

## Comparative analysis of the state of the hotel market in the Russian Federation and abroad

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**Abstract.** The paper substantiates the need to develop new and improve existing methodological and theoretical positions of strategic management in the field of promotion and development of the hotel industry in Russia based on the experience of leading European countries. The results of the comparative analysis of Russian and European hotel companies on strategic development indicators (quantity and quality of the rooms, accommodation rates, etc.) are given. The priority directions of public and private entities in the development of the hotel industry in Russia are formulated.

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### Introduction

At the beginning of the new millennium in many countries tourism has become one of the fastest growing sectors of the economy, and it is firmly established as one of its major industries to attract foreign currency and creating jobs. In 2013, the share of tourism in general had 8% of the world gross domestic product (GDP) and the travel and vacation industry provides 11 jobs out of a hundred, and it is one of the main factors of employment. Modern tourism industry is one of the fastest growing sectors of the world economy and contributes significantly to the formation of the GDP, improving of the balance of payments, guarantee profitability of the capital and a significant level of liquidity of the investment [1].

In the Russian Federation, the share of tourism in the GDP in 2013 was 2.5%, although climatic and natural diversity allows us to develop almost all types of tourism in our country. According to the World Tourism Organization (UNWTO), Russia ranks the 5<sup>th</sup> place in the world on the cultural and natural tourism potential. However, in the terms of competitiveness it is only on the 69 seas. According to the experts, the potential of our country can receive up to 40 million per year only foreign tourists and significantly increase domestic tourist traffic, but that requires an appropriate level of the infrastructure development. [2] Statistical data for 2012-2013 reveals some positive dynamics of the main indicators of tourist activity in Russia, especially during the Olympic Games in Sochi. Overall volumes increased slightly as inbound and outbound tourism flows. However, currently available in Russia a huge tourist potential is not very effective [3].

Securing the position of the hotel services in the Russian Federation, has demonstrated a number of problems and contradictions that are associated with the difficulties of the transition of existing principles of tourism industry to the new realities of economy. In the Russian tourism enterprises face many difficulties - from the problems of increasing the competitiveness in the services market and ending ineffective management and business. The growth of capacity and stability of the market depends on the solving these problems, prevention their occurrence in the future and elimination of the causes of the above-mentioned difficulties.

In modern conditions the formation of areas of socio-cultural services and tourism based on the international experience is one of the most popular and relevant mechanisms to help to improve the efficiency of the tourism industry in Russia in general, and the hotel industry in particular. The actuality of the research identifies the need to develop new and improve existing methodological and theoretical positions of strategic management in the field of promotion and development of tourism industry in Russia. This, in turn, will help ensure the effective development of the economy as a whole.

### Main part

The European Region has the leading position in the global hotel industry. If the domestic hotel industry is still evolving, in Western Europe it was formed 50 years ago. Then the one hotel as "Savoy", "Metropol", "Marriott", etc was opened annually. In Russia, however, it began to fully emerge only after the restructuring, so the Russian tourism industry is a little more than 20 years. Today, Europe accounts for about 70% of the total tourist

flow, respectively, and its rooms' stock is a major share in the world.

In Europe there are almost no hotels owned by the state now. Most often the owners of hotels in the region are individuals who either engaged in hotel management company, or transfer their business in trust management.

Human resources in Western Europe hotels are received particular attention. This is evident in the selection and training of new staff. Various training programs and a developed mentoring system allow the beginners to adapt quickly to new conditions and to get necessary skills and knowledge. Hotel managers understand the importance of human resource and spared no means to attract highly qualified personnel. The main criteria in determining a candidate for the vacant position are education, experience, professional knowledge and recommendations. In addition to stable salary various bonuses or allowances are used to motivation.

Because of the stabilizing the political and economic situation in the Russia our hotels have become the object of attention of Western investors, which opens the prospects for attracting investments in the development of Russian hotels. In addition, the tourism market appears more and more on Russian customers and many hotels in Western Europe, forming a package of services, take into account the peculiarities of Russian tourists and appropriately modernized management system hotel complex.

Significant segment of European hotels take families or associations («The Leading Hotels of the World», «Preferred Hotels & Resorts Worldwide», «Small Luxury Hotels of the World» and others) that combine hotels that meet certain requirements. Hotel receives marketing system sales, as well as famous brand and attractive image. Association strictly monitor compliance with its standards, but does not interfere with the management of the hotel, although has the right to exclude it from its ranks in the case of gross violations of corporate standards. Payment for the services of such companies is composed of a fixed annual membership fee, which does not depend on the current income of the hotel, and a commission for the implementation of reservation services.

