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**Klimova T.B.**  
**Vishnevskaya E.V.**

**TOURIST BUSINESS IN TURBULENCE**

- 1) PhD in Economics, Associate Professor, Belgorod State National Research University  
85, Pobeda Str., Belgorod, 308015, Russia  
*E-mail: tklimova@bsu.edu.ru*
- 2) PhD in Economics, Associate Professor, Belgorod State National Research University  
85, Pobeda Str., Belgorod, 308015, Russia  
*E-mail: vishnevskaya@bsu.edu.ru*

**Abstract.** Russian tourist business works in an extreme mode, and the basic tone is set by turbulence, risk and uncertainty. The article deals with the factors of turbulence which engulfed the tourism industry with a «whirling flood». The main causes of the impact on the tourist market are: devaluation of the rouble, the bankruptcy of the largest tour operators and Transaero Airlines, the sanctions of the West, the introduction of fingerprinting for Russian tourists, as well as the causes of non-economic nature. In the «new reality» there is an objective need to develop some new management strategies that take into account the likelihood of unexpected fluctuations.

**Keywords:** tourist business, turbulence, the number of tourists, devaluation, bankruptcy

**Климова Т.Б.**  
**Вишневская Е.В.**

**ТУРИСТСКИЙ БИЗНЕС В УСЛОВИЯХ ТУРБУЛЕНТНОСТИ**

- 1) кандидат экономических наук, доцент, Белгородский государственный национальный исследовательский университет (НИУ «БелГУ»), ул. Победы, 85, г. Белгород, 308015, Россия  
*E-mail: tklimova@bsu.edu.ru*
- 2) кандидат экономических наук, доцент, Белгородский государственный национальный исследовательский университет (НИУ «БелГУ»), ул. Победы, 85, г. Белгород, 308015, Россия  
*E-mail: vishnevskaya@bsu.edu.ru*

**Аннотация**

Российский туристский бизнес работает в экстремальном режиме, и основной тон задают турбулентность, риск и неопределенность. В статье рассматриваются факторы турбулентности, охватившие «вихревым потоком» туристическую индустрию. Основными причинами влияния на туристский рынок названы: девальвация рубля, банкротство туроператоров и крупнейшей авиакомпании «Трансаэро», санкции со стороны Запада, введение процедуры дактилоскопии для российских туристов, а также причины неэкономического характера. В условиях «новой реальности» возникает объективная необходимость выработки новых стратегий управления, учитывающих вероятность неожиданных колебаний.

**Ключевые слова:** туристский бизнес, турбулентность, турпоток, девальвация, банкротство

Now the tourist business is going through hard times. Turbulence, capturing the tourist market doesn't give a chance to rejuvenate the industry, attacking the new «cyclonic flow».

The concept of turbulence characterizes the chaos of moves and in the most general form is viewed as a common phenomenon of self-organization, which leads to regular or irregular (chaotic) transitions from disorder to order and back [7]. Such a complex trajectory, accurately

characterizes the state of the tourist business which has to survive in a variety of flow changes.

Turbulence means extreme instability of the system, while it itself is unpredictable and it is impossible to troubleshoot. Indeed, market experts abstain from forecasts – pervasive risks arise too quickly and unpredictably change the situation. The influence of turbulence becomes increasingly important, and it only remains to apply maximum effort to exist in the «new reality».

Weighed down by economic turbulence tourism business has faced with other serious disasters, the consequences of which will long continue to affect the state of the industry. Let's consider the main reasons that influenced the tourism industry:

1. A sharp drop in the demand for outbound tours due to the devaluation of the ruble and the declining purchasing power. According to Rostourism, during the first half of 2015 compared to the same period in 2014 there was a significant decrease in tourism activity on all fronts. The collapse of the Russian ruble has naturally halted the

flow of tourists from Russia, a drop in tourist traffic was 34% [9].

Significant structural changes occurred in 2014 relative to 2013. In 2013, a leader in the departure from Russia was the Ukraine. Due to the current political environment, the number of departures to Ukraine decreased by 73%. In 2014 the first place for the departure of citizens from Russia occupied Finland [9]. However, experts predict the number of visitors to Finland at the end of 2015 will be reduced significantly.

Table 1

**Departure of Russian citizens abroad  
Выезд российских граждан за рубеж**

Departure from the RF		2013 (total) persons.	Departure from the RF		2014 (total) persons.
1	Ukraine	9 985 145	1	Finland	4 799 142
2	Finland	5 525 064	2	Turkey	4 380 558
3	Turkey	4 108 196	3	Kazakhstan	3 560 089
4	Kazakhstan	3 689 195	4	Abkhazia	3 285 377
5	Abkhazia	3 359 453	5	Egypt	2 994 984
6	Estonia	2 252 676	6	Ukraine	2 675 832
7	Egypt	2 212 662	7	China	1 923 473
8	China	2 057 810	8	Estonia	1 844 472
9	Poland	1 647 854	9	Poland	1 663 730
10	Germany	1 575 714	10	Germany	1 535 410

Thus, it is noted that tourists spend much less than before. Even system taxfree doesn't help – demand for it among the Russians, according to Global Blue, fell by 30% [12]. As citizens of Russia is 4/5 of the market, this decline is very painful for Finland. Amount of pre-orders for the new year holidays decreased by about a third. The sales decrease is a result of the devaluation because the cost of foreign tours (as well as business trips abroad) in the fall of the ruble has grown in half to two times, which means that many people simply abandoned them.

