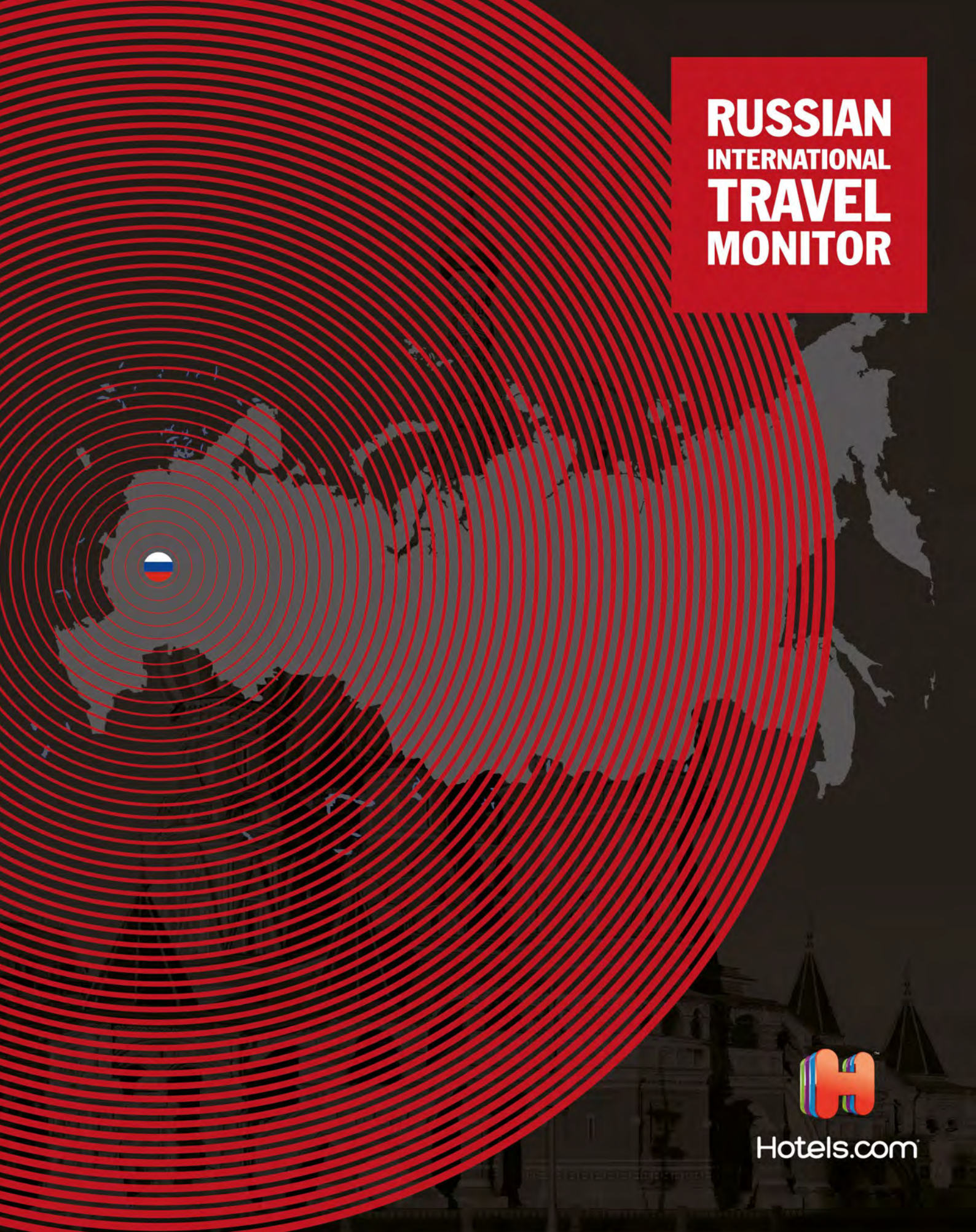


**RUSSIAN
INTERNATIONAL
TRAVEL
MONITOR**



Hotels.com

Methodology

For the Russian International Travel Monitor, **Hotels.com** carried out a global survey, canvassing the views of more than 2,500 hotel partners during June 2013 across all star ratings. Responses were received from Argentina, Armenia, Azerbaijan, Australia, Brazil, Canada, Colombia, Denmark, Estonia,

Finland, France, Georgia, Germany, Hong Kong, India, Ireland, Italy, Japan, Kazakhstan, Latvia, Lithuania, Mexico, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, UAE, UK, Ukraine, USA and Uzbekistan.

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Johan Svanström, President, Hotels.com

Until fairly recently, Russian citizens would take their holidays almost exclusively within the Eastern bloc and were banned from travelling further afield. How the world has changed. Now the Russian outbound market is one of the world's fastest growing markets with huge, relatively underdeveloped potential.

2

This is the first Hotels.com® Russian International Travel Monitor and it takes a look at this phenomenon from the perspective of hoteliers around the world, to see how they are reacting to a rapidly changing tourism scene and to show how they can benefit most from this new opportunity. We surveyed hoteliers around the world from Argentina to Uzbekistan representing all star ratings to collect their views on this topic and these form the basis of this report.

We found that Russian international travellers are becoming more confident and independent, particularly

as their spending power increases. According to Euromonitor International, by 2017, nearly 40 per cent of Russians will have an annual income of US\$25,000. As the middle class grows, their language skills are improving and they are increasingly comfortable with trying out local experiences and new destinations. The majority are already booking their travel online, generally within a month of travel, and they would prefer more help with Russian language materials and speakers on arrival at their chosen hotel.

