

DOMESTIC TOURISM IN RUSSIA IS NOT ABLE TO COMPENSATE FOR CORONAVIRUS LOSSES



The Coronavirus pandemic has had a negative effect on the tourism industry worldwide. This is especially the case for foreign tourism, given the border closures in essentially every country in the world in the past couple of months. One of the countries that has been attempting to tackle the effects of the pandemic is Russia, as the country looked to compensate for the losses from international tourism with the income from domestic tourism.

Despite losses in the international tourism sector which are expected to reach \$8-9 billion by the end of the year, experts say that Russia 'has benefited' from the border closures. **The reason for this is that the expenditure of Russians abroad is bigger than what the country earns from foreign guests.**

In fact, the border closure and imposed travel bans allowed for more than \$30 billion, which would have otherwise been spent in Turkey, Greece and Cyprus, to stay in the country. This amounts to approximately 2 % of Russia' gross domestic product.

The Tourism Cashback Program

In addition to this fact, the government also introduced incentives to support the growth of domestic tourism in Russia. One of these was the tourist cashback program, which provided partial compensation of expenses for tourist trips around the country in the amount of 5 to 15 thousand rubles (\$65-200).

Experts in the tourism industry reported great interest from the Russian public in the program. The government even announced the second stage of the program at the beginning of this month, starting from October 15 to December 5.

Domestic Tourism in Russia Not Enough

However, the growth in demand for domestic tourism in Russia could not fully compensate for the losses in international travel. For example, last year TUI Russia sent 40,000 tourists on the domestic tours, while by the end of 2020, the company plans to send about 150,000 thousand people.

"For 2020, we were building a plan to double the total number of tourists, sending about 3 million people on vacation. This financial year will be unprofitable for the company, due to a decrease in the number of clients. Our revenue this year will be three times less than in 2019, and six times less than planned," said the company's CEO Taras Demura.

What Is Hindering the Growth of Domestic Travel?

But the problem is not only the almost complete lack of international tourism, but also the unsatisfactory state of domestic tourism in Russia. Today the country is behind a large number of foreign countries in terms of the development of this part of the sector.

According to the World Tourism Organization (WTO), the countries with the largest domestic tourism markets are India, China and the USA. Large markets in this area also include Japan, Brazil, France and Spain.

The first three countries, as well as Brazil, surpass Russia in terms of population, while the rest of the countries have a smaller number of inhabitants. Moreover, all the countries mentioned have a smaller territory. All of this means that the potential of domestic tourism in Russia is clearly underutilized.

Statistics Show Room for Growth

A number of statistical indicators also support the conclusion. In terms of the number of domestic tourists accommodated in hotels (per capita), Russia is significantly inferior to many large countries.

If in Japan the number is 2.5, in Thailand 1.6 and in Germany 1.4, then in Russia the figure is only 0.3. A similar trend is also observed in the number of overnight stays.

In terms of spending, the largest domestic tourism markets are the United States (\$1 trillion), Germany (\$249 billion), Japan (\$201 billion), the UK (\$154 billion) and Mexico (\$139 billion).

For Russia, the WTO does not provide data. However, in 2018, the gross added value of the entire industry in Russia amounted to 3.68 trillion rubles (around \$58.9 billion), which means that the volume of the domestic sector is even smaller.

Unsuccessful Cashback Program

Above we spoke about the tourism cashback program implemented by the Russian government and about the enthusiasm of experts in this regard.

However, there were some problems connected with this initiative. Firstly, the program was short-term (only 1 week). During this time, tours for only about 1.4 billion rubles (\$18.5 million) were sold.

Thus, the limit of allocated funds for this program (15 billion rubles - \$198 million) remained practically unused. Also, considering that the amount of compensation for tours around the country did not exceed 20% of the cost of the tour, in reality, no more than 280 million rubles can be spent on supporting Russian domestic tourism under the program, or less than 2% of the funds allocated for it.

The low demand was associated, among other things, with a low level of compensation. In a number of foreign countries, compensations were much higher.

For example, in Greece, employees of private companies were given vouchers worth about \$350 to travel domestically. In Italy, vouchers ranging from \$180 to \$600 (depending on family size) were provided for hotel accommodation. It is also important that these programs, as a rule, operate for several months, and not one week, as in Russia.

Systematic Planning Necessary

For domestic tourism in Russia to grow systematic measures are required. These measures must be aimed at improving the tourism infrastructure not only in regions traditionally dependent on tourism, but also in other destinations within the country that have tourism potential.

The current situation is somewhat unbalanced, seeing as the main tourism infrastructure (45% of all hotel rooms) is in the southern regions, primarily in the Krasnodar region and the Republic of Crimea, and in the large cities - Moscow and St. Petersburg.

The largest volume of investments is directed in the same regions, as it reached 66 % in 2019. 38% of such investments were directed only to Crimea. The rest of the regions remain out of the attention of the authorities, investors as well as tourists. This has to change for Russian domestic tourism to start making a difference on the market.

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