

The Development of the Russian Luxury

Tourism Market

in

Parisian 4 and 5 Star Hotels

***How to increase the occupancy rate of Russians
in Paris luxury hotels?***

by

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Introduction

As a student in the [Ecole Maxim's internationale de Paris](#) MBA program I chose to utilize the knowledge I have learnt to accomplish this study “The Development of the Russian Luxury Tourism Market in Parisian 4 and 5 Star Hotels”.

Russian clientele is a relatively new part of the market in 4 and 5 star hotels. As of now, there are no any serious studies concerning this new development. Therefore this study is timely and important.

Another reason for the relevance of this subject is the strong Russian economic development and the large increase in the number of wealthy Russians. *Forbes* magazine states that there are 25 Russian dollar billionaires and 88,000 dollar millionaires. They all became rich recently and thus do not have the tradition to save money and therefore spend their wealth very freely. More particularly, newly affluent Russians are looking for places to spend their wealth. Consequently it is necessary to concentrate on communication to the Russian market as a principal element of the Marketing Mix. This thesis will analyze the means which will permit increasing the occupancy rate of Russian guests in luxury hotels. Augmenting Russian occupancy in 4 and 5 star hotels is the practical result of my research because attracting these newly moneyed Russian guests is of paramount importance to the luxury hotel and travel industries.

This paper attempts to answer the following questions:

- 1) [Does the Russian economic situation favor luxury tourism?](#) Page 7
- 2) [How to locate the potential prosperous Russian clients?](#) Page 51
- 3) [How can luxury hotels target the wealthy Russian clients?](#) Page 45
- 4) [What are the most effective media for communication?](#) Page 50
- 5) [Which are the Russian travel agencies that work with the newly affluent Russians?](#) Page 62
- 6) [Are “packages” interesting for well-to-do Russian clients and if so what should these include?](#) Page 44
- 7) [How wealthy Russians reserve rooms?](#) Page 42

- 8) [What are the occupancy statistics of Russian guests in Parisian luxury hotels?](#) The gross sales generated by wealthy Russian guests in the studied Parisian luxury hotels? Average number of nights per stay? Page 13
- 9) [What are the services tailored to well-to-do Russians in Parisian luxury hotels?](#) Page 34
- 10) [Do the Parisian 4 and 5 star hotels offer special promotions/events on the Russian market?](#) Page 51
- 11) [How can Parisian luxury hotels loyalist the prosperous Russian guests?](#)

Therefore, the principal question is :

- 11) [How to increase the occupancy rate of Russians in Paris luxury hotels?](#) Page 54

First of all, this study will examine the development of Russian occupancy in Parisian hotels. Then Parisian luxury hotels and their guests will be overviewed. Afterward to profile the Russian tourists in luxury hotels their travel styles will be examined in detail. The characteristics and quantitative and qualitative spending habits of Russian tourists will be explored.

Finally, the criteria by which the wealthy Russians select the luxury hotel will be defined. Also the reservation methods used by well-to-do Russians will be researched. This information is very important to develop communication strategy.

The difficulties obtaining French visas are pressing questions for potential Russian guests. The role of Russian travel agencies in this legal procedure will be examined.

In the second part of this study the special services offered to Russian guests by Paris luxury hotels to satisfy their requirements and thus increase gross sales will be detailed. Then changes to hotels' offers to more closely fulfill well-to-do Russian tourists' habits will be suggested.

Continuing in the second part grand hotels' strategies will be examined. The existing facilities and future promotions will be reviewed.

Based upon the conclusions practical suggestions to increase the number of affluent Russian guests in luxury hotels will be given.

All information for this study will be obtained from:

- Internet
- Outbound Russian travel agencies
- Travel exhibitions in Russia
- Interviews with Sales and Marketing managers in the studied Parisian luxury hotels
- Interviews with journalists and editors in Russia
- Articles from the media
- Interview with Ribakova Julia Lvovna, Executive Director of RUTI (Russian Travel Industry Union)
- The World Travel & Tourism Council (WTTC)
- My professional experience from working in The Ritz Hotel, Paris

Finally, being Russian this subject is personally interesting and having an internship in the [Warwick Westminster Opera Hotel](#) (July-December 2007) I will have an opportunity to directly apply the results of this study.