Tourist boards are already flexing their muscles to tap into this new market – 2013 is Russia-Holland Friendship Year and also the Year of Italy Tourism in Russia, to name but a few of the marketing initiatives underway. Governments are jumping on the bandwagon by relaxing visa requirements or streamlining application processes – for instance, Jamaica and Fiji have both become visa-free for Russian

travellers this year while Germany and Spain have cut the time it takes for visas to be issued. Airlines are adding new routes, with the low-cost market on the increase as Wizz Air enters the Russian market, although airport infrastructure issues are currently limiting faster expansion in the short-term.

Hoteliers are generally responding well, with many already adapting their services and products to make Russian travellers feel more welcome, recognising that growth is for the long-term. Comments from the hoteliers are positive, with many acknowledging that Russians make polite and friendly guests.

We hope you enjoy reading the report and welcome your feedback. We look forward to hearing from you.

1. Market overview

Sleeping giant

According to the European Travel Commission, 35.7 million tourists from Russia took a foreign trip in 2012, up from just 7.7 million in 2006. The country has become a top performing growth market for many destinations and international outbound travel is forecast to grow by 7.5 per cent per year on average to 2017.

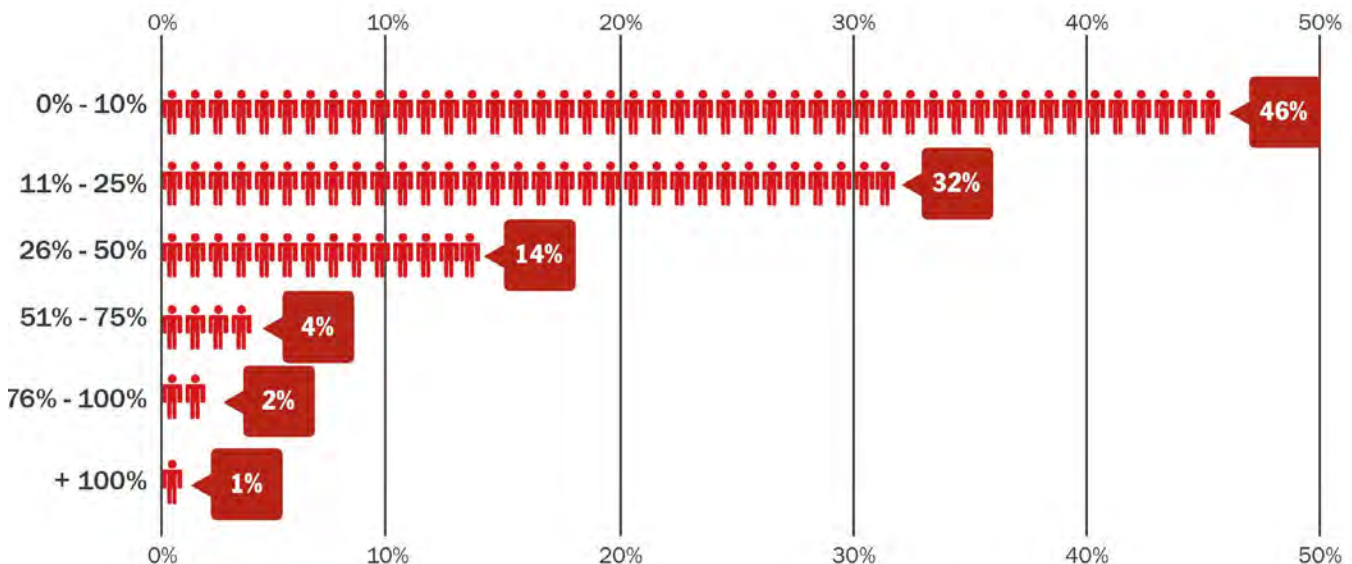
Many Russians still do not have an international passport. However, with a population of more than 140 million, there is still a huge untapped market for foreign travel that will create demand for different types of holiday and new destinations that are bound to make an impact on the pattern of world tourism.

Powered by political stability, rising average annual incomes and a growing middle class, spending abroad has also increased, with overseas travellers from Russia seeing an increase in spending of 32 per cent in 2012 to US\$43 billion. This moved the country from seventh to fifth place in the ranking of international tourism spend, as tracked by the United Nations World Tourism Organisation (UNWTO).

International hoteliers already have considerable experience of this development with 49 per cent seeing an increase in the number of Russian travellers at their properties. Of these, 32 per cent experienced an 11-25 per cent increase and 14 per cent an impressive 26-50 per cent rise. Ninety-two per cent expect to see this growth continue over the next three years.

3

Percentage of growth in the number of Russian travellers, as reported by hoteliers







Infrastructure issues hamper growth

Russia is a complex country, the largest in the world by landmass, covering nine different time zones with the two world cities of Moscow (Population: 11.5 million) and St Petersburg (Population: 4.8 million) plus 13 other major cities with a population of more than a million. More than 70 per cent of the population lives in an urban areaⁱ. Most international flights currently operate from Moscow, with only a limited number elsewhere, and much of the population travels on holiday by train.

Infrastructure improvements in the country, such as the modernisation of the airports to eliminate current capacity limits, will help relieve this issue in the longer term. Compared to other countries, the number of international low-cost air carriers (LCCs) is still quite low as legal restrictions are currently in

force governing items such as the provision of non-refundable tickets, meals on board and baggage fees. However, this is likely to change in 2014 as the state-owned carrier Aeroflot has announced plans to launch its own LCC called Dobrolet, once these restrictions are liftedⁱⁱ.

New routes are being added by scheduled and charter operators such as Wizz Air from Moscow to Budapest, hoping also to introduce flights to the Hungarian capital from St Petersburg. Transaero Airlines now has the right to operate seven scheduled flights a week from Moscow to Antalya and Istanbul in Turkey and Aigle Azure launched Moscow-Nice service four times a week in May 2013.