Before the events of October 2015 has been a redistribution of demand from European destinations to visa-free resorts of Turkey and Egypt, which represented the low price segment. Moreover, comparing a field activity of the first half of 2014 with the same period of 2015 on the background of General decrease of tourists, it should be noted that the redistribution of positions: if in 2014 Turkey was the leader in the number of its visitors, in 2015, the flexible price policy of the Egyptian resorts has enabled them to reach the first place visited by Russian tourists.

Table 2

**Indicators for exit from the Russian Federation for the first half of 2014/2015  
Показатели для выезда из Российской Федерации за первое полугодие 2014/2015**

Departure from the RF		1 half of 2014, persons	Departure from the RF		1 half of 2015 persons
1	Turkey	1 387 763	1	Egypt	1 054 569
2	Egypt	1 217 962	2	Turkey	1 031 525
3	Thailand	545 472	3	Germany	284 209
4	Spain	410 348	4	Thailand	255 862
5	Germany	403 973	5	Italy	233 951
6	Greece	380 148	6	Spain	233 567
7	China	360 435	7	UAE	185 355
8	Italy	358 640	8	Greece	176 807
9	UAE	345 020	9	China	156 430
10	Czech Republic	218 550	10	Cyprus	150 018

Preliminary data of the Rostourism supports this trend.

2. Bankruptcy of tour operators in 2014. In Russia there were more than 1500 tour operators: due to such a

large number of companies, many engaged in outright dumping, thereby destroying the market. Unfair competition has led to the insolvency of tourist companies, was followed by a series of bankruptcies of leading tour operators of the market («Neva», «Rosa vetrov», «Labyrinth», «Yuzhnyi krest», etc.). Their ruin was an unprecedented phenomenon in the history of modern Russian tourism. In work [8], the authors presented the reasons for the bankruptcy of the leading Russian tour operators. The main ones are: general economic and political situation, selling products at artificially low prices due to low demand and due to this the cash gap [8]. Such a difficult economic situation «cleanse» the market from the weak. Subsequent amendments to the legislation, entailing significant restructuring of the tourist industry, will lead to the fact that barriers to entry are higher and do business will be more difficult. It can be assumed that the market will shrink and will be dominated by a few large companies, more niche tour operators will be hard, so a significant part of them will leave the market.

3. The political and economic situation, Russia's relations with the international community. Differences in approaches to the Syrian issue, the crisis in Ukraine, the exclusion of Russia from the G8, the restrictive sanctions of the EU and the US ban on travel to the employees of law enforcement agencies has exacerbated the crisis in the tourism industry. Conditions for doing tourist business change, and to the market participants stricter requirements of foreign partners, banks and insurance companies. However, sanctions against Russia were the catalyst for realizing the need to take serious decisions and put them into practice with the aim of developing the tourism industry and the advancement of the Russian economy in General [1].

4. The bankruptcy of the company «Transaero». The next «cyclonic flow» that hit the tourism industry was the bankruptcy of the airline «Transaero», which has the largest fleet of aircraft in Russia, CIS and Eastern Europe, as well as an extensive network of domestic and international routes – more than 165. The total depth of sales of tickets on flights of «Transaero» has reached the end of February 2016, and the total loading was 600-700 thousand passengers. Moreover, a significant portion of travel – long-haul, and this determines the average ticket price. From 600 thousand passengers of «Transaero» about 205 thousand is tourists. On October accounted for the largest amount of transportation – 476 thousand passengers, including tourists. With «Transaero» worked for major operators, with large volumes, and their product range will be much narrower than it could be. Given that carriers operate in a competitive environment, of

course, every company strives to create more favourable conditions for tour operators. The terms of agreements with «Transaero» differed from contracts with other airlines. Transaero airlines has been developing relations, using flexible pricing, providing incentives. The bankruptcy of the second largest companies will reduce competition that would have a negative impact on consumers [3].

Bankruptcy of «Transaero» is an image blow to the entire tourism market [2]. To occupy a niche that was in «Transaero» will be extremely difficult, because the charter airlines don't even provide online registration, some don't have business class service. For the independent traveller only flights Aeroflot and foreign carriers, flying in our country is also decreasing.

In largely bankruptcy of «Transaero» is the result of the same downturn in the Russian economy and the tourism industry, which last year began a wave of bankruptcies of tour operators. Moreover, the bankruptcy of a major carrier is a signal about the problems not only in travel industry but in the airline industry as a whole. The number of carriers in the country is reduced, eliminated a major carrier and its flights with a fleet of be useless – it means that the country has not only reduced incomes, people can afford to spend on foreign holidays but also business activity [3]. Of course, the bankruptcy of «Transaero» airlines has caused a sharp devaluation of the ruble in the past year, because more than half of the debt, «Transaero» are debts for the leasing of aircraft, and given that lease payments shall be made in currency, of course, leasing the load has increased about two times.

