages in the €600-€800 range establishes budget destinations such as Turkey, Egypt and Tunisia as important markets. However, longer-haul sun & beach destinations such as Thailand, Goa and the Dominican Republic have seen very rapid growth from the Russian market in recent years. The more affluent and experienced travellers are increasingly willing to try new, often exotic, destinations.
- The average length of sun & beach trips is around 10 days but travel to European destinations is often for shorter periods. VisitBritain says that 70% of visits by Russians to the UK are for 7 nights or less and 30% for 1-3 nights.

Holidays & Travel Seasonality

Public holidays

2010: 1-7 Jan, 22 Feb, 8 Mar, 1-3 May, 8-9 May, 12 Jun, 1-4 Nov and 30-31 Dec.

2011: 1-7 Jan, 21 Feb, 8 Mar, 1-3 May, 8-9 May, 12 Jun, 1-4 Nov and 30-31 Dec.

Note: The Russian Orthodox Church celebrates Christmas day on 7 Jan.

Holiday entitlement

State employees are entitled to 24 days holiday a year, in addition to the 10 public holidays. Other employees are typically entitled to 14-31 days holiday. Many also take additional days to extend weekends or national holidays (e.g. 1-10 or 1-14 January, 1-10 May and 1-7 November).

School holidays

The main school holidays fall in June through August and over Christmas and the New Year. In addition there are short breaks at roughly five-week intervals. So in 2010 holidays will fall roughly on 1-10 Jan, 20-25 Feb, 25-30 Mar, 1-10 May, 1 Jun to 31 Aug, 1-10 Sep, 1-9 Nov and 25-30 Dec.

- Wealthy Russians tend to take at least 7-10 days off to travel abroad every two months. Middle-class Russians take at least two vacations per year, including one to a sun & beach destination during the summer months. With the school holidays lasting three months (through June, July and August), most families with children plan to spend at least two weeks on the beach.
- The other main holiday periods are the Russian Christmas/New Year, when two-week trips are common (escaping the cold winters in Russia is a prime incentive for foreign travel), May and November.

Accommodation

- Mid-market to upscale hotel accommodation is preferred by the majority of Russian tourists abroad. They expect en-suite bathrooms and prefer larger rooms.
- However, an increasing share of Russians travelling abroad stay in their own properties – which a small but increasing proportion of Russians can afford to buy – or in those of family and/or friends.
- VisitBritain reports that, for Russian visitors in 2008, 38% of nights were spent in hotels and guesthouses, 10% in hostels, universities and schools, 4% in rented houses, 9% as paying guests and 37% as free guests with friends or family, 1% in their own homes and 1% in other forms of accommodation.

Leisure / Recreational Activities

- Apart from relaxing on a beach, Russians' favourite occupation on holiday abroad is shopping.
- Wealthier and more educated Russians are also interested in culture, history and pageantry, and increasingly like to participate in sporting activities.
- VisitBritain found that Russians were more likely than other visitors to shop and to visit historic buildings (churches, castles, monuments and houses), parks and gardens, museums and art galleries, and the countryside and coastline; for most other activities (except perhaps attending or participating in sports) they were close to the averages for all visitors. Business visitors are notably active in taking advantage of their trips to engage in these activities.
- In 2009 91% of trips to the USA included shopping, 82% dining in restaurants, 65% sightseeing in cities, 65% visits to historical places, 60% amusement or theme parks, 40% art galleries or museums, 38% the countryside, 36% cultural or heritage sites, 32% small towns and 28% nightclubs/dancing.
- European destinations remain very high on Russians' aspirational list. Remarkably, eight of the top ten "if money were no object" destinations on the Anholt-Gfk Roper Nation Brands Index in 2009 were in Europe: they were, in ranking order, Italy, France, UK, Japan, Germany, Australia, Switzerland, Spain, Sweden and Austria.