Part 1

The Russian Tourist

A) GENERAL INFORMATION ON RUSSIA

Economic Situation:

Russia is the market of the 146,6 million on the area of 17,100,000 km², or 1/8th of the land of the *Earth*, spread over 11 times zones.

The increase of the Russian economy over the last several years is the combination of dynamic growth and the significant improvements in the fundamental macroeconomics and finance.

Improvement of the Russian economical situation is due to primarily export of natural gas and oil for which the prices have soared. (see Table 1)

Table 1 Benchmark crude oil prices

Year		2001	2002	2003	2004	2005	2006
WTI - Cushing, Oklahoma	\$	25.98	26.18	31.08	41.51	56.64	66.05
Brent - Europe	\$	24.46	24.99	28.85	38.26	54.57	65.16

Source: http://tonto.eia.doe.gov/dnav/pet/pet_pri_spt_s1_a.htm

According to the Russian national statistic service Rosstat (see Table 2), Russian GDP increased by 6.4% in 2005.

The budget surplus, which has been positive since 2000, in 2005 exceeded 7.7% of the GDP. In 2005 inflation was 10.5%. This compares to 18.6% in 2001 and 20.2% in 2000.

Table 2 Principal Russian economic indicators

	2001	2002	2003	2004	2005
GDP increase (%)	5,1	4,7	7,3	7,2	6,4
Budget surplus (% of GDP)	3,0	2,3	1,7	4,2	7,5
Inflation (%)	18,6	15,1	12,0	11,7	10,5

Source : Russian national statistic service Rosstat, 2006

Tourism Trends

The following data must be noticed:

- the increase in Russian outbound tourism is 66.7% (sic!) in 2004 and 18.6% in 2005. Russia is the fastest growing tourist market in Europe and the 3rd fastest in the World after China and India.
- The United Nations World Tourism Organization (UNWTO) documents that Russian tourists are among 10 top per tourist spenders while travelling.

This data shows a very important tendency: Russians are travelling more and more and contribute a considerably increasing amount to the worldwide travel market. This study will examine the increasing Russian market share.

B) THE RUSSIAN TOURIST

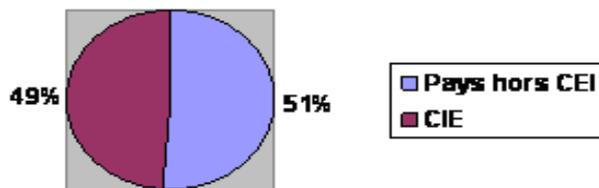
1) Outbound Russian tourism statistics

The following review of the official **statistics** will show that Russian tourists are a considerable potential part of the overall tourist market worldwide.

Since the dissolution of the Soviet Union, the opening of the Russian borders and thus the possibility for foreign travel, a very strong demand for foreign tourist destination has developed. International travel during the soviet époque was totally inaccessible to the virtually all the Russian population. Russian foreign tourism has doubled in five years.

According to the Russian National Border Control Service published by Rosstat, the number of Russians travelling abroad in 2005, 49% went to CIS countries and 51% to the rest of the World. (see Graph 1)

Graph 1 Destination of Russian international tourists in 2005



CIE = CIS

Pays hors CEI = all other countries

Source : Russian National Border Control Service published by Rosstat, 2006

The following data from the same source shows the significant annual increase of outbound Russian tourism. (see Table 3)

Table 3 Number of Russians travelling abroad in 1995, 2000-2005 by reason to travel (in millions)

All countries (CIS included)							
Reason to travel	1995	2000	2001	2002	2003	2004	2005
Business	2,249	2,363	2,529	2,595	2,516	2,285	2,357
Tourism	2,607	4,485	4,191	5,044	5,640	6,557	6,783
Personal	13,803	10,088	9,490	10,837	10,330	13,604	17,205
Transportation industry staff	1,670	1,635	1,729	1,867	1,982	1,964	2,129
Total	21,329	18,371	17,939	20,343	20,468	24,410	28,476