Russia has always had to be guided by the rich experience of foreign countries - legislators of standards of service and quality of the hotel industry. In this regard, it is advisable to conduct a comparative analysis of the hotel industry in various cities of Russia and the countries of Western Europe as a whole, as well as separately to draw a parallel with the major cities of Russia.

Currently, the population of Russia exceeds 143 million. To name the exact number of hotels located on the territory of Russia is very difficult, as

the picture changes every month - new accommodation facilities such as hostels and mini hotels open, old are closed for restoration or for other reasons. The share of St. Petersburg, Moscow accounts for about 70% of the total hotel industry of the country with a population of approximately 23.6 million people. Both cities can offer tourists accommodation services economy class and luxury expensive options. Table 1 shows the most important hotel in Russia, commissioned in 2013. [4]

**Table 1. Hotels in Moscow, commissioned in 2013.**  
[5]

Name	Star quantity	Year	Number of rooms
Nikolskaia Kempinski	5*	2013	211
Hotel "Moscow"	5*	2013	175
DoubleTree by Hilton Vnukovo	5*	2013	432
Hilton Kazan	5*	2013	202
Hilton Garden Inn Novaia Riga	4*	2013	164
Sheraton Sheremetievo	4*	2013	342
Novotel Moscow City	4*	2013	360
Mercure Paveletskaia	4*	2014	149
Adagio Paveletskaia	4*	2013	94
Hilton Garden Inn Krasnodar	4*	2013	165
Ibis Moscow Paveletskaia	3*	2013	190
Ibis Moscow Paveletskaia	3*	2013	190
Moscow Azimut Hotel Sochi	3*	2013	2880
Hilton Garden Inn Volgograd	3*	2013	158
Hampton by Hilton Voronej	3*	2013	140

The table shows that the most of the new hotels are opened in Moscow and the new territories annexed to Moscow in 2011-2012. In other Russian cities are mainly opened hotels that are based on a popular franchise chains and usually not higher than 3\*.

Approximate picture to date in Russia, according to Rosstat 2013, is as follows 8406 hotels and other accommodation facilities with the possibility of placing 585 thousand people. From them on Moscow accounts for more than 400 accommodation facilities, according to some sources - 415, on the other - from 430 to 440 [6,7].

For several decades the established infrastructure of the tourism industry in Russia was operated under full government control and financial subsidies, as a result it was absolutely not suited to the independent existence in the market. Economic

reforms in the 90s led to lower income levels. As a result, even the less expensive hotels service became unavailable for the mass of the Russian consumer. On the other hand, the increased flow of inbound foreign businessmen and tourists in Russia, who were willing to pay for services at a high price, but faced with poor infrastructure and a strong tourism industry lagging behind international standards of customer service. The current situation was also complicated by the extremely precarious situation within regions, increasing migration, ethnic conflicts, a sharp weakening of the local government.

It is advisable to conduct a comparative analysis of Russian and European tourism industry in follow terms:

1) Analysis of the number of rooms per thousand residents.

Studies show by international company GVA Sawyer, among Russian cities millionaires except Moscow, the most provided by various means of accommodation are Yekaterinburg, St. Petersburg and Kazan. St. Petersburg is gradually approaching the European average number of rooms per thousand residents. In the cultural capital of Russia for one thousand local inhabitants are 6.8 rooms in hotels. In Yekaterinburg, the figure is two and a half rooms. The capital of Tatarstan on the number of rooms per thousand residents is a little behind the Ural capital and the city on the Neva - per one thousand inhabitants of Kazan currently accounts for 2.2 rooms [8]. Table 2 shows the number of rooms to 1,000 residents in Russian cities with populations more than 1 million people.

**Table 2. Number of Rooms at the 1000 residents in Russian cities with populations greater than 1 million people**

City	Number of Rooms at the 1000 residents
St. Petersburg	3,2
Yekaterinburg	2,5
Kazan	2,2
Rostov-on-Don	1,9
Moscow	1,8
Nijniy Novgorod	1,7
Novosibirsk	1,6
Cheliabinsk	1,6
Samara	1,4
Perm	1,35
Voronej	1,3
Ufa	1,3
Krasnoarsk	1,2
Omsk	1,2
Volgograd	0,6

For comparison, Table 3 shows the number of rooms per 1,000 residents in the cities of Western Europe in April 2014.