ⁱ Source: World Bank

ⁱⁱ Source: <http://www.aeroflot.ru/cms/en/new/33423>, retrieved 29th October 2013

2. Visa requirements for Russian travellers

Another major trend fanning the flames of the desire to travel is the simplification in the visa process offered by a growing number of countries which have recognised the value of attracting an increasing number of Russian travellers to bolster

their own tourist industries. Many countries already offer visa-free access for Russian travellers, particularly in Latin America including Brazil and Argentina. More information of the initiatives to attract more Russian custom can be found on page 19.

Visa requirements for Russian travellers



3. The Russian Traveller

With an average 40 days, Russians have more paid and public holidays than most other countries globally. Popular travel times for travel abroad include the winter break from 31st December to 9th January and 1st to 9th May period. There is a long summer break as schools are on holiday from 1st June until 1st September. August is traditionally the most popular time for family holidays.

Neighbouring countries to Russia currently attract the highest number of visitors but this is changing as Russian travellers become more self-assured. Forty-three per cent of hoteliers commented on the fact that Russians are now spending more money on their travels, 25 per cent remarked that they are showing much more confidence and 24 per cent said they are now much better at speaking the local language or English as an alternative.

Reason for travel

Hoteliers said that 62 per cent of their Russian guests travel for leisure, 18 per cent on business and 20 per cent a combination of the two.

Length of stay

Reflecting the fact that many enjoy sightseeing on their trips, Russian travellers typically make relatively short stays, with 50 per cent stopping for 2-3 nights, 34 per cent taking a longer 4-9 night break and seven per cent choosing 10 nights or more.

Travelling companions

A spouse or partner is by far the most popular companion when taking a trip abroad, with 32 per cent choosing this option, followed by 19 per cent travelling with friends. Only seven per cent journey alone.

Hoteliers also acknowledged that they had seen a more than 20 per cent rise in each of the categories of travelling with a spouse or partner, travelling with friends and travelling with family members.

Average length of stay for Russian travellers



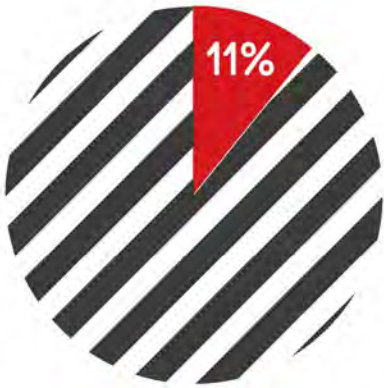
One night



2-3 nights



4-6 nights



7-9 nights



10-12 nights



More than 12 nights

Most popular travelling companions for Russian travellers

32%



Partner or spouse without children

19%



Friends

16%



Family members

15%



Partner or spouse with children

10%



Colleagues

7%



Alone



Booking habits

Despite a relatively low internet penetration rate of 47.7 per centⁱⁱⁱ, there are still 68 million online users in Russia. According to hoteliers, well over half of travellers (61 per cent) book their travel online with 53 per cent choosing an

online accommodation provider, using either a website or mobile app. Another sign of the growing confidence amongst this travel group is that fact that only 31 per cent rely on a traditional travel agent.

ⁱⁱⁱ Source: Internet World Stats

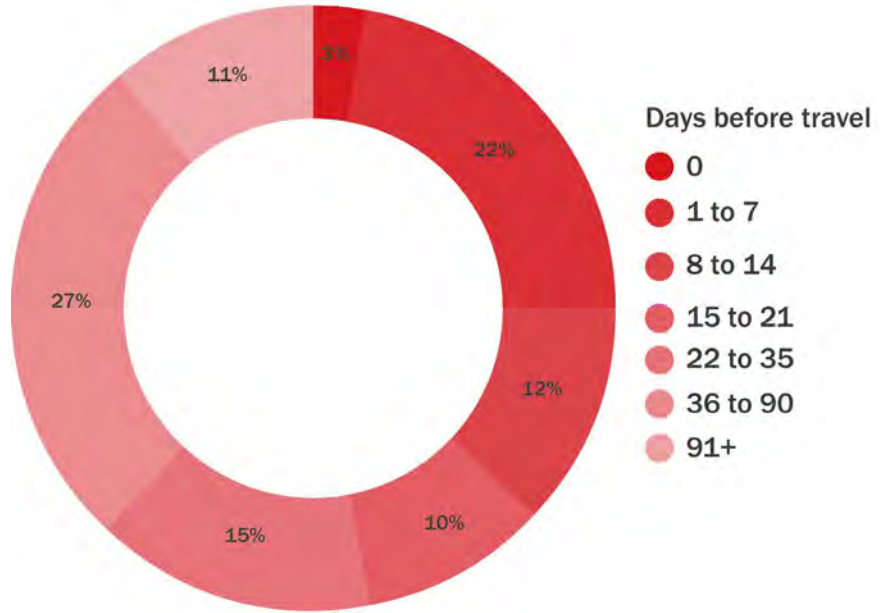
How Russian travellers book their accommodation



Looking at Hotels.com's own data, Russian travellers are last-minute bookers with three per cent booking on the day itself, 22 per cent within the final week before travel, and another 12 per cent from

eight to 14 days, with a total 62 per cent booking 35 days or less before travel. Just 11 per cent prefer to secure their accommodation more than 90 days in advance.

Russian travellers' booking window



Most popular activities

When asked what were the main activities that Russian guests enquired about during their stay, hoteliers report that sightseeing and shopping are the two top priorities, followed by dining and visiting beaches.

Gambling received the lowest number of votes. As the pastime has been banned across much of Russia since 2009, many wealthy Russians have to travel abroad to gamble legally.

Main activities enquired about when visiting a hotel



70%
Sightseeing



65%
Shopping



48%
Dining



35%
Visiting beaches



25%
Visiting museums,
art exhibitions etc.



