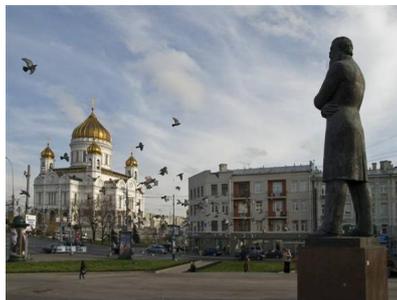


RUSSIAN TOURISM MARKET FIGHTS DECREASING DEMAND



Russian tourism industry has been facing decreasing demand and increasing prices. More than half of Russian travel companies is not satisfied with the current situation, stated a recent survey.

In the first half of 2011 the growth of the Russian tourism industry slowed down compared to the same period in the previous year. The main reason for the development were the political unrests in Egypt, Morocco and Tunisia - these are the findings of a recent report published by the Higher School of Economics (HSE). The study surveying more than 500 Russian travel companies focused on the business climate in Russian tourism in the first half of 2011.

The authors recorded decreasing sales over almost all key market indicators. **The return to pre-crisis sales was caused mostly by the socio-political turmoil in North Africa as well as increasing tour prices.**

"The tourism, particularly outbound tourism, returned to the pre-crisis sales, because of the increased prices of tours," said George Ostapkovich, market researcher quoted by Rbcdaily.ru. "The travel companies tried to offset the slowdown in demand by an aggressive pricing policy. Our findings show that growing prices of package tours were reported by about 40% of respondents."

Many tour operators pointed out the reducing demand. 40% of the surveyed executives estimated the level of demand for their travel businesses "below normal". Another 20% of companies described their economic situation as "poor", nearly 70% as "acceptable", and only 11% named the current situation "favorable".

Another factor affecting the market negatively are taxes - more than half of survey participants named taxes as one of the major reasons that impact the demand for travel services. Moreover, a third of tour operators complained about the lack of funds of potential clients, unfair competition, high rents, and insufficient demand. **Another third of the companies stated that their business is harmfully affected by the high costs of transportation, lack of a developed tourism infrastructure in the country, and lack of funding.**

Some experts do not agree with the results of the HSE study. For example, Vladimir Kaganer, CEO of Tez Tour, emphasizes that the demand for tours has grown this year, but the average trip cost did not: "We currently have more tourists than before, but they choose cheaper products and order fewer services." According to Mr. Kaganer, tour prices are growing only for some destinations. "For example, tours to Turkey rose by 15-20% due to cancelled tours in Egypt in February-April this year."

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