**Table 3. Number of rooms per 1,000 residents in the cities of Western Europe**

City	Number of rooms per 1,000 residents
Vein	25
Paris	17
Berlin	15
Milan	12
London	12
Madrid	11

According to the experts the average level of the cities of Western Europe is 12.5 per 1000 population residents [9].

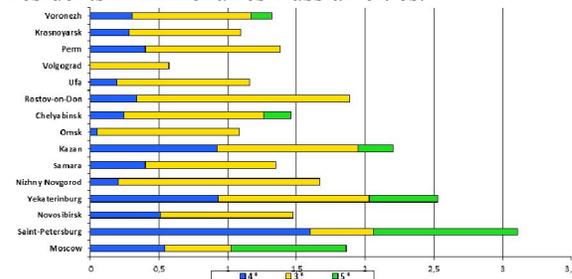
Unfortunately, it is obvious that today even the most secured by hotels Russian cities are much worse than the major tourist cities in Europe, both in quantitative terms and in terms of quality.

2) Analysis of the quality of hotel rooms

In Russia there is a shortage of rooms of international level that could satisfy foreigners coming to the capital. These numbers can be found in hotels, which are operated by foreign hotel operators, class 4-5 stars, but in such hotels price for accommodation is not always be afford by a foreign tourist arrived to the rest. These tourists prefer to stay in hotels of the lower class, because the main criteria are accessibility and usability [10].

According to experts from more than 415 hotels in Moscow, only 35 meet the international standards of indicators such as comfort, safety, quality-price ratio. Hotels belonging to international chains in Moscow are 26. Such a chain of hotels, as "Holiday Inn", "Park Inn", are known worldwide for its affordable prices and the level of comfort. For example, in London, this network consists of 20 hotels in Moscow their only 5.

Figure 1 presents the availability of quality accommodation in hotels 3\* - 5\* per thousand residents in millionaires Russian cities.



**Draw 1. Provision of high quality rooms in 3\*-5\* hotels per thousand habitants in Russian cities-millionaires**

3) analysis of the prices for hotel rooms.

Undoubtedly, in Moscow there are first-class hotels with the highest level of the service. They are «Radisson Royal Hotel», «Marriott Grand», "Savoy", "Ritz Carlton", "Baltshug», «Swissotel Red Hills», «Lotte Hotel». They meet all international requirements, but prices in hotels of these networks exceed the European level. So, if in the countries of Western Europe in a five star hotel room rates starting from 140 euro per night, in Moscow it "kicks off" with 340 euro. And is the average price, the price can be much higher. The ratio of the average cost of living in hotels 5 \* (rub. / Day) in the cities of Europe and Russia are shown in Table 4 [11].

**Table 4. The average cost of living in 5 \* hotels in the cities of Europe and Russia**

City	Cost of living, rub/day
Moscow	15000
Paris	11000
St. Petersburg	11000
London	11000
Berlin	9000
Prague	7000

For comparison the rate at the Holiday Inn in Russia is \$ 200, in Europe it is \$ 89. As 70% of customers in Russian Holiday Inn hotel are foreigners, there is a psychological problem: people come to pay for the same service twice as expensive and receive the service at a lower level.

### The structure of the room stock

Tourism Industry in Russian cities - millionaires is predominantly three-star hotels, which is, on average, 68% of all hotel facilities. Four star hotels in the largest cities in Russia are about 26% of the total rooms' stock of these major cities. Another 5% of the hotel Russian populous city market is five-star hotels, the remaining 1% - this other means of accommodation (motels, rest houses and others). The difficulty is that the procedure for assigning the "stars" of today had to pass not all hotels of major Russian cities. A significant number of hotels do not match the number of stars.

Hotel occupancy rates in the Russian average is kept at around 55% - 60%, in Moscow and St. Petersburg loading reaches 85% - 90%. Both cities are popular among tourists coming to rest and sightseeing, and among businessmen sent here on business trips and for business purposes. Moscow hotels for an average annual increase in the index of occupancy of hotel rooms in the long run is 1.5%. Loading Petersburg hotel companies each year increased on average by 1.4%.

Analysis ranking of cities in terms of price - quality.