20%
Attending events –
theatre, concerts,
comedy shows, etc



10%
Visiting wineries



8%
Taking part in sport
golf, sailing, etc



7%
Visiting the
countryside,
rural pursuits



6%
Gambling



INSPIRE DU NOUVEAU FILM EVENEMENT DE (0)

4. Hotel hotspots for Russian travellers

The RITM found that most Russian travellers make good use of the hotel's amenities with food and beverages top of their spending list.

More than half the hoteliers surveyed said that Russians spent the most money in the

restaurant and the bar during their stay, with Wi-Fi and the minibar also proving popular.

The least productive facilities, as far as Russian guests were concerned, were the gym and in-room entertainment.

The hotel services where Russian guests spent most money, according to hoteliers



56%
Restaurant



50%
Hotel bar



26%
Minibar



24%
Wi-Fi



21%
Room service



15%
Spa



8%
Telephone calls



5%
Gym



4%
In-room entertainment

Tips for top service enhancements

This section looks at the hotel services and facilities most requested by Russian travellers and tracks the response of hoteliers to meet those requirements.

Free Wi-Fi received by far the highest percentage of requests (79 per cent) but hoteliers have already recognised and reacted to this desire with 77 per cent already offering it and

another six per cent planning on introducing it in the next 12 months.

Russian language materials were also a priority in terms of Russian TV programmes (50 per cent), in-house Russian-speaking staff (39 per cent), translated guides (35 per cent), and the hotel website in Russian (34 per cent) and hoteliers have more catching up to do in this area. Russian newspapers and magazines

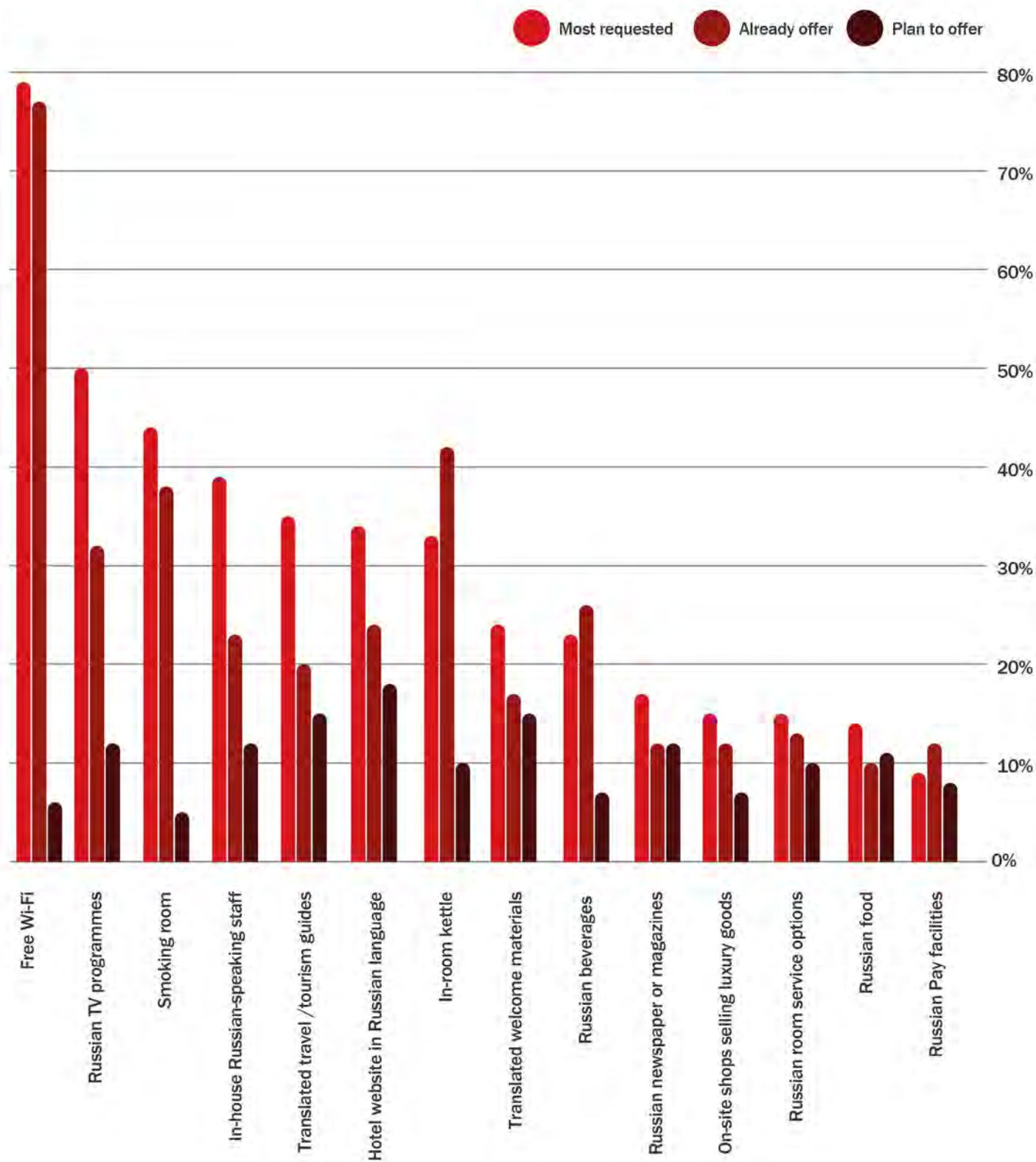
were deemed less necessary (17 per cent).

Smoking rooms were also still a key concern recognised by 44 per cent.

Russians seem to be quite happy to sample the local cuisine with only 23 per cent requesting Russian beverages, 15 per cent Russian room service options and 14 per cent Russian food such as borsch in general.

