

Business travel investment parallels crisis recovery

Forecasts see companies boosting spending on travel to strengthen contacts with customers

themoscownews

Developments in technology, such as video conferencing and virtual meetings, have increased convenience for businesses worldwide, but they still have not replaced travel as a means of connecting a company's international operations.

"[It is] the actual face-to-face meetings with the customers and with the partners that creates the major value," said Vladimir Salakhutdinov, CEO of American Express Bank in Russia. "Despite the fact that there are a lot of technological tools right now... companies plan to expand business travel because they really want to make sure that they have real proximity to customers."

In its 2013 Global Business Monitor, released in August in conjunction with CFO Research, American Express found that travel spending by companies was slated to grow. Based on responses from global CFOs, the monitor "predicts the most widespread increase in spending on business travel since 2008."

A number of industry research reports "see a clear link between pace of investment in business travel and future GDP growth," Salakhutdinov said.

A positive outlook

In another August report, the Global Business Travel Association found that trends in business travel were trailing a post-crisis recovery in the worldwide economy and in international trade.

Eastern Europe is bound to become one of the hotspots in the market, the report says, having recorded the highest regional growth in business travel spending between 2000 and 2012, at 10.3 percent. The GBTA forecasts a decline to 9.1 percent and second place between 2013 and 2017, behind the Asia-Pacific region's 10.5 percent.

Between 2000 and 2012, Russia outstripped the other countries in the region, with 14.8 percent growth, though it is forecast to fall to 7.6 percent between 2013 and 2017, second from the bottom. Still, even when the region hit a 0.3 percent rate in 2012, Russia was the only country to achieve growth, at 2.6 percent, and it is forecast to lead the pack in 2013, at 8.5 percent.

Yulia Kutina, executive director at the Moscow-based Association of Business Tourism, said that Russia's \$20 billion business travel industry is growing at an assured pace. She expects it to reach \$30 billion within the next five years.

Concentration in the capitals

One major problem, Kutina said, is the centralization of business in Moscow and St. Petersburg, which holds back both development of business travel and economic development as a whole in the regions.

"This involves the hotel industry, which is one of the most important catalysts for development of the business tourism market, both domestically and from abroad," she said.

The lack of inexpensive three-star hotels and of professional-quality venues for business events contribute to the regions' lack of development, but improvements are appearing year by year, thanks in large part to significant political and sporting events - which have drawn the attention of foreign hotel chains.

"European hotel chains have felt this potential and started to build hotels in the regions, which, doubtless, will increase competition, raise the quality of the room supply and [raise] the professionalism of the workers in the hotel industry," Kutina said.

Case studies

For Accor Hotels, the percentage of business travelers varies according to



The dominance of Moscow and St. Petersburg as business destinations poses a problem for regional development, but the situation is gradually improving

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