PROFILE OF TRAVELLERS

Nature of Overseas Travellers

- The total number of Russians who have travelled abroad is still only about 15% of the population, with a small core of affluent Russians making several trips a year.
- The most travelled segments among Russians, in addition to the very wealthy, are those working for foreign companies, banks, in the energy sector, or in government posts.
- A distinction should be drawn between the very affluent (Merrill Lynch estimated the number of 'high net-worth individuals' in 2008 at 97,000, down from 135,000 in 2007) and the prospering middle classes (earning US$1,000 or more a month), numbering about 25 million.
- Russian luxury travellers (over 300,000 people) tend to be young and active, with an average age of 44. The majority live in Moscow. They go abroad a few times a year, with family and friends, and spend on average €1,500 a day on accommodation. They prefer exclusive service in everything – chauffeur-driven cars, personal shoppers and guides. Their favourite pastimes are watching sports, shopping, gambling and going out.
- 'Funky young professionals' aged 20-30 years and the 'golden youth' – offspring of the very rich Russians – are also enthusiastic travellers and are more likely to opt for European destinations. Language courses and long-term education are popular.
- The prospering middle classes are very much more numerous and form the basis for the market for those all-inclusive cultural tours (often in Northern and Western Europe) and sun & beach holidays (often in Mediterranean Europe and North Africa) mentioned below. These travellers are also very status-conscious and keen shoppers (they tend to assume that the destinations are cheaper than Russia).
- VisitBritain says that 47% of visits to the UK from Russia are for business purposes. They stay in four- to five-star hotels and are not likely to extend their trip or bring their family with them. This segment is unusually (but not uniquely) important in the UK and accounts for the lion's share of spending.
- More than 40% of all Russian outbound travellers live in Moscow. St. Petersburg is the second most important source of travellers. Demand from big provincial cities such as Yekaterinburg and Novosibirsk had been growing faster than that from the capital, but it suffered more from the economic recession in 2008-09.

Travel Companions

- A significant share of holiday trips to European destinations involve families with children, although many couples do travel alone and leave their children back home – especially for short trips.
- Young people tend to travel in groups of friends.

- In 2008 about 55% of Russian visitors to the UK were travelling alone (an unusually high proportion: the average for all visitors is only 40%), 12% with their spouse, 7% with children, 4% with adult relatives, 12% with business colleagues and 7% with a tour group. Note that these figures are affected by the high proportion of business travellers among Russian visitors to the UK.

AIR TRANSPORT

Airline Traffic / Capacity

- In March 2010 45 airlines offered 1,123 flights a week between Russia and Europe, with a capacity of 153,381 seats (1% more than in March 2009). The summer schedules for 2010 allow for an increase to 1,328 flights with 186,071 seats in September.

Weekly scheduled flight/seat capacity from Russia to Europe (westbound only):

			March 2010		September 2010	
Airline	**Code**	**Alliance**	**Flights**	**Seats**	**Flights**	**Seats**
Aeroflot	SU	Sky Team	368	52,964	422	61,544
Lufthansa	LH	Star	108	15,219	116	17,542
Rossiya	FV	—	51	6,570	84	12,376
Turkish	TK	Star	43	6,455	47	6,715
CSA Czech	OK	Sky Team	40	5,616	40	5,616
Air France	AF	Sky Team	35	5,378	42	6,266
Transaero	UN	—	39	5,162	50	7,463
Air Berlin	AB	—	31	5,124	38	6,384
Swiss	LX	Star	29	4,884	28	4,718
Alitalia	AZ	Sky Team	28	4,645	30	4,967
Austrian	OS	Star	43	4,292	43	5,366
British Airways	BA	OneWorld	21	3,770	27	4,530
KLM	KL	Sky Team	19	2,945	21	3,255
SAS	SK	Star	21	2,809	26	3,504
Air Baltic	BT	—	36	2,619	41	2,958
Germanwings	4U	—	17	2,414	23	3,266
Finnair	AY	OneWorld	20	2,287	20	2,442
S7 Airlines	S7	OneWorld (intent)	16	2,120	23	3,160
bmi British Midland	BD	Star	13	1,937	14	2,086
Iberia	IB	OneWorld	11	1,551	16	2,256
Lot Polish	LO	Star	17	1,506	17	1,506
Niki	HG	—	8	1,472	7	1,230
Brussels	SN	Star	7	924	7	924
Aeroflot Don	D9	—	7	899	10	1,130
Kras Air	7B	—	7	895	6	798
Jat (Serbia)	JU	—	7	882	7	882
Malev Hungarian	MA	OneWorld	7	875	7	875
Adria (Slovenia)	JP	Star	7	720	7	720
Montenegro	YM	—	7	700	19	1,900
Bulgaria	FB	—	5	675	8	1,044
TAP Air Portugal	TP	Star	5	672	5	720
Utair	UT	—	14	658	16	752
Wind Jet	IV	—	4	596	6	894
Estonian Air	OV	—	7	483	8	590
Moskovia	3R	—	3	402	6	804
Continental (Russia)	PC	—	3	366	3	366
Eurocypria	UI	—	2	360	3	540
Meridiana	IG	—	2	302	2	302
Norwegian Air Shuttle	DY	—	2	296	2	296
Cyprus Airways	CY	—	2	248	3	372
Tatarstan	U9	—	2	226	2	226
Air Malta	KM	—	1	149	5	637
Arkhangelsk	5N	—	3	120	3	120
Polet	YQ	—	2	100	3	150