Facilities that hotels already offer their Russian guests or are planning on offering

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5. Where Russian travellers go

Looking at Hotels.com's own data from its Hotel Price Index™ for the first half of 2013, the chart of the most popular overseas destinations for Russian travellers was an eclectic mix of short and longhaul favourites with winners and losers close to home and farther afield.

Europe was by far the most popular region, holding 14 of the Top 20 slots. Paris held on to the top spot, Rome moved up one to take second place and Madrid shot up the chart as the highest flying new entrant at No 3. Three destinations rose four places: Barcelona to No 4, Berlin to No 10 and Istanbul to No 13. London was up three to No 9. Others saw their popularity slide with Riga

down three to No 14, Milan down two to No 7, Munich also down two to No 12 with Prague and Vienna both slipping one to Nos 5 and 8 respectively. Helsinki was another new entrant at No 17.

There were three US cities on the leaderboard but their popularity was on the wain. New York was down two to No 6, Miami lost four to No 18 and Los Angeles left the table. However, Las Vegas was a newcomer at No 20, showing the growing interest in gambling overseas.

The rest of the chart was taken by Asian destinations. Phuket fell two to No 11, Hong Kong rose one to No 19 and Koh Samui came in at No 16.

Top overseas destinations for Russian travellers Jan - Jun 2013

1	2	3	4	5
PARIS	ROME	MADRID	BARCELONA	PRAGUE
6	7	8	9	10
NEW YORK	MILAN	VIENNA	LONDON	BERLIN
11	12	13	14	15
PHUKET	MUNICH	ISTANBUL	RIGA	AMSTERDAM
16	17	18	19	20
KOH SAMUI	HELSINKI	MIAMI	HONG KONG	LAS VEGAS

Destinations with the highest search increases

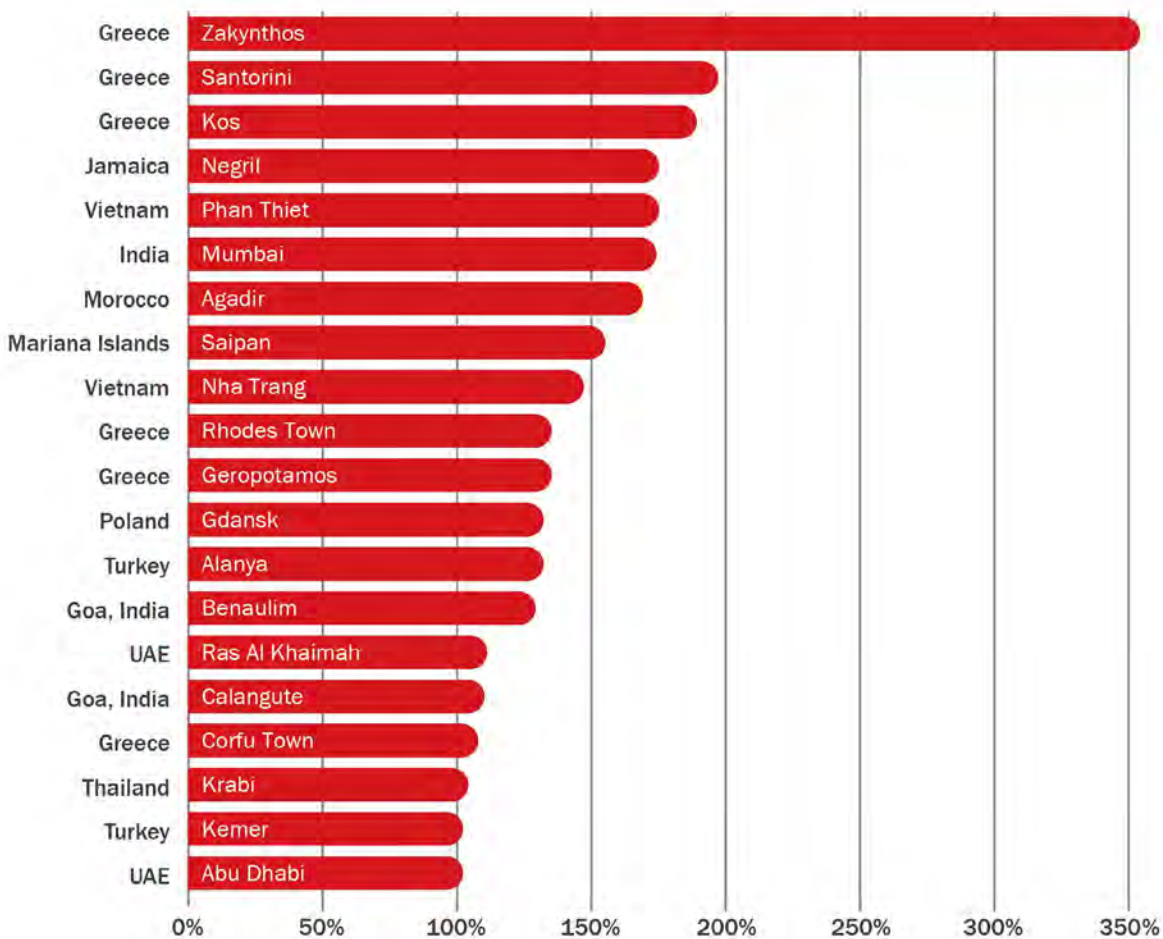
Looking to the future, several Greek destinations appear in the chart of destinations showing the highest percentage growth in searches on the Hotels.com Russian site in the first nine months of 2013, when compared with the same period in 2012.

Zakynthos (354 per cent), Santorini (197 per cent), Kos (189 per cent) occupy the first three places with Rhodes

Town and Geropotamos tied in tenth place (135 per cent) and Corfu Town at No 17 (108 per cent).