The world's largest travel site TripAdvisor (more than 60 million visitors per month, 100 million

reviews & opinions, sites exist in 30 countries) published the results of the research TripIndex Room Service, 2013. During this study, experts compared the prices of various goods and services which are the most popular among hotel guests around the world. Mostly four-and five-star hotels were compared.

Study TripIndex Room Service had to demonstrate in hotels which cities present the highest prices for accommodation and service. The rankings was in the 48 countries and take into account cost of living, the price of strawberry sandwich ordered in with room service, dry cleaning a shirt, as well as price of a bottle of water, pack of peanuts, small bottles of water and can of Coke from the minibar. The results show that Moscow was the leaders as the most expensive destination last year, in 2014 dropped to 21 seats. The index is located at 8772 rubles. In Europe, by contrast, there is a tendency to increase prices from 10 countries with the highest prices 6 seats are occupied by European cities: Helsinki and Oslo, took second and third place, Zurich - fourth, Stockholm and Paris - fifth and sixth place [9].

Another popular site for travelers - Price of Travel - published in January 2014 ranking of cities based on the size of the budget, which will cost one day stay in a hostel or a mini-hotel, two trips around the city, exploring one of the most popular attractions, and a dinner with a drink. The cheapest city became Budapest (Hungary): all of the above services will cost 878 rubles per day. The most expensive was the Zurich (Switzerland) - 4393 rubles per day. Moscow (Russia) took 15th place out of 51, the cost of these services in the capital is 1608 rubles per day, St. Petersburg (Russia) is located in the 12th place - 1457 rubles per day [11].

For travelers who prefer to stay in hotels, the same service rated out of 51 cities, including the same services, but with accommodation in 3 \* hotel. The cheapest city in this ranking was the city of Sofia (Bulgaria) - 1732 rubles per day, and again Zurich (Switzerland) became the most expensive in data services that will cost tourists in 8207 rubles per day. In Moscow, the cost of these services will cost 4261 rubles per day and in St. Petersburg 2405 rubles per day [12].

Analysis of the number of mini-hotels and hostels.

Now in the capital there are more than 200 hostels and small hotels. Their distinctive feature is their location - most of them located in the heart of Moscow. Cost of living in Moscow mini-hotels and hostels starts from 400 rubles for one night.

Table 5 shows the total number of hostels and mini-hotels in the capitals of Western Europe and Russia in 2013.

**Table 5. Number of hostels and mini-hotels in the capitals of Western Europe and Russia in 2013 [13]**

City	Number of hostels and mini-hotels
Paris	1250
London	950
Berlin	850
St. Petersburg	600
Moscow	230

4) Analysis of inbound and domestic tourism.

According to Rosstat, in 2013 Moscow hotels put a little more than nine million seven hundred thousand visitors. Statistics shows that in 2013 in the hotel industry in Moscow stopped at seven thousand more tourists compared with 2012.

One of the growth factors can be called a growing interest in congress tourism, as well as to international sports events held in Russia. Business hotels needed to accommodate tourists arriving for business purposes are typically hotels from the high price segment.

Tourists arriving in Moscow for cultural-cognitive goals prefer to visit the city as part of tourist groups, making the journey more profitable. Average length of stay is 3-5 days, often capturing the weekend.

### Conclusions

Thus, we can identify the following areas of public and private entities in the development of the hotel industry in Russia:

1. Development of infrastructure in general and the tourism infrastructure in particular: increasing in the number of tourist class accommodation facilities with the necessary the level of comfort, etc.

2. Attracting foreign investment in tourism infrastructure by providing ready-made investment areas, favorable lease terms and purchase of land, buildings and construction of hotel properties.

3. Formation an adequate pricing policy on accommodation in accommodation facilities, food, transportation and other services.

4. Implementation of priority directions of development of the hotel industry in the Russian Federation, which includes execution of actions in the Tourism Development Strategy of the Russian Federation for the period up to 2016 (including through cooperation with federal executive authorities of the Russian Federation and the bodies

of executive power in the hotel industry of the Russian Federation).

5. Drafting federal, branch target hotel development programs and their implementation. Here - work in the framework of the activities of the federal target program "Development of domestic tourism in the Russian Federation (2011-2016 y.)".

6. Activities in the field of training stuff and development of scientific research in the tourism industry.

7. Activities in the field of information management and hotel business statistics. This filling electronic database development travel market actualized statistical information, collection and analysis of statistical data, participation in tourism exhibitions, participation in filling multimedia news portal with content reference information on tourism opportunities in the regions of Russia.

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