Severstal	D2	—	3	96	3	96
Vueling	VY	—	0	0	4	720
Blue Dart Aviation	BZ	—	0	0	5	610
MIAT Mongolian	OM	—	0	0	2	340
Orenburg	R2	—	0	0	1	113

Airports

- 15 airports in Russia have services to Europe, but the vast majority of flights come from just 3 – Moscow Sheremetyevo (50%), Moscow Domodedovo (23%) and St. Petersburg Pulkovo (18%). The others are Moscow Vnukovo, Adler-Sochi, Kaliningrad, Krasnodar, Kazan, Nizhny-Novgorod, Samara, Rostov, Ufa and Voronezh.
- About 70 airports in Europe have scheduled services from Europe, although not all have services in both summer and winter. There are notable increases in flights to Greece, Cyprus, Malta, Spain and Turkey in the summer. In the table below airports and capacities are shown as published in March 2010 (see above for airline codes). Since then a few additional flights have been announced (e.g. weekly flights by Wind Jet from Moscow and St. Petersburg to Pisa and Bergamo).

Weekly scheduled flight/seat capacity from Russia to European airports (westbound only):

			March 2010		September 2010		
Country	**Airport**	**Code**	**Flights**	**Seats**	**Flights**	**Seats**	**Airlines**
Austria	Vienna	VIE	70	7,887	74	9,424	OS, SU, UN, HG, FV, S7
	Salzburg	SZG	6	999	0	0	SU, 7B, FV, OS, UN
Belgium	Brussels	BRU	14	1,838	14	1,736	SN, SU
Bulgaria	Sofia	SOF	13	1,977	11	1,312	SU, FB, FV
	Varna	VAR	2	256	8	1,445	S7, FV
	Plovdiv	PDV	1	128	0	0	S7
Croatia	Zagreb	ZAG	4	464	7	1,016	SU
Cyprus	Larnaca	LCA	11	1,590	23	3,576	SU, CY, FV, UI
	Paphos	PFO	1	180	8	1,014	UI, UN
Czech Rep.	Prague	PRG	62	8,849	69	9,877	OK, SU, FV, D9
	Karlovy Vary	KLV	4	555	7	1,002	OK, SU
	Brno Turany	BRQ	2	266	3	363	7B
Denmark	Copenhagen	CPH	15	2,022	19	2,549	SK, SU
Estonia	Tallinn	TLL	7	483	8	590	OV
Finland	Helsinki	HEL	37	4,051	37	4,218	AY, SU, D2, FV
France	Paris	CDG	69	10,520	77	11,474	AF, SU, FV
	Nice	NCE	9	1,087	17	2,612	SU, FV
	Lyon	LYS	1	115	0	0	UN
Germany	Frankfurt	FRA	99	13,678	99	14,256	LH, SU, S7, UN, FV, D9
	Munich	MUC	58	8,815	63	9,850	LH, SU, AB, FV, YQ, S7
	Düsseldorf	DUS	38	5,070	43	6,003	SU, LH, AB, FV, S7, R2
	Berlin Shönefeld	SXF	29	3,796	28	3,870	SU, 4U, FV
	Berlin Tegel	TXL	24	3,405	30	4,549	AB, UN, LH, OM
	Hamburg	HAM	12	1,658	13	1,779	SU, LH, FV
	Hanover	HAJ	8	1,008	13	1,946	SU, S7, 4U
	Cologne	CGN	7	994	10	1,420	4U
	Stuttgart	STR	4	568	4	568	4U
	Dresden	DRS	2	266	3	348	SU
Greece	Athens	ATH	7	1,050	14	2,053	SU, 7B
	Heraklion	HER	0	0	9	1.525	FV, BZ, SU
	Thessaloniki	SKG	0	0	4	695	BZ, FV
	Rhodes	RHO	0	0	1	122	BZ