Other beach destinations feature high up the chart. Jamaica's Negril saw a 175 per cent increase, as did Phan Thiet in Vietnam. The city's tourism district of Mui Ne is a popular destination for Russian tourists and many of the restaurants and resorts are Russian-owned.

Destinations showing the highest percentage increase in searches for Jan-Sep 2013 compared to Jan-Sep 2012



6. Where Russian travellers spend the most

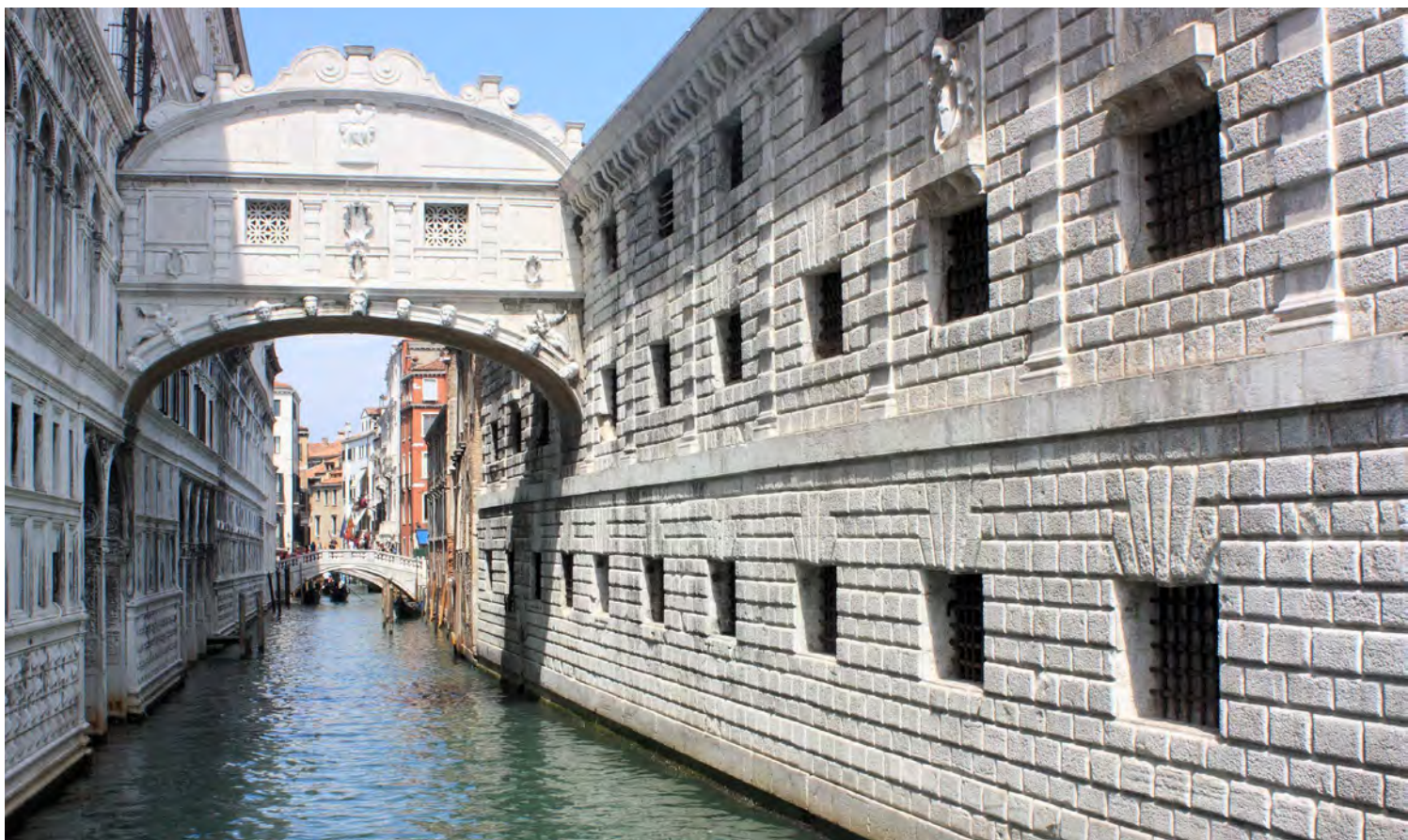
This section looks at the average prices paid by Russian travellers for their hotel accommodation on the Hotels.com Russian website during the first six months of 2013, compared with the same period in 2012, according to the Hotels.com Hotel Price Index for that period.

At the top of the table, high occupancy levels and more upmarket hotels drove the average price paid in Dubai up by 27 per cent over this period to 12,506 RUB. Emirates is using its new Airbus A380 super-jumbos on its daily nonstop service from Moscow to the Emirate which is helping to encourage more visitors.