All countries except CIS							
Reason to travel	1995	2000	2001	2002	2003	2004	2005
Business	1,696	1,611	1,951	2,064	1,985	1,748	1,864
Tourism	2,555	4,257	3,972	4,426	4,615	5,791	6,405
Personnel	2,925	2,867	3,172	3,600	3,614	4,194	5,149
Transportation industry staff	1,220	1,089	1,307	1,346	1,431	1,414	1,420
Total	8,396	9,819	10,402	11,436	11,645	13,147	14,838

Source: Russian National Border Control Service published by Rosstat, 2006

Official Russian statistics give four categories of reasons for foreign travel (emigration and military excluded): business, tourism, personal and transportation industry staff. Transportation industry staff is not interesting for international tourism. The travel motifs of Russians counted in the tourism category are pleasure, leisure, relaxation, etc. The personnel category includes people who visit their relatives abroad.

Other than France the favorite Russian tourist's foreign destinations are China, Finland, Turkey, Estonia and Germany. France is in ninth place before Italy and Spain. (see Table 4) However, France is the second most visited no-bordering country after Germany.

Table 4 10 most popular foreign destinations for Russian tourists in 2005 excluding CIS countries (in millions)

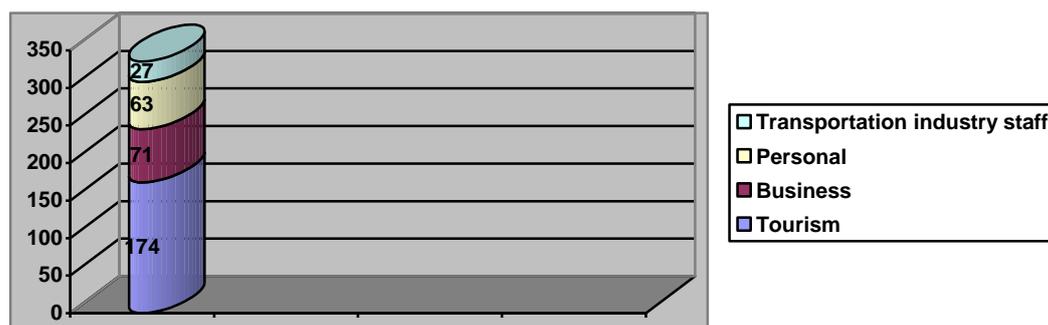
2005		
		N ^b of Russian tourists
Total (CIS excluded)		13,418
Rank	Country	
1	China	2,001
2	Finland	1,911
3	Turkey	1,757
4	Estonia	1,158
5	Germany	0,746
6	Poland	0,784
7	Lithuania	0,733
8	Egypt	0,725
9	France	0,308
10	Italy	0,281

Note: Russian tourists except transportation industry staff

Source: Russian National Border Control Service published by Rosstat, 2006

According to the Russian National Border Control Service 335,000 Russians visited France in 2005. (see Graph 2) The below graph shows that Russian tourists visitors were 174,000 which is 51.9% of the total. There were 71,000 Russian business travellers (21.1%) and 63,000 went to France to visit their relatives (18.8%).

Graph 2 Number of Russian travellers in France in 2005 by reason to travel (in thousands)



Source: Russian National Border Control Service published by Rosstat, 2006

Table 5 below shows statistics from the French Consulates in Moscow and St. Petersburg demonstrating the increase of visas since the 1998 Russian economic crisis.

Table 5 Number of visas issued by the French Consulates in Russia

	1996	1997	1998	1999	2000	2001	2002	2003
Number of visas issued	153 859	201 217	198 616	132 726	152 307	186 344	204 567	302 000

Examining Table 6 the discrepancy between the French and Russian statistics in 2005 is obvious.

Table 6 Comparison between the Russian and French official traveller statistics in 2005

Russian National Border Control Service	Number of Russians travelling to France (emigration, transportation industry staff included)	335 000
French Consulates in Moscow & St. Petersburg	Number of visas issued	302 000

It is important to note that knowing exactly the precise number of Russian travellers going to France is impossible because France is part of the Schengen zone. Having a Schengen visa from any country Russians can travel to France and often do. For example, if a Russian has a German Schengen visa he/she can travel to France, and that visit will not be in any statistics. Russians from St Petersburg area often get Finnish visas, which are easier to obtain, and then frequently travel to other Schengen countries including France.