5. The introduction of mandatory fingerprinting for Russian tourists when issuing Schengen visas, increasing fees for obtaining passports. These changes will lead to at least 50-60% drop already deeply sunken Russian tourist arrivals in Europe [4]. It is noted that the tourist industry of Europe on this occasion, alarmed by even more, than Russian, – this is evidenced by the results of the meeting at the international tourism exhibition TOP RESA in Paris guide Lit with representatives of the European Association of tour operators. To be fingerprinted will have all Russian citizens who apply for visas since the start of operation of the visa information system (vis) in the region.

For European countries the introduction of such a system promises significant costs, particularly «daunting» for States already affected by the crisis and are largely surviving due to Russian tourists. Harder to have those countries in which Russian tourists are a significant «engine of the economy». In

Europe there are several countries which took up to a million Russian tourists annually. It's Spain, Italy and Germany, France took half a million Russian tourists. On average, when accounting for the anticipated drop in tourist arrivals in half for each of these countries, the financial loss will amount to about 2,5 billion euros per year [6]. The introduction of mandatory fingerprinting will lead to the diversification of businesses, many tour operators will most likely add non-European areas into their own product portfolios.

6. The voltage on the organized tourism market, due to recent events related to the tragedy in the Sinai Peninsula and the series of terrorist attacks in Paris. If people see negative news, it immediately affects the tourism, and significantly more than other industries. For example, it is known that a plane crash causes around the world for a week or two a month 20% drop in air travel.

From November 6, Russia imposed a ban on air transport in Egypt. The tour operators and travel agents is recommended to suspend the sale of tours. Although it has sold about 140 thousand trips to Egypt with a depth of sales until March 2016 [11]. Under the ban came and the red sea resorts and Cairo. Tourists rescheduled tours to other destinations. The highest figures to replace Egypt with Turkey were marked in Ufa, Kazan and Yekaterinburg.

According to estimates of the largest tour operators in Egypt, the current damage from a temporary ban for the tourism industry amounted to about half a billion rubles, the government of the Russian Federation developed a package of measures to support the participants of the tourism industry.

Over the past few years, the flights to Egypt were banned several times: In 2011, the sale of tours to Egypt was suspended for 3 months in connection with the revolutionary situation in August 2013 had a similar situation. However, the first legal basis for a suspension of sales – decree of the President.

A series of terrorist attacks in Paris, will definitely affect the flow away from Russia, which is forecast to fall by 40%. According to experts, Paris and other popular destinations which touched on terrorism, will need enough time to «came to itself» after the incident. The newspaper the Telegraph conducted a survey among the British, wanting to find out if they'll come after a series of terrorist attacks in the previously planned a trip to Paris. Currently a survey in which participated 6490 people has been completed. More than half of respondents – 56% are willing to cancel the trip. The remaining 44% risk and still go for the planned trip [10]. Russian tourists are more risky than the British, but

also among our compatriots there are serious concerns about travel to Europe.

In [8] also analyzed the causes of the crisis in outbound tourist market of the Russian Federation. The main ones are: the devaluation of the ruble, a sharp fall in demand for outbound trips and purchasing power of national currency; a high level of competition and years of dumping of the leading players of the tourist market; economic sanctions and the negative political and economic situation.

The facts compel the Russian tourist market to work in extreme mode, where the tone is set by turbulence, chaos, risk and uncertainty. All this forms a «new reality». Instead of the conservative view that growth is preceded by recession and Vice versa now need to develop management strategies that take into account the likelihood of unexpected fluctuations. Markets, companies, business community and the General population are forced to work in these conditions, to adapt and develop new strategies, while learning how to effectively use the opportunities for growth that will open.

In fact, according to John A. Caslione, the main problem is that the adoption, adaptation and consolidation strategies occurs during the quiet periods, which results in companies are not ready for the turbulence, when it occurs [5]. The approach seeks to identify the prerequisites for the occurrence of turbulence, to predict situations in which can show up as weaknesses, and possibilities of increase of efficiency of activity of the company is Chaotics approach, the ultimate goal is the sustainable development of business, implementation of necessary and appropriate measures for its existence in the long term [5]. This approach involves the implementation of a control system that takes into account the factor of instability that enables companies based on business strategies and policies operating in time to make the necessary maneuvers. The management model that takes into account the factor of instability, is a new system and set of strategic principles designed to assist businesses in the process of a successful transition to the new reality and profit in the long term regardless of economic conditions. However, as correctly noted, it is necessary to remember the immutable law of chaos: when designing one thing, we always build something else in the area projected [7].

The new reality creates the conditions of mobilization of all possibilities for development of tourist potential of their country and in the foreseeable future, the situation in the industry is stabilized, because the devastating effects of turbulence will inevitably lead to the necessary for

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### Reviewer

**Ternovsky D. S.**, Doctor of Economics, Professor, Belgorod University of cooperation, Economics and law.