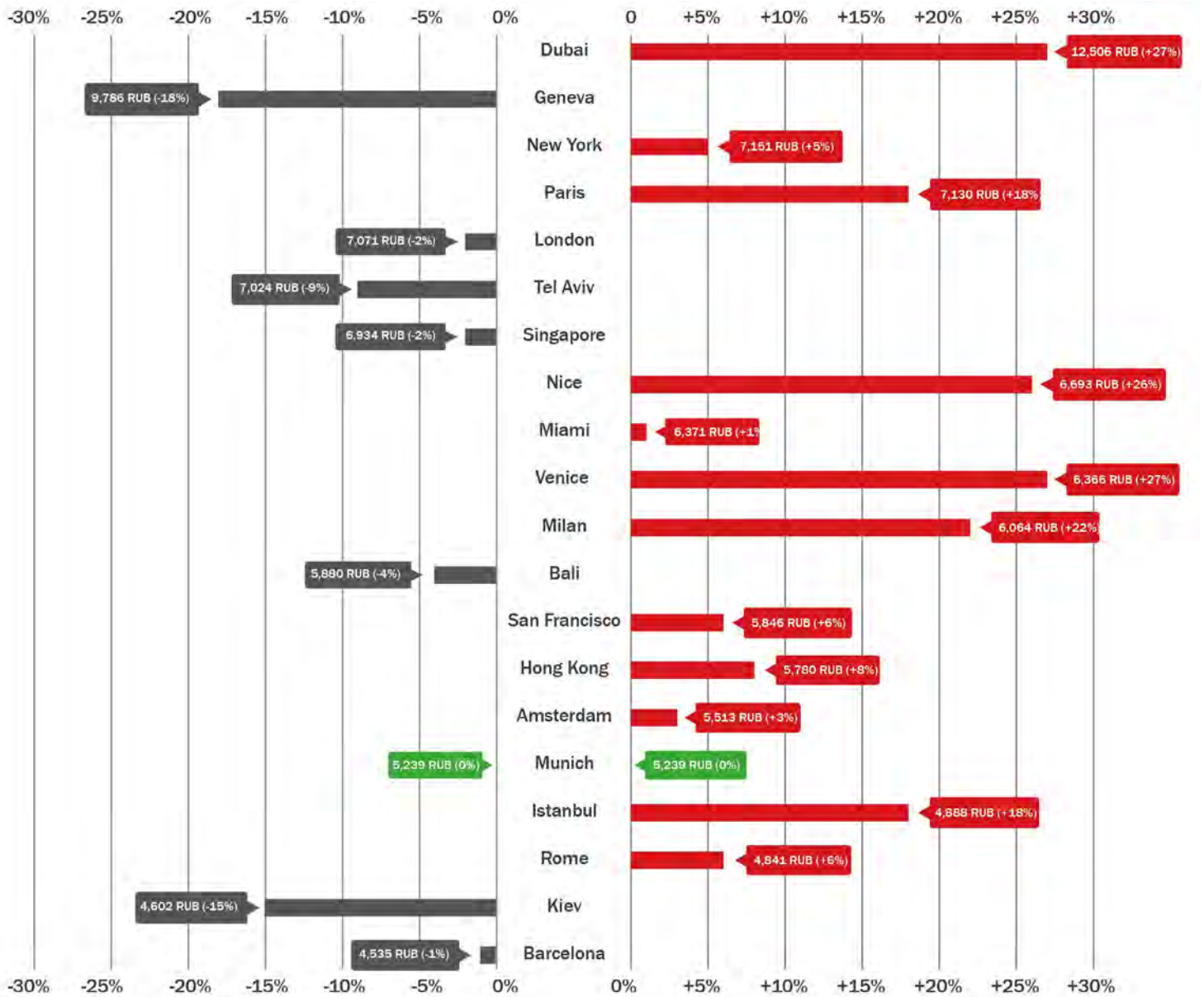
Prices in second-place Geneva have traditionally been high as around 70 per cent of visits are business-related but the average dropped 18 per cent to 9,786 RUB during this time as occupancy fell. In third place, New York has long been the US destination where Russian travellers paid the most and the start of the year saw a further rise in its average of five per cent, taking it to 7,151 RUB.

Rates paid in the Top 20 destinations fall away quite rapidly further down the table with popular destinations such as Barcelona offering a good value 4,535 RUB, Kiev just higher on 4,602 RUB and Rome on 4,841 RUB.

17



Top 20 average hotel prices Jan - Jun 2013 compared with Jan - Jun 2012 by city



7. Country initiatives

Brazil



In line with most of South America, Russian travellers to Brazil have not needed a visa since 2008 and can stay for 90 days for tourism, business or study. The country is keen to make the most of its time

in the global spotlight with the World Cup in 2014 and the Olympic Games in 2016. Russian travellers are a particular focus as they are associated with higher levels of spend.

China



According to the China Tourism Bureau, for the first six months of 2013, more than a million Russians visited China, ranking them first among European tourists by some margin and fourth overall behind

South Korea, Japan and the USA. The China-Russia Tourism Year programme, which began in 2012 with the Tourism Year of Russia in China, aims to foster tourism ties and exchanges between the two countries.



Russia has consistently been the No. 1 country for both inbound visitors and registered overnight stays in Finland for some years and, in 2012, recorded 3.6 million visitors. Despite sharing a border, Finland still requires Russian visitors to have a visa to enter the country. Plans to relax this requirement are closely tied to plans of modifying visa requirements between the EU and Russia. Complete visa freedom is not likely before 2018 but Finland has already set up a committee to prepare for the change.

Nearly 80 per cent of Russian visitors to Finland arrive from the nearby St. Petersburg area. Travel agencies have reported a decrease in demand, yet visa applications to the Finnish consulate are on the rise, pointing to the

fact that Russian travellers are making their plans increasingly independently with the help of the internet. One reason for the growing number of Russian visitors is the renewed rail connection between St. Petersburg and Helsinki. The Allegro trains, introduced to the route in December 2010, replaced older trains and cut down the travel time from 5½ hours to 3½ hours.

The official visitfinland.com has organised a social media campaign targeting Russian visitors during 2013, aiming to encourage friend recommendations by satisfied Russian travellers. In addition, they are planning on boosting the 2013/14 winter season through radio advertising, with a focus on the Moscow area.

Germany



The number of Russian travellers to Germany has increased from 1.2 million in 2009 to 2.3 million in 2012. The German government has recently made a few important changes to the visa requirements for Russian visitors (German Schengen-Visa). The process has been outsourced to an external service provider

to make the programme quicker and more efficient for Russian travellers. Visa applicants no longer need to have personal interviews with the authorities and don't have to hand their application in personally. This can be done by another authorised person, saving time and inconvenience.

