

RUSSIAN TRAVEL MARKET TO DECLINE BY 40 PER CENT



Russian travel trade is hit by the recession. Head of Intourist travel agency however notices the positive side of the economic problems - survival of the fittest.

The president of the oldest and largest Russian travel agency Intourist (1929) Alexandr Arutyunov forecasts that the drop of Russian travel market will make approximately **40 per cent this year**. At the same time he sees the positive side of the drop in the possibility of recovery of the sector. Despite several popular surveys stating the opposite, Arutyunov also admitted that traveling (especially vacations at sea side resorts) was the first thing that Russians gave up in the crisis. "Tourism companies which were increasing their market share mainly by dumping prices and were relying on borrowed funds will not survive. Now travel agencies cannot get bank loans so easily and they have no resources for strategies like these... **Weak players with insufficient management will be forced to leave the market**, and this will lead to redistribution of their clients... Especially tour agencies which specialize in Turkey will suffer. Although according to our estimates this country will be the most popular this summer, it will not be profitable enough," said the head of Intourist.

With respect to the influence of the current recession on his own company, Arutyunov admitted a decline of package sales by 15-20 per cent in the first quarter. Talking about financial results in 2008, he said that the company's turnover is about 900 million USD and the number of clients is more than 1 million. As to the future of the oldest travel agency, Arutyunov sees good opportunity in joining forces with some of the big European companies.

He also estimates that domestic tourism in Russia will grow. "The main question is the price. I doubt that vacation in Russian resorts will be cheaper than in Turkey or Egypt this summer. It is not possible to compare the level of comfort in Russian resorts and in hotels in Turkey, Egypt, Tunis or Bulgaria. **Domestic tourism will definitely grow**, but it needs to be supported by further development and investment in the infrastructure. I suppose the peak of growth will be in 2014," says Arutyunov.

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Date: 2009-04-20

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