The Paris Convention and Visitors Bureau notes a 10% drop in tourism from 2005 to 2006 (-20% drop during July-September). This seems to be caused by 1 month bureaucratic delay in insuring visas in the French Consulates in Russia. Demand was and is high for French visas and, unfortunately, there are a lot of disappointed Russians.

The Russian clientele of luxury hotels is usually not concerned by visa procedures. Most potential luxury hotels guests maintain one-year, multiple-entry Schengen visas. If not, their travel agencies usually obtain the French Schengen visas for them without problems. Sometimes Paris luxury hotels request the French Consulates in Russia to expedite visa issuance for their important guests.

Knowing the dates of the Russian legal and school **holidays** is essential to more efficiently manage the flow of Russian tourist's arrival.

In general Russians do not have the habit to split their vacation time. However, currently the Russian vacation style is changing. August is the preferred vacation month for Russians.

Currently there are 12 days of legal holidays in Russia. (see Table 7)

Table 7 Russian legal holidays

Date	Holiday
1-5 January	New Years: 5 days from New Year to Russian Christmas
7 January	Russian Christmas
23 February	National Defender's Day
8 March	International Women's Day
1 May	Labor Day
9 May	Anniversary of the end World War II
12 June	Declaration of Sovereignty Day
4 November	National Day

Source: The Russian Labor Code

The school vacations dates may vary slightly in Russian regions. However, in general, they are as in Table 8 below.

Table 8 The Russian school vacations dates in 2006-2007

Dates	Vacations
30 October -07 November	Autumn vacation
25 December - 08 January	Winter vacation
26 March- 01 April	Spring vacation
31 May – 01 September	Summer vacation

Source: Anna Kovshanova, school teacher, St Petersburg school № 283

Obviously knowing the school vacations and legal holidays shows when the promotions are optimally scheduled. The data above shows that Russians travelling more and more—335,000 visitors in France in 2005. The World Travel & Tourism Council (WTTC) estimates that 30.5 million Russians will be travelling abroad annually by 2020 which will represent 2% of the world wide tourism total. So Russians most probably will be the sixth most numerous outbound tourists, just after Italy and Canada. WTTC estimates that by 2015 there will be 1 million Russians in Paris annually.

The response to this forecast must be a serious consideration of the continually increasing number of Russian tourists and to prepare to fulfill their needs. The following section will analyze the current Russian tourists and their requirements.

2) Russian tourist in Paris

2.1 General data

Paris, Côte d’Azur and the Rhône-Alpes region are the main destinations for Russian tourists according to the Paris Convention and Visitors Bureau.

The following is the analyses of the statistics from the French government department *Direction du Tourisme* about the number of arrivals and hotel nights of Russians in Paris. (Sources: INSEE – Direction du Tourisme – Partenaires régionaux)

In 2005 Russian tourists were in the 11th place in terms of number of nights in classified Parisian hotels. (A classified hotel is a star rated hotel).

Russian tourists in Paris in 2005 were 1.3% of all foreign arrivals and 1.6% of all the hotel nights in Paris which is 35% of the total hotel nights for Russians for all of France. In 2003 hotel nights for Russians in Paris were 49% of the total hotel nights Russian stayed in France. (see Table 9)

Table 9 Percentage of Russian tourists by number of arrivals and nights in Paris hotels compared to the total number of foreign tourists

	2000	2002	2003	2004	2005
Arrivals	0,9	1,8	1,9	1,5	1,3
Nights	1,2	2,3	2,7	2,2	1,6

Source : INSEE, Direction du Tourisme, Partenaires régionaux

The average stay for Russians in Paris hotels of three nights is equal to the average hotel stay of Russians in all of France. (see Table 10)

Table 10 The number of Russian tourists in Paris by arrivals, nights and average stay (in thousands)

	2000	2001	2002	2003	2004	2005
ARRIVALS	85,398	116,605	157,607	158,328	135,289	120,110
NIGHTS	288,684	378,221	506,133	544,518	459,991	358,358
Average stay (nights)	3.4	3.2	3.2	3.4	3.4	3.0