Hungary	Budapest	BUD	14	1,687	18	2,265	MA, SU
Italy	Rome	FCO	34	5,738	37	6,172	SU, AZ, FV
	Milan	MXP	23	3,753	24	3,877	SU, AZ, FV
	Venice	VCE	7	1,050	8	1,314	SU, FV
	Turin	TRN	4	527	3	378	AZ, IV
	Bologna	BLQ	2	302	2	302	IG
	Forli	FRL	2	298	4	596	IV
	Verona	VRN	1	149	0	0	IV
	Rimini	RMI	0	0	1	1,155	FV
	Catania	CTA	0	0	3	422	FV, IV
Latvia	Riga	RIX	43	3,431	48	3,770	BT, SU
Lithuania	Vilnius	VNO	14	658	14	658	UT
Malta	Malta	MLA	1	149	5	637	KM
Montenegro	Tivat	TIV	9	1,096	23	2,771	3R, SE, 7B, S7, FV
	Podgorica	TGD	4	400	8	828	YM
Netherlands	Amsterdam	AMS	37	5,291	40	5,737	KL, SU, FV
Norway	Oslo	OSL	7	1,046	8	992	SU, DY
	Tromso	TOS	3	120	3	120	5N
Poland	Warsaw	WAW	28	3,020	26	2,610	LO, SU
Portugal	Lisbon	LIS	5	672	5	720	TP
Romania	Bucharest	OTP	2	232	2	232	SU
Serbia	Belgrade	BEG	14	1,898	14	1,932	JU, SU
Slovakia	Bratislava	BTS	1	116	1	116	SU
Slovenia	Ljubljana	LJU	7	720	8	635	JP
Spain	Madrid	MAD	17	2,465	28	3,796	IB, SU, S7
	Barcelona	BCN	10	1,679	32	5,641	SU, UN, FV, VY
	Malaga	AGP	2	300	5	750	SU
	Alicante	ALC	0	0	2	297	S7, UN
Sweden	Stockholm	ARN	22	2,635	24	3,177	SK, SU, FV
Switzerland	Zurich	ZRH	28	4,352	28	4,354	LX, SU
	Geneva	GVA	18	2,986	21	3,038	SU, LX, FV
	Innsbruck	INN	5	698	0	0	OS, HG, S7, SU
Turkey	Istanbul Ataturk	IST	58	8,770	57	8,075	TK, SU, D9, 7B, FV, U9
	Sabiha Gokcen	SAW	10	1,409	10	1,409	TK, PC
	Antalia	AYT	8	1,215	25	4,981	SU, TK, FV
UK	Heathrow	LHR	66	10,795	76	12,105	BA, SU, UN, BD, FV
	Gatwick	LGW	1	151	3	372	FV

TRAVEL PLANNING & BOOKING

Travel Formalities

- Visas are required by Russians for most countries in Europe, but discussions about visa-free travel between Russia and the Schengen group are to be re-started. Turkey, the leading holiday destination, issues visas on arrival – one of the main reasons why the destination has become so popular – and in 2010 has agreed to eliminate tourist visas altogether for Russians. Croatia, Montenegro and Serbia also have visa-free access for Russians. Israel and Egypt (important competitors for European destinations), among others, also offer visa-free travel or visas on arrival for Russians.
- Visa requirements, formalities and costs reportedly vary sharply from one country to another – even between Schengen countries – and some will only issue a visa for the time the Russian tourist plans to spend in that particular country. This means, for example, that a Russian tourist wanting to travel through more than one Schengen country will not be able to do so with just one visa, say, for Austria (reportedly one of the strictest countries).

Travel Decisions

- Russians are notoriously late bookers, which is one reason why they prefer destinations that offer visa-free access or visas on arrival, such as Turkey, Egypt, Dubai, Tunisia and Thailand. Indeed, visa requirements limit the scope for last minute travel to many destinations, and make it difficult for airlines and tour operators to use last-minute offers to fill capacity to these destinations.
- VisitBritain, for example, says that about a third of Russian visits to the UK are decided between 1 and 3 months before departure. Only 9% are decided less than 1 week ahead of travel.

Booking Methods

- Although Russians frequently use the internet to compare prices of flights, hotels and package prices, very few actually book over the internet – partly because e-commerce is still not well developed in Russia (see 'e-Travel Resources', below), and partly because they need the support of travel agents for their visa applications.
- However, a small number of Russians do book hotels directly. These tend to be more experienced and independent travellers.
- A number of surveys in recent years have noted a shift from group to FIT travel. However, many destinations have also reported a shift towards all-inclusive holiday packages over the last five years (from 20% to 54% in Greece and 5% to 17% in Croatia and Montenegro, for instance).

