

# Tourism Industry Intelligence

Strategic Information for Decision-Makers

## Prospects for the Russian Market in 2001

August 2001

### A stabilising economy

Nine years after the collapse of the USSR, Russia is still struggling to establish a modern market economy and achieve strong economic growth. By the end of 1997, Russia had achieved some progress. Inflation had been brought under control, the ruble was stabilized, and an ambitious privatisation program had transferred thousands of enterprises to private ownership. **The Gross Domestic Product in 1999 stood at US\$620.3 billion and the real growth rate, 3.2%.**

### Outbound tourism

The single most important sector of outbound tourism for Russia is the shuttle trade. The shuttle trade refers to uncontrollable import-export business conducted by individuals and small enterprises. For the first three months of 2000, the shuttle trade was estimated at US\$2.6 billion. **In 1999, it is estimated that there were 12 million Russians arrivals worldwide, an increase of 2.4% over the previous year.** The gross propensity to travel abroad in 1999 was 7.5%.

### Favourite destinations

**The top destination for Russian travel in 1998 was Lithuania with 1.1 million arrivals** according to the *Gokomstat Rosii*. Other population destinations for travel were Finland (1.0 million), China (0.74 million), Turkey (0.71 million), Poland (0.55 million), Germany (0.51 million), Spain (0.26 million), United Arab Emirates (0.19 million) USA (0.18 million) and Italy (0.17 million).

### Length of stay

Russians stay abroad generally tends to be short, a reflection of frequent, brief, shuttle, trading trips as well as insufficient disposable income for long holidays. **The average length of stay is 4.2 days.** However, the length of stay varies according to country visited.

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### Seasonality

**On average Russians take one holiday a year in either July or August.** In January-March 22.7% of Russians departed the Northwest region in 1999. Over one-quarter (26.3%) Russians departed in the months of April-June, 32.1% departed in July-September and 19% in October-December.

### Purpose of trips

Just under **one-third (31.1%) of all trips abroad were for holidays** while 16.9% were for business purposes in 1999.

### Future prospects

The Russian economy is going through a tough period, however, there are signs of recovery in foreign travel. The number of holidaymakers making outbound trips from Northwest Russia increase significantly during the first 6 months of 2000 compared with same period in 1999. **It is expected that some 16 million Russians will travel in 2005, an increase of 28.1% over 2000.**

Source: *Travel and Tourism Intelligence, 2001.*

## Russia: Winners and Losers

	Country	%change 1999/98	No. of months	No. of arrivals
<b>South Africa leads</b>	South Africa	82.5	12	5,265
	Lebanon	29.5	12	5,944
	Morocco	21.2	12	4,530
	China	16.9	12	832,995
<b>Hong Kong and Iran are performing well</b>	Hong Kong	14.9	12	7,121
	Iran	14.4	12	11,911
	Macedonia	14.2	12	3,366
	Sri Lanka	2.0	12	3,183
	Belgium	-10.1	12	29,846
	Germany	-12.4	12	195,899
	Czech Republic	-16.1	12	235,807
	Poland	-17.2	12	1,160,000
	Greece	-21.5	12	104,910
	Finland	-53.2	12	1,001,000
<b>Croatia loses big market share</b>	Cyprus	-54.8	12	113,501
	Mauritius	-61.1	12	1,038
	Ukraine	-73.2	12	1,222,374
	Croatia	-105.7	12	9,001

Source: World Tourism Organisation 2001

## Market & Consumer Trends

### More Britons go online but want better service

The number of households with Internet access in the United Kingdom has increased by 40% up from 6 million in 2000 to 10 million according to OFTEL, the telecoms regulator. But UK Internet customers are reportedly not generally satisfied with the some 400 Internet Service Providers (ISP) who, it is felt, provide misleading information. Users also complain that Internet services are too expensive. Already, some 30% of users in the UK have changed their ISP because of poor service.

### 'Healthy breaks' at spa resorts are 'in'

Specialist tour operators are reporting **increasing demand for spa, health and fitness holidays** as people become more interested in maintaining healthy bodies and in coping with their stressful lifestyles. Spa holiday sales from the UK have increased by 40% on a yearly basis for the specialist operator *Thermalia Travel*, *Travel Trade Gazette* reported.

## Hotel & Resort Trends

### Slow summer for US hotels

**Hotel occupancies in the United States continue to decline with a 2.9% drop in occupancy to 69.1% in June 2001** compared to the same month last year as reported by *Smith Travel Research*. Declining room occupancy has been recorded in 21 of the 25 top markets in the United States while 10 of the top markets indicated a drop in room rates. Room rates for the period only declined slightly, from \$85.36 to \$85.32. **Poor sales of premium rooms were recorded in San Francisco, Orlando, Dallas and Boston.** Room occupancy fell from 91.4% to 75.9% in San Francisco, continuing a trend of declining occupancy for the year.

### Caribbean Hotel Chain to Expand into London

**Elegant Resorts, the Caribbean based hotel operator will be opening a hotel in London** as part of a campaign to increase its hotel base from 6 to 30 hotels in five years. The Caribbean chain which is supported by Cabot Square, bought St James Beach Hotels for US\$65.8 million.

## Jamaica launches high profile come back after urban riots

### Operation Grow

Jamaica's tourism officials have launched an intensive media and promotional programme in their major overseas markets named **Operation Grow**, to stem potential fall-off in arrivals in the aftermath of urban violence, and to revitalise the sluggish performance of the industry.