Note : This data came from INSEE's survey. However there is a large margin of the error: numerous Russian tourists are not included because they stay in hotels which are not surveyed.
Source : INSEE, Direction du Tourisme, Partenaires régionaux

Table 11 The 5 top ranked countries by average Parisian hotel nights in Paris in 2005

Rank	Country	Average stay
1	Hungry	3,5
2	Canada	3,2
3	Turkey	3,0
4	Norway	3,0
5	Russia	3,0

Source : INSEE, Direction du Tourisme, Partenaires régionaux

The pick season for Russian tourists in Paris was May and June. (see Table 12) However, the situation may be changing because in 2006 the Russian legal holidays were changed: the 4 bank holidays at the beginning of May were moved to the beginning of January. So predictably the May pick will move to January.

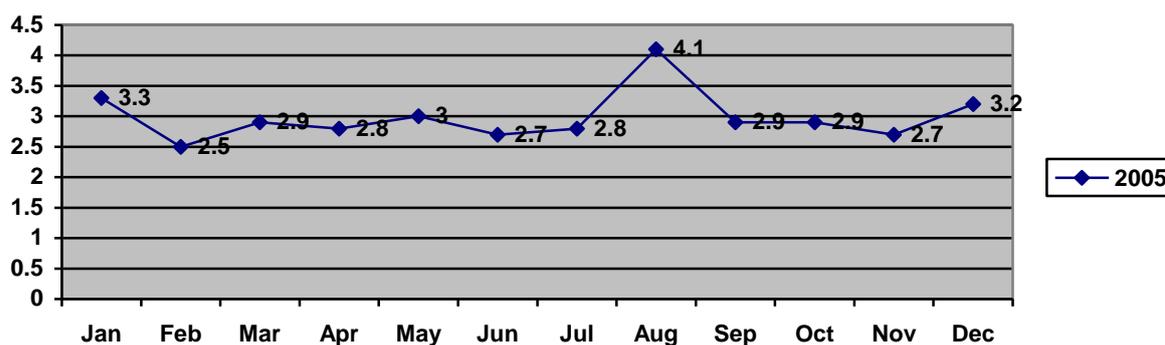
In 2005 the record longest average stay of 4.1 nights for Russian tourists was in August. (see Graph 3)

Table 12 Average nights' stay by Russian tourists in Paris per month

	2002	2003	2004	2005
January	4,8	6,3	8,7	10,1
February	3,5	5,7	4,0	4,2
March	7,3	8,7	7,9	7,1
April	9,2	8,9	6,8	7,9
Mai	12,2	17,8	15,0	10,9
June	7,8	9,8	6,3	11,0
July	10,6	10,0	9,9	5,9
August	10,6	9,0	7,6	9,4
September	9,0	6,6	6,1	8,8
October	7,5	7,1	11,3	8,4
November	8,9	8,7	8,6	8,0
December	8,7	6,4	7,5	6,6
Total	100	100	100	100

Source : INSEE, Direction du Tourisme, Partenaires régionaux

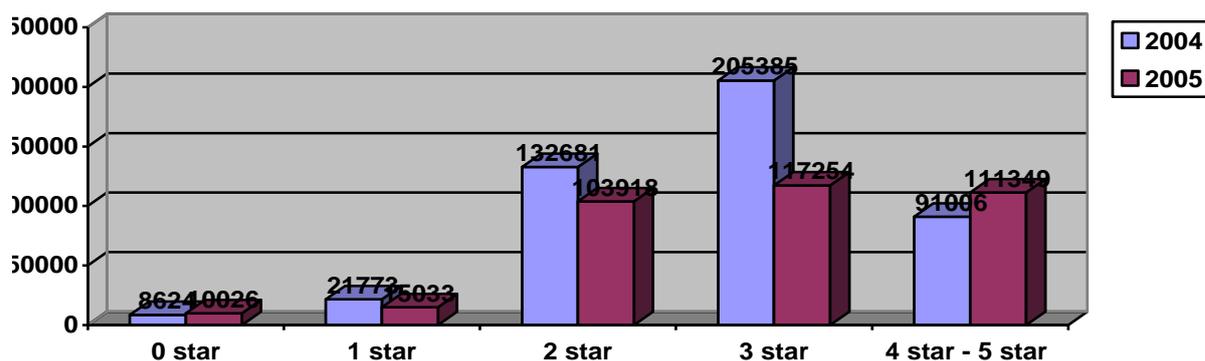
Graph 3 Average nights' stay by Russian tourists in Paris per month