Information Sources

- The key sources of information when Russians plan a trip abroad are the internet, word of mouth and travel agents. Although many Russians look for information online, a survey carried out by Global Market Insite a few years ago (in 2005) found that even internet users preferred personal recommendations for travel information. Travel agents still make plentiful use of brochures and their continuing influence should not be underestimated.

Internet & Media

- Internet World Stats puts the number of internet users in Russia at 45.25 mn (32.3% of the population) in December 2009. In December 2008, according to the ITU, there were 42.25 mn users (32% of the population, compared with a world average of 23% and typical figures of 65-75% in advanced economies).
- In December 2008 there were 30.5 mn internet subscriptions (21.5 per 100 inhabitants – not far short of the 30% or so common in advanced economies), but only 9.3 mn broadband subscriptions (6.6 per 100 inhabitants, compared with the 25-30 common in advanced economies).
- The most popular search engines are Yandex and RamblerMedia. Russians have become intensive users of social networking sites. ComScore found that in June 2009, of 31.9 mn internet users that month, 18.9 mn (59%) had visited at least one social networking site. The most popular are Vkontakte, Odnoklassiniki, Mail.ru and Fotostrana.
- In December 2008 there were 45 mn fixed telephone lines in Russia (32 per 100 inhabitants, compared with a worldwide average of 18.5 and commonly 50-60 in advanced economies). In contrast to most of the rest of the world, this number is still growing quite rapidly (by 4.9% a year in 2003-08).
- The numbers of mobile phone subscriptions is very high by any standards: 200 mn in December 2008 – 141 per 100 inhabitants, compared with a worldwide average of 59 and figures of 80-120 common in advanced economies. However, many people have more than one subscription, and it is estimated that around a third of the population do not have a mobile phone at all (a much higher proportion than is usual in advanced economies).
- The main television channels are ORT, RTR, NTV and (in Moscow) TVC. All are state-owned or -influenced, but also commercially oriented. Kultura (also state-owned) is intended to promote education and culture. Entertainment channels include STS, TNT, Ren TV, Muz TV (mostly music for youngsters) and MTV (the worldwide chain).
- Radio is also an important promotional medium, particularly for reaching affluent consumers: because of the heavy traffic in big cities, many receive more news and information from the radio than from TV.

- The most popular national daily newspapers are *Komsomolskaya Pravda*, *Moskovsky Komsomolets* and *Argumenty i Fakty*. Quality newspapers include *Vedomosti*, *Kommersant* and *Izvestia*. *Vedomosti* (published by Independent Media, which also owns the *Financial Times* and *Wall Street Journal*) is considered to be the least influenced by political and business interests, making it popular among Russian executives, managers and upper-middle class.
- Popular lifestyle and travel magazines include *Grazia*, *Domovoy*, *Departures* and *Cosmopolitan*, but consumer magazines were badly affected by the recent recession and are losing ground to their online counterparts, including *100dorog.ru* and *Travel.ru*.
- Leading trade magazines include *TTG*, *Tourbusiness*, *Tourism & Otdykh* and *Tourinfo*. Online trade publications include *RATA News*, *Tourprom* and *Tourdom*.

TRAVEL TRADE PROFILE

Structure of the Travel Trade

- Licensing for tour operators and travel agencies was abolished in 2007 and replaced by system of financial guarantees based on turnover. 1,548 outbound tour operators had been officially registered under this new system by the end of 2009, compared with over 5,000 licensed under the old system. Many of the smaller tour operators (including many specialists) amalgamated with the large operators or went out of business; many others converted themselves into simple travel agents to avoid the expense of registering as a tour operator.
- Direct sales may account for about 50% of tour operators' total sales, but the large ones now tend to deal less directly with end customers, preferring to develop a network of agents.
- There are also luxury travel agencies dealing with VIP clients, corporate travel agencies and an emerging MICE sector.
- Most of the market leaders are large Moscow-based tour operators, which are expanding into other important and fast-growing markets, such as St. Petersburg, Yekaterinburg and Vladivostok, and into smaller regional centres such as Samara, Rostov, Novosibirsk.