Hong Kong



Since 2009, there has been mutual visa-free access to the nationals of the Russian Federation and permanent residents of the Hong Kong SAR for a stay of up to 14 days. Thanks in part to these arrangements, in 2012,

there was an increase of 41 per cent in arrivals from Russia. During 2013, the Hong Kong Tourist Board extended its promotional activity beyond Moscow to St Petersburg, Siberia and the Far East with the objective of

drawing Russian visitors to Hong Kong during the winter, a popular travel season for Russians. Numbers have also been boosted by the increased flight capacity between Hong Kong and Vladivostok. Capitalising on the new visa-free

arrangement for Russian residents introduced by the Macau AR Government, the HKTB is working with the Macau Government Tourist Office to promote Hong Kong-Macau itineraries to Russian consumers.

India



In October 2013, the Indian government introduced several new measures including extending its visa on arrival programme to 40 countries including Russia. An Indian Tourism Office has opened in Moscow as a move towards increasing the flow of Russian tourists to India. Russians presently constitute the largest

contingent of charter tourists to Goa, with around 600 flights from Russia arriving annually, helping to fill the gaps left by a fall in number of visitors from Europe. However, Russian tourists increasingly venture beyond the traditional destinations to places such as Kerala, Orissa, Ladakh, and the Andaman Islands.

Norway



There are no plans to relax visa requirements for Russian travellers to Norway but the Norwegian government is funding Innovation Norway's marketing campaigns in the country. Russia has been a

focus market for the last five years and Innovation Norway is now working on four different campaigns focusing on summer fjords, fishing trips, family ski holidays and the Northern Lights.

Singapore



Visa requirements for holders of diplomatic and official passports are being lifted, which will help to pave the way towards greater connectivity and ease of travel between Russia and Singapore. According to the Singapore Tourism Board, around 70,000 Russians

visited Singapore in 2012, a record number, up 16 per cent on the previous year and a significant increase from only 12,000 visitors 10 years ago. Singapore is also home to an estimated 5,000-strong Russian-speaking expatriate community.



According to the Institute of Tourism Studies of Spain, inbound tourism from Russia exceeded one million visitors in 2012 for the first time. During the first half of 2013, more than half a million Russian tourists visited Spain, which is 34 per cent more than the same period in 2012. The increase is attributed to more nonstop flights, relaxed visa rules and the growing interest in Russia's middle-class in taking foreign holidays.

Earlier on this year, a new visa office opened in Moscow and the visa process was streamlined. In the past,

applications could take a month but this timeframe has now been shortened to five days. Multiple entry visas also mean that Russian travellers can visit the country several times in one year.

This growth represents an important boost for the country's tourism economy, particularly as the number of visitors from more traditional European markets fell during the economic crisis. Russians seek out the sun and sand destinations on the Mediterranean, particularly Catalonia.

8. About Hotels.com

Hotels.com is a leading online accommodation booking website with more than 240,000 properties around the world through the Expedia® group network, ranging from international chains and all-inclusive resorts to local favourites and bed & breakfasts, together with all the information needed to book the perfect stay.

Starting as a telephone service in 1991, the first website was launched in the US in 2002 with the first international version introduced in the UK later that year. There are now more than 85 Hotels.com sites worldwide in Europe, North, Central and South America, Asia Pacific, the Middle East and South Africa, the majority of which are in localised languages. The Russian site opened in 2006.

Hotels.com benefits from one of the largest hotel contracting teams in the industry, constantly working to bring more hotels to the sites and ensuring best value pricing for its customers with frequent sales, special deals and promotions. Regular customer e-newsletters provide exclusive offers and

advance notice of up-coming sales. There are more than seven million reviews on the site from users who have actually stayed in the hotels to ensure customers can make an informed choice when booking.

Through its industry-leading loyalty programme Welcome Rewards™ available in all markets, customers can earn a free* night for every 10 nights stayed at more than 100,000 hotels, subject to Welcome Rewards terms and conditions as set out at www.hotels.com. Since launch, Hotels.com has rewarded its customers with more than one million free nights.

Under its Price Match Guarantee, if a customer can find a lower price on a prepaid hotel, Hotels.com will refund the difference, subject to the Price Match terms and conditions set out on www.hotels.com.

Travellers can book online or by contacting one of the multilingual call centres. A portfolio of special apps for mobile phones and tablets can also be downloaded at www.hotels.com/

deals/mobile enabling customers to book on the go with access to more than 20,000 last minute deals. Collectively, Hotels.com apps have achieved 25 million downloads since the launch in 2011.

Hotels.com is part of the Expedia group, the largest online travel company in the world with an extensive portfolio that includes some of the world's best-known brands. Follow Hotels.com on Facebook, Twitter and on YouTube.

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*The maximum value of the free night is the average daily rate of the 10 nights stayed. The free night does not include taxes and fees.

9. How Hotels.com is adapting to the Russian market

Recognising the growing importance of the Russian travel market, Hotels.com launched a Russian website in 2006, initially with simplified localisation. Over the last few years, we have continuously improved the site and customers have said that the look and feel make it relevant and easy to use.

- In 2010, we started focussing on improving the product and penetrating the Russian market.
- In 2011, we introduced Russian-speaking call centre support and launched a local newsletter dedicated to Russian customers.
- In 2012, we launched a social presence in Vkontakte and Facebook, becoming the biggest travel communities in both by end of the year.

Hotels.com also won the Best Booking Engine category in the inaugural Moya Planeta awards and was shortlisted in the Best Mobile App section.

- In 2013, Hotels.com became the first travel site to introduce detailed local grammar to localise the site to Russian users yet further. We also introduced two alternative payment methods specifically for Russian customers – Yandex Money and Webmoney

10. For further information

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