Source : INSEE, Direction du Tourisme, Partenaires régionaux

The below data of the Russian hotel stays per night in Paris shows that three star hotels are the largest segment with 33%. It is interesting to note the changes in Russians hotel nights stay in Paris in 2005 where there was an increased percentage of nights stays in 4 star hotels. (see Graph 4)

Graph 4 Nights stayed in classified Parisian hotels by Russian guests by hotel category



Source : INSEE, Direction du Tourisme, Partenaires régionaux

It should be noted that the average stay of Russian guests in 4 and 5 star Parisian hotels increased to 2.6 nights per stay in 2005. (see Table 13)

Table 13 The average hotel nights stayed per visit for Russian and other foreign guests in Parisian hotels

Stars	2004		2005	
	Other foreigners	Russia	Other foreigners	Russians
0	2,4	3,3	2,6	3,0
1	2,4	3,6	2,4	2,8
2	2,5	3,8	2,7	3,3
3	2,5	3,7	2,7	3,1
4 - 5	2,1	2,5	2,2	2,6
Total	2,3	3,4	2,5	3,0

Source : INSEE, Direction du Tourisme, Partenaires régionaux

Thus there are two conclusions:

- Russians on average stay longer than other foreign guests.
- The number of Russian hotel nights stays in 4 and 5 star hotels is increasing compared to 2 and 3 star hotels.

2.2 The profile of Russian tourists in Paris

Now, though it is difficult to describe the general type, the following is an overall outline of the Russian visitors' characteristics in Paris.

Half of the travelers come from Moscow and St. Petersburg (and their suburbs) and other industrial centers or regions rich in natural resources: Tyumen (natural gas, oil), Yuringey (gas); Khanty-Mansi administrative region (oil) ; Samara (oil refinery, oil pipes, gas pipes, aircraft and weapon manufacture) ; Tatarstan (oil, weapon manufacture) ; Krasnodar (building and civil engineering works, food processing) ; Khabarovsk (forestry).

Another common feature of tourists is spending a lot of money while travel. In fact, on average, more so than visitors from most other countries. It is common knowledge that Russians spend a lot of money on holidays even when they are not rich. The Russian tourist style is to spend a lot of money on vacations to relax and enjoy themselves. Even when Russians are budget conscious choosing the package tours from among multiple travel agencies in Russia when Russians are abroad they spend very liberally on food, entertainment, excursions and shopping.

Traditionally Russians consider France one of the most prestigious destinations. Also, Russians are attracted to France because of French-Russian historical ties. More precisely France represents to Russia the following:

- History, art, fashion, cuisine, art of living, luxury shopping
- Romantic image of love
- Close historical and cultural ties
- Russian literature, films and songs about Paris
- Rich Russians consider France trendy: "the Place where you MUST be"

According to Alexandre Melnik's study (Source : *Espace*, №233, February 2005) the Russian tourist age define the tourists' consumption style and their interactions with France. Melnik's work classifies Russian visitors into four types:

- the “new rich seniors” (50 to 65 years old)
- the “new poor seniors” (50 to 65 years old)
- the “curious middle age Russians” (35 to 50 years old)
- the “young wolves” (25 to 35 years old)

1. *The “new rich seniors”* are:

- ex-USSR administrators who became the owners of newly privatized Russian companies (Loukoil, Gazprom, Sourgoutneft, Interros). They are 60% of all the “seniors” (both “poor” and “rich”) who visit Paris.
- ex-USSR administrators who made enough contacts to open their new private businesses. They are 10% of all the “seniors” who visit Paris.
- the important politicians (mayors, parliamentary deputies) having contacts with private business. They are 5% of all the “seniors” who visit Paris.