Tour Operators

Leading travel companies in Russia

	Turnover (US$ mn)		
Name	**2008**	**2009**	**Headquarters**
Intourist	938.5	715.5	Moscow
OTI Russia	541.9	591.6	Istanbul
Capital Tour	650.0	507.0	Moscow
Natalie Tours	650.0	485.0	Moscow
TUI Russia and CIS	243.2	469.2	Moscow
Neva	608.8	457.6	St Petersburg
S7 Tour	562.7	326.1	Moscow
Transaero Tours	200.5	170.7	Moscow
Biletour	162.9	161.0	Vladivostok
Academservice	164.8	135.4	Moscow
PAC Group	152.3	128.7	Moscow
Intair	123.4	127.3	Moscow
KMP Group	196.6	126.9	Moscow
Youznhy Krest	161.4	125.8	Moscow
Ascent Travel	182.5	122.3	Moscow
Biblio Globus	121.4	110.2	Moscow
Lanta-Tour Voyage	143.5	103.9	Moscow
Sunrise Tour	106.8	86.8	Moscow

Megapolus Tours	107.9	60.7	Moscow
Vodohod	63.0	54.1	Moscow

Notes: OTI Russia includes Coral Travel, Sunmar Tour, A-Class and Blue Sky. TUI Russia and CIS includes VKO Travel and Mostravel. Academservice and Vodohod are inbound specialists, not outbound players.

- There are about 20 major business tour operators specialising in organising trips, conferences, meetings and incentive trips for corporations – an extremely fast-growing market. Although many leisure tour operators have set up departments for business tourism, the specialised operators are still the strongest in the market. They include American Express, Carlson Wagonlit, BTI (Business Travel International) and the BSI Group.

Retail Travel Agencies

- There are said to be about 12,700 travel agencies spread across Russia, including 4,200 in Moscow, 350 in St Petersburg and up to 100 in other cities.
- The leading retail travel agency networks include Kuda.ru (selling mainly cheap packages to Turkey, Egypt and Thailand offered by Intourist, Tezz Tour and Mostravel), Hot Deals Shop (with 150 retailers all over Russia), TBG (160 travel agents, mainly selling products of the top ten tour operators) and VKO Travel (a network of 300 agents selling the tours of VKO Group). TUI, which has acquired several tour operators in Russia (see above), plans to establish a network of 200 franchised travel agencies in Russia and Ukraine in 2010, concentrating on offering mass-market sun & sea destinations.
- Travel agent brands are a novelty for the Russian market, but a few major brands have recently appeared on the market, such as Kuda.ru, Last-minutes offers, RFR Group, Seven Skakunov, Green.Ex and Mashina Vremeni.

E-travel Resources

- Online travel is still in its infancy in Russia. E-commerce in general is not well developed, partly because consumers are wary about security and partly because of practical difficulties. In 2007 Gemius found that 98% of internet users were aware of the possibility of buying things on line, but only 53% had ever made a purchase online. Total on-line retail sales were estimated at US$1.5 bn in 2007, of which only 2-3% was on-line travel. This would represent only 1-2% of international travel spending. But the numbers are, of course, increasing rapidly.
- In January 2010 Euromonitor reported that there were 119 mn debit cards and 10 mn credit cards in circulation in Russia in 2009 (it appears that the numbers of credit cards fell sharply in 2009). However, many Russian banks still do not allow clients to use credit and debit cards to make online purchases. In 2007 SpyLOG reported that 80% of e-retailers use couriers to deliver their goods to the customer and that couriers usually accept payment.
- The leading tour operators and travel agents all naturally now have their online services. The most popular travel search engines are Yandex.ru and Rambler.ru. Other online travel resources include Travel.mail.ru, Turism.ru, 100dorog.ru, TopHotels.ru, Travel.ru, RBCturist.ru, Tours.ru, Etur.ru, Gooddays.ru and Votpusk.ru.
- Online booking systems are evolving and Russian companies are investing in the development of advanced technology. The most well established online booking systems in Russia for business-to-business are Amadeus, Gullivers/GTA, Gallileo, Sabre and the Russian booking system Sirena (which is mainly used for domestic flights).
- International companies such as Kuoni, Travco and GTA have entered the Russian market with their own booking systems, and Russian internet-based booking systems have also emerged. The newest of them is TURY.RU, an accommodation and tour package booking system.

