

TOURISM IN RUSSIA UNDER THE PRESSURE AGAIN AFTER THE PLANE CRASH



The evacuation of Russians from Egypt is yet another trouble for the long suffering tourism in Russia which will not be overcome by all businesses.

In 2014, a great number of travel experts discussed whether the sanctions imposed on Russia could have any drastic impact on the tourism industry. The effects were quite obvious. Last year was marked with a string of bankruptcies which ran on in 2015.

The first response to sanctions was the overseas travel ban for government officials and power ministries which deprived the travel industry of about 4 million of potential tourists. Even with these losses the industry managed to survive. By the middle of the summer 2014 it became clear that 4 million of travel restricted tourists is the lesser evil that affected only those travel agencies whose business was customized to government contracts.

However, the crisis, and as a result, the dollar rate that rose two times, played a low-down trick with all players in the travel markets with no exception. The first thing people began saving on was travelling. On the cusp of 2014 and 2015 most of the Russian tourists started to give up their holiday plans in favor of savings, even though at that moment people continued booking tours “by inertia” not wishing to throw over their habitual life style.

In 2015 the trend picked up. In the first quarter of the year the number of tourists decreased even compared to the already decreased fourth quarter of 2014. Long distance tours were affected the most since the cost of flights became unaffordable thanks to the currency exchange rate. The countries where the holiday cost depends directly on the dollar and euro exchange rate were harmed as well.

In summer 2015 the hypertrophied demand for internal destinations, Simferopol and holiday resorts of Krasnodar Region (South of Russia), saved the business a little. Travel agencies which shifted to domestic tourism and online travel agencies managed to gain some profit. For example, this summer in “Svyaznoy Travel” the demand for tickets to Simferopol increased 6 times as against last year.

In parallel to domestic tourism in Russia, the tour operators in Egypt and Turkey that depend on Russian tourists gave out discounts on lodging and subsidized charter flights within the frame of package tours. These two business lines kept the outbound tourism alive somehow. However, speaking from the perspective of travel business profitability the increased number of tours to the Russian South and the cheapest tours didn't pay off the losses caused by the dried out stream of international travelers. Those market players whose business was initially mostly oriented at internal flights were affected only slightly.

By autumn 2015 the players, so to speak, got accustomed to the new reality. But there came a new shock: Transaero's exit from the market. By all means, it is a heavy shock in particular for tour

operators. Transaero provided low market prices for charter flights. Now the flight costs have risen 30-50%. It has had a direct impact on the number of clients. After Transaero's exit, a range of travel agencies have become pre-bankrupt, particularly those whose business (for more than 90%) was based on Transaero's dumping prices and its exclusive routes. For many Russian tourists the possibility of affordable flights has disappeared.

Before the flights suspension to Egypt the demand for international destinations dropped by 50% and even more. Now tourism in Russia is going to face yet another dramatic decline according to the experts. Egypt has been the main destination for package-tour lovers because of its affordability and all-inclusive system. It is especially seen in winter and autumn when Russia can't offer any beach holiday alternatives. The closest and low-budget destinations are Tunisia and Israel. There are also affordable offers from Vietnam but there aren't any direct flights from Russia to the country. From the perspective of climate conditions Turkey is still an option but a few days ago the State Duma started discussing the flights suspension to this country for reasons of safety too.

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