The former ex-USSR administrators and Russian "nouveaux riches" do not comprehend their image in the eyes of other people. They have no notion or understanding of dialogue and communication which these rich seniors consider to be “Western” in a pejorative sense because they were used to giving orders which had nothing to do with reality. They do not speak foreign languages, are often late for appointments, only half listen to their guides, make snide historical comments, do not answer questions clearly, they compare negatively everything with Russia and they take refuge in saying that, “Russia IS different!”

The new rich seniors travel in France in the following styles:

- as the head of the family clan (with children and grandchildren)
- in a romantic extramarital escapade with a young, beautiful mistress
- exploratory travel

2. *The “new poor seniors”* are parents and the grand-parents of the “young wolves” (see category 4). They are 25% of all the “seniors” who visit Paris.

The travel is paid for by their children and grand children who feel responsible for the older generations which did not have possibility to travel to the West during the Cold War.

The “new poor seniors” are polite, well-behaved, modest and punctual. Being ignorant of everything from the West and not speaking any foreign languages they

listen attentively to their Russian-speaking guides though how much these poor seniors will remember is questionable. Simple excursions are a discovery of a New World. Everything is very interesting, and, indeed, even, astounding for them.

For the poor seniors the choice of the hotel is secondary. Depending on their children's wealth they stay in 4 star hotels in first, seventh, sixteenth and seventeenth arrondissements or in 2 star hotels in the East of Paris.

Financially depending on their children, poor seniors are restricted to their pre-paid package tours and do not buy any optional services. They save every cent to buy food in supermarkets and for local transport.

3. *"The curious middle age Russians"* are primarily former civil administrators, KGB and military officers and academics who after the fall of the soviet system in 1991 became managers in the newly developing private sector of the Russian economy.

Together with the category of the "young wolves" (see below) the curious middle age Russians form the "solid center" of the middle class / upper-middle class that is developing in the post-soviet era. They are:

- CEOs and executives of small and middle-size companies (building and civil engineering; import-export, tourism, high technology, Internet, fast food and restaurants, consumer goods, food processing, clothing, furniture, interior decorating, auto-parts, telecommunications, marketing, public relations, advertising, ready-to-wear and publishing).
- lawyers (predominately for the big oil and gas producers and metal and energy companies); accountants, auditors and insurance brokers;
- real estate brokers and consultants
- financial managers, traders and bankers
- professors
- private doctors and dentists
- custom and tax officers
- journalists specialized in international tourism and media editors
- top labor union leaders

The curious middle age Russians visit Paris as a family (a couple plus one or two teenage children). In general, they come to Paris after already having travelled

abroad (Turkey, Cyprus, UAE, Spain, etc). For them France is a destination of the ultimate dream unfortunately too expensive and often difficult to understand because of the language barrier and cultural differences. This group of Russian tourists often inform themselves about Paris in advance so they know where they want to go. The curious middle age Russians are the only category who reads travel guides (notably *Le Petit Futé* in Russian translation) before they visit Paris. They stay in 3 star hotels in the seventh, sixteenth and seventeenth arrondissement. For them the choice of the hotel is practical (near the center, calm, safe, modern facilities and comfortable).

4. “*The young wolves*” who come to Paris are the children of the new Russian management, neo-capitalists of XXIst Century. Their behavior in Paris varies according to their professions. They began their working careers in the new free-market economy in the 1990’s in fields such as management, consulting, auditing, real estate, tourism, restaurant business and distribution...

Their stay in Paris is first of all a voyage of pleasure and recreation. The City-of-Light is considered to be the Place where one Lives Fully, eats like a Gourmand and has Fun. It is also the ultimate romantic dream for a tryst or honeymoon.

Among the young wolves is the rising percentage (5% in 2002 against 2% in 1996) of Russian employees of multinational companies with operations in Russia (telecommunications, new technology, advertising, and marketing).

During their Parisian vacations most young wolves stay in 3 star hotels (second, third, eighteenth, sixteenth and seventeenth arrondissements) while dreaming of future stays in the Paris luxury hotels which are for the present unaffordable.

