Expectations of Russian Tourists:
A View from the Russian Perspective

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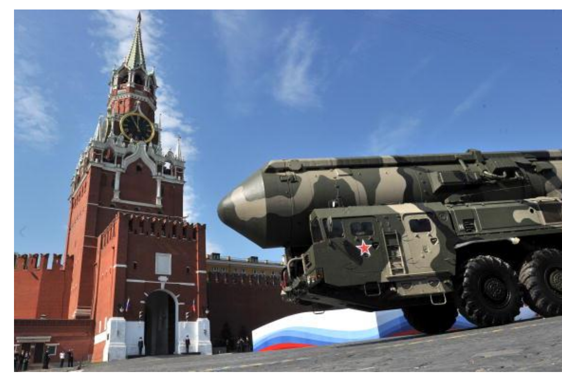
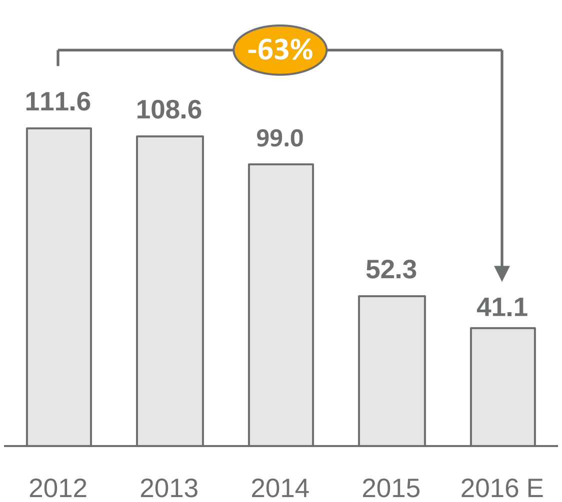
Prejudices Russia



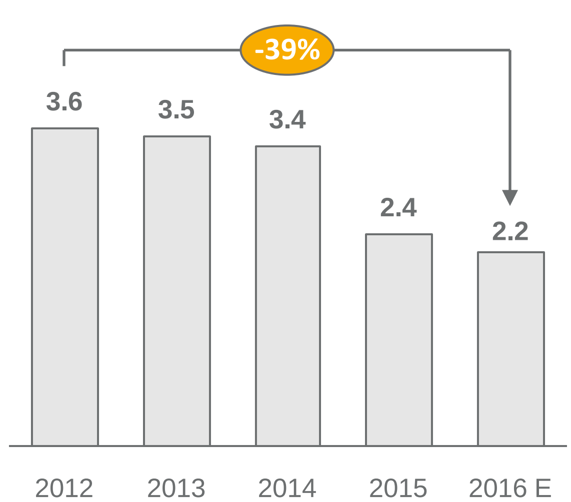
Price drop of commodities leads to economic downturn, accelerated by the Western sanctions against Russia

Major drivers for Russian economy

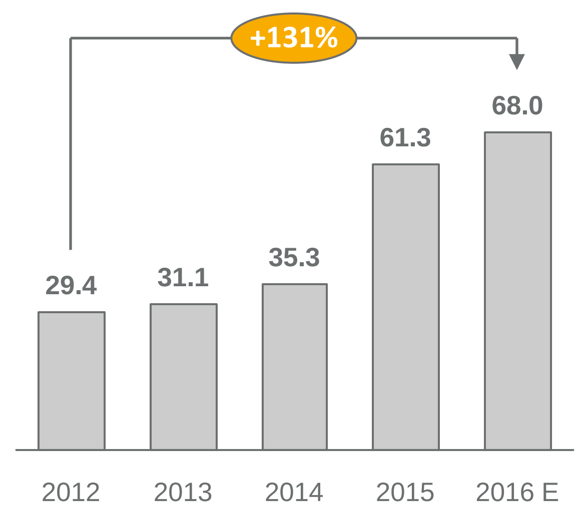
Crude oil price [USD/brl]



Natural gas price [USD/mmbtu]



FX rate USD / RUB



- After years of stability oil has sharply reduced giving the Russian economy a major hit

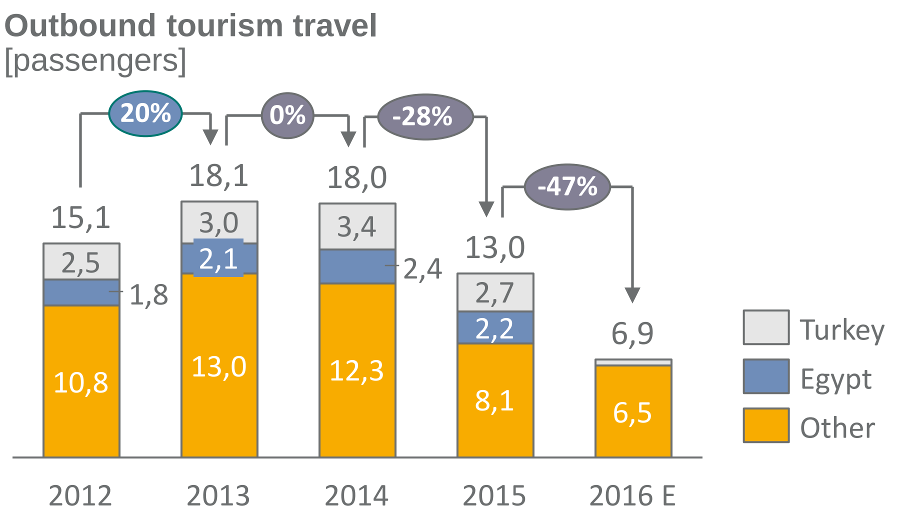
- Gas price has seen a dip already in 2012 and shows more stability in the current crisis