KEY TRENDS AND FORECASTS

Key Characteristics of Russian Outbound Travellers

- There is no doubt that Russians are very enthusiastic travellers and it is no longer just the elite of Russian society that can afford to travel – although this is of course the most attractive market to target. Enthusiasm for travel abroad has also spread to the fast-emerging middle classes. And as their numbers grow, this will fuel further demand for outbound travel.
- Russian travellers have a strong preference for 'sun & sea' destinations in warm climates, both for their 'winter breaks' and for their main summer holidays. But there is a growing tendency to combine a beach holiday with sightseeing or wellness.
- Russians abroad tend to be big spenders and very brand conscious. Their reputation as shopaholics is reflected in numerous surveys . As an example, Global Refund says that Russia is now number three after Japan and the USA in terms of global travel spending, accounting for a 10% share. And it is also one of the few markets to have increased spending in recent years.
- Wealthy Russians (the majority of whom live in Moscow) often travel abroad every couple of months, often travelling with family or friends. They spend freely and expect high standards, preferring exclusive service in everything – chauffeur-driven cars, personal shoppers and guides.
- Russians tend to be reserved with strangers and therefore may seem unfriendly at first, but once this reserve is broken are often friendly, generous and even boisterous; they like to have fun.
- Russian travellers are usually well educated, but communication, especially with older Russians, may be difficult (under the communist regime, learning foreign languages was not much encouraged).

Short-term Prospects

- Outbound travel from Russia has been a fast-growing market, due to the rapidly improving economic and operating environment in the country and the long-time denial of travel abroad to most Russians under the former regime.
- This growth was sharply reversed in 2008-09 because of the impact of the financial crisis on the Russian economy, but this reversal is expected to be short-lived (as was the reversal after the Russian economic crisis in 1998-99). Indeed, the latest reports suggest that outbound travel is recovering very rapidly and that 2010 will turn out to be an all-time record for Russian outbound travel.
- The exceptional growth in arrivals from Russia reported in some Mediterranean and Middle Eastern destinations (e.g. Turkey, Egypt, Israel, Tunisia, Dubai and Jordan) is often based on the ability to offer keenly-priced all-in packages combining sun & beach and a cultural or other diversionary element. Russians are also increasingly willing to travel further afield for similar attractions (e.g. in 2009-10, to Thailand, Goa, Cuba and the Dominican Republic).
- However, most destinations in Europe – even those which are not an obvious choice for a sun & beach holiday – have been sharing in the growing Russian demand for travel, and this is expected to continue.
- The type of trips to Europe will remain varied – from coach tours for many first-time travellers abroad to short city breaks, sun & beach holidays and touring holidays. FIT travel is likely to increase faster than group travel – at least among the more affluent Russians.
- The market is, however, very competitive. Operators and national tourism organisations (NTOs) need to monitor the Russian market closely so that they can adapt their products to match demand.
- NTOs without an office in Russia, but which are intent on entering the market, also need to seriously consider establishing some kind of presence – whether through a fulltime office, a shared office with the national embassy or airline, or some kind of marketing representation and/or general sales agent. The return on investment should more than justify the costs and efforts involved.

NOTES

[a] Multiple responses possible/percentages add up to more than 100%

[e] Estimates

[f] Forecasts

SOURCES OF INFORMATION

Principal statistical sources (by section):

- **Country Profile:** State Statistics Committee of Russia (Goskomstat); United Nations Department of Economic & Social Affairs Population Division; International Monetary Fund (IMF); International Labour Organization (ILO).
- **Travel Profile:** World Tourism Organization (UNWTO); Russia's State Statistics Committee (Goskomstat); VisitBritain; US Department of Commerce (USDC).
- **Profile of Travellers**: UNWTO; Goskomstat; VisitBritain; VisitBritain; USDC; The Travel Business Partnership (TBP) from various industry sources.
- **Air transport/Airlines**: SRS Analyser.
- **Travel Planning and Booking**: *ETC Media Review*; International Telecommunications Union (ITU); InternetWorldStats; VisitBritain; TBP from various industry sources.
- **Travel Trade Profile**: *TourInfo; Kommersant; TTG Russia*; TMI Consulting; TBP from various industry sources.

FURTHER INFORMATION

World Tourism Organization (UNWTO)	www.unwto.org
Federal Agency for Tourism (Rosturizm)	www.russiatourism.ru/eng/
Goskomstat	www.gks.ru/eng/
Russian Union of Travel Industry (RST)	www.rata.ru/

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