### 50% decline in bookings

The island's tourism industry rocked as images of street violence hit the international media resulting in as much as a **50% decline in bookings for several tour operators**, and cancellations of bookings for Meetings and Conventions for as far as 2003 and 2004 according to a *Ministry of Tourism* report. Forecasts of a 20% decline in the number visitor arrivals by the end of the year could mean a loss of US\$75.4 million in gross visitor expenditure, while a 40% drop could mean losses of up to US\$151 million, Jamaica's tourism ministry reports. In the UK, the fall-out may have not been as extensive as the US. Leading tour operators in the UK Thomson, Airtours, First Choice and Carrier reported few cancellations within the first weeks of the disturbances. Only a mountain tour was cancelled as a precautionary measure according to an *Airtours spokeswoman*.

### Falling occupancies

Visitor arrivals to Jamaica increased by 4% in the first quarter of the year, with arrivals increasing by as much as 7.5% in April. **Jamaica's overall repeat visitor rate is currently at a high of 40%.** But external threats such as the weakening American economy, a fall in the value of European currencies, loss of airlift and heightened competition in the US market disturbed Jamaican tourism officials even before the riots broke out. Before early July, many accommodation facilities were already discounting room prices due to falling occupancies according to tourism officials.

### US\$5 million advertising budget

Jamaica's tourism's interests are hoping that fortunes will improve with the high profile media campaign, **Operation Grow**, geared to shore up the island's image in the short term and to bolster arrivals from the major markets in the longer term. Featuring television advertising and promotions for consumers and the travel trade, the programme will kick off in the upcoming fall and winter months in the United States and the United Kingdom. **Of a total budgetary allocation of US\$5 million, some \$3.5 million will be spent on both television and print advertisement in North America, while £1.2 million have been earmarked for the UK** says Jamaica's Tourism Director, *Fay Pickersgill*. Operation Grow is partnered by Air Jamaica that is currently offering a **35% Off** sale in the television advertisements along with tour operators in the major gateway markets in the US.

### 'One Love' ads to run for 6 weeks

More than 2,500 Jamaica **'One Love'** advertisements will run for six weeks on major US networks such as NBC, ABC, CBS, WB and UPN across the US with emphasis on the south-east which provides 52% of visitors to Jamaica. The four-month UK media campaign commences in October and will run in the peak winter season months through to February of next year. The media campaign will be supported by travel agents' familiarisation tours of the island. Starting in the autumn in the US and the UK, over 1,200 travel agents will be flown to the island for three nights and four days. Some 20 meeting planners from the United States will be specially flown to the island to boost the Meeting and Convention market which was the hardest hit by media reports of the violence. 'Tele' press conferences with major trade and consumer media and familiarisation tours will also be conducted to encourage positive press reports on the island.

*Source: Contributed by Marcella Daye, Tourism Intelligence International, Germany*

## Editorial

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In the last decades of tourism development, much of the investment in hotels has been from developed Western countries to developing countries. Today Caribbean Hotel Brand, Elegant Resorts, is planning its first hotel in London. Is this the beginning of a trend? Sandals and SuperClubs all-inclusive style resorts in the US? We will keep you posted.

## Trends to Watch

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### Tourism Minister issues WAKE-UP CALL to British trade players

Amid forecasts for a likely 20% slump in overseas visitors to the UK in 2001, **Tourism Minister Kim Howells accuses industry players of not investing enough of the £64 billion annual earnings from the industry into higher wages and staff training.** The UK Tourism Minister said the industry had to stop treating tourism workers like migrant agricultural workers and aspire to something better by offering young people decent careers and not just seasonal work. The Minister's biting criticism ruffled private sectors interests already reeling from a fall in bookings in the wake of the foot and mouth disease. **But the recent foot and mouth outbreak this year may have been just a wake-up call for an industry already in decline.** A recent survey by the *British Incoming Tour Operators' Association (BITOA)* shows forward bookings down by 16% while arrivals are forecasted to fall by 16% over the year to 22.8 million. **In bound tourism had reached a peak of 25.7 million visitors in 1998, but fell to 25.4 million in 1999, and 25.2 million in 2000,** *Mintel* reports.

### Lastminute.com goes 'e'-rotic

Adult online shoppers at lastminute.com will be able to purchase edible underwear and subscriptions to pornographic publications and other erotic products. **The UK Internet company is hoping to tap into the lucrative online sex industry which was worth nearly \$700 million 1998.** Lastminute.com expects to break-even by March 2002.

### Storm guarantee

Guests to the **Westin Resorts Caribbean** - a group of three properties in the Cayman Islands, Puerto Rico and the US Virgin Islands are **being offered a hurricane guarantee** which gives them a free vacation if their vacations have been disrupted or cancelled because of storm. For guests to benefit from this programme they must take up the offer within one calendar year for the same length of stay. The offer which will be valid through December, is similar to other guarantees offered by Caribbean hotel resorts such as Sandals and SuperClubs.

## Destination Watch

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### Here comes Vietnam

**Travellers from the United States will be able to fly to Vietnam as permission has been granted to three US airlines to provide service to the country** in conjunction with third-country airline partners. Flights to Ho Chi Minh city in Vietnam will be provided based on code-sharing agreements between Delta, Air France, Northwest Airlines, Malaysia Airlines, KLM, United Airlines, All Nippon Airlines, Thai Airways and Lufthansa. Although American Airlines and Vietnam Airlines hope to begin code sharing next year, their current agreement does not cover direct service by US and Vietnamese carriers with their own aircraft.