- FX was reacting most dramatic with huge impact on everything that is imported; sanctions are even worsening this

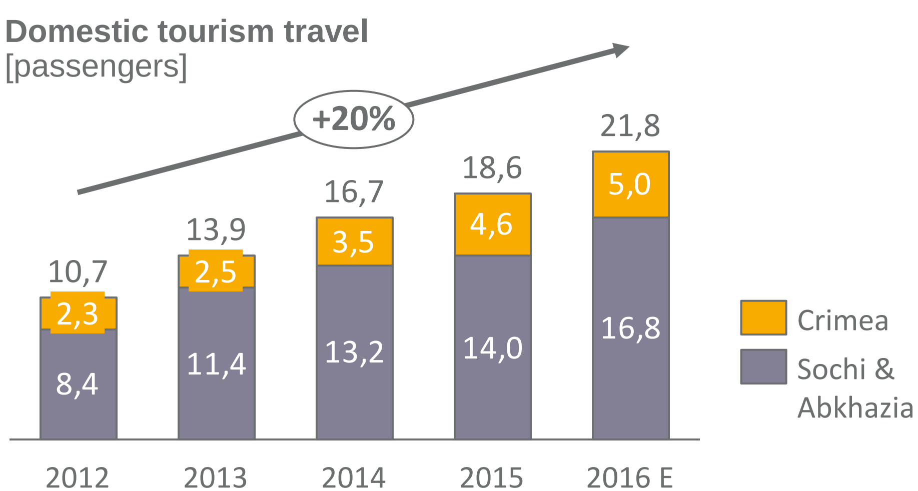
Economic and political factors put pressure on demand for outbound travel

- Economic downturn leading to recession. Although Russia is in much better shape than in 2008, it still struggles to generate growth
- Inflation and currency devaluation suppress demand especially for imported goods and trips abroad
- Ban on flights to Turkey and Egypt – the largest outbound destinations
- Massive support for Domestic travel as substitute of destinations abroad
- Restrictions for state officials to travel abroad – 4m people affected
- Tourism gaining political importance – regulating the market

Shift from Outbound to Domestic travel as growth generator



- Historic CAGR of 18% up to 2013
- RUB devaluation made outbound travel two times more expensive
- Bounce back expected in 2017
- Still market penetration very low at 5% compared to 30-40% in the EU



- Huge infrastructure projects for the Olympics (hotels, roads, attractions)
- As of 2013/14 large tour operators support this development
- Only 10-15% of the market is organized by tour operators

Germany as a destination for Russian travelers

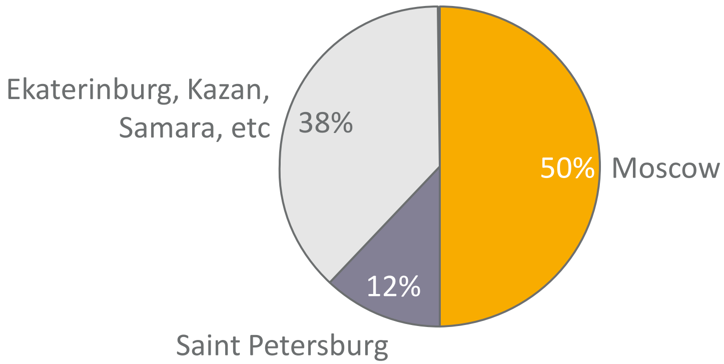
- Historically about 1.5m trips to Germany, more than half with tourism purpose
- Business people / VFR also could be counted as tourists
- In 2015 drop of 20%
- 2016 data not available but expected similar decrease
- Tourism mainly related to sightseeing / culture, events, skiing, shopping
- Mainly in large cities – Berlin, Munich, etc.

Moscow accounts for half of the travelers abroad

- Moscow – 12m inhabitants city, 16m metropolitan area
- Saint Petersburg – 5m inhabitants
- 12 further cities between 1m and 1.5m inhabitants
- Concentration in the West of the Federation

Population density

Main departure regions



Let's go!

Tour operators boosting the travel, key to a mass approach and large scale travel flow

Actual service providers

- HOTELS
- AIRLINES
- OTHER SERVICES

Bearing risk, **aggressive pricing**
Organizing the travel package

TOUR OPERATOR → **TRAVEL AGENT** → **TRAVELLER**

Intermediary on commission

End Consumer

- Turkey – from 1m to 4m travelers
- Egypt – from 0.4mto 3m travelers
- Thailand – from 0.1m to 1.5m travelers
- Latest case – Domestic travel

Travel and booking behavior

Booking behavior

- Very late booking behavior – 65% of Sales within a month before departure
- Trend towards individual travel – hotel and flight online, but not for beach holiday
- FX impact – lower category, later booking

Airline

- After bankruptcy of Transaero last year, Aeroflot holds >50% market share
- Major EU airlines cut their flight routes
- Government financially supports only domestic destinations

Destinations

- Most popular are non-visa destinations: Turkey, Egypt, Thailand, Dubai
- Difficulties to obtain EU visa in regions
- Mass destinations are supported by tour operators taking the charter risks

Retail

- Travel packages are predominantly purchased in travel agencies 97%
- Hotels, flights individually booked are purchased and fulfilled online
- Role of mobile commerce increasing

An ideal recreational destination

Visa free /
visa upon arrival

Value for money

Good tourist
infrastructure

Safe

Airport

If beach, ski or roundtrips –
supported by TO

Politically acceptable

Q&A

Spasibo !