It should be noted that the young wolves are the future clients of the 4 and 5 star hotels. Thus, the way to market to them must be evolved.

Although they are not rich by Western standards they spend about 1,500 € for two people for a week stay in Paris. Generally pragmatic, however, the young wolves permit themselves “follies” in entertainment and luxury clothes. (see Table 14)

In the above sub-section the growth and importance of the Russian tourist market in Paris has been detailed. Tourism is very important in the Parisian economy. Consequently attending to the development of the Russian tourist market in Paris is absolutely essential. The most important qualitative and quantitative characteristics of Russians have been examined. The Russian vacation and holiday dates were reviewed. Knowing them is important in applying the Marketing Mix and because the dates were recently (2005) changed.

In the following sub-section the Parisian luxury hotels and their clientele will be examined.

Table 14 The four types of Russian clients and their principal characteristics

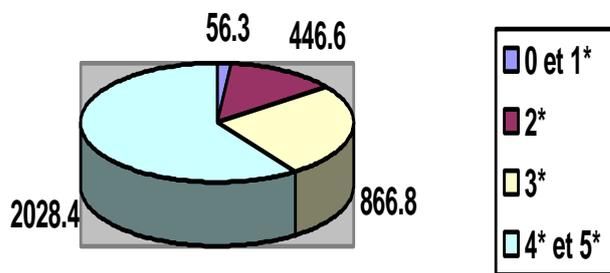
4 types of clients	Age	Who they are?	Characteristics of their visits to Paris	General characteristics
The “new rich seniors”	50 to 65 years old	Ex-USSR administrators, executives, important politicians	- as the head of the family clans (with children and grandchildren) - in a romantic extramarital escapade with a young, beautiful mistress - exploratory travel Luxury hotels	Do not speak foreign languages, are often late for appointments, only half listen to their guides, make snide historical comments, do not answer questions clearly, they compare negatively everything with Russia and they take refuge in saying that, “Russia IS different!”
The “new poor seniors”	50 to 65 years old	Parents and the grand-parents of the “young wolves”	Restricted to their pre-paid package tours and do not buy any optional services Dependent on their children’s wealth (4 star hotels in first, seventh, sixteenth and seventeenth arrondissements or in 2 star hotels in the East of Paris).	Polite, well-behaved, modest and punctual, do not speak any foreign languages, listen attentively to their Russian-speaking guides. Everything is very interesting and, indeed, even, astounding for them.
The “curious middle age Russians”	35 to 50 years old	Former civil administrators, KGB and military officers and academics who in 1991 became managers in the private sector	Visit Paris as a family (a couple plus one or two teenage children). In general, come to Paris after already having travelled abroad. 3 star hotels in seventh, sixteenth and seventeenth arrondissement	The only category who reads travel guides before they visit Paris.
The “young wolves”	25 to 35 years old	Children of the new Russian management, neo-capitalists of XXIst Century	Paris is first of all a voyage of pleasure and recreation 3 star hotels in the second, third, eighteenth, sixteenth and seventeenth arrondissements but dreaming of future stays in the Paris luxury hotels	Spend about 1,500 € for two people for a week stay in Paris. Generally pragmatic the young wolves permit themselves “follies” in entertainment and luxury clothes

C) RUSSIAN GUESTS IN PARISIAN LUXURY HOTELS

1) Luxury hotels in Paris

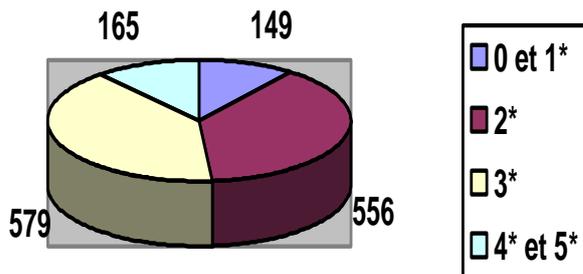
Paris has 165 (2005) luxury hotels categorized as 4 star and 4 star luxe (5 star). In 2004 they had gross sales of 2.028 billion euros which is 59% of the total Paris hotel market. (see Graph 5).

Graph 5 Gross sales of the Paris hotel market in 2004 by hotel category (in millions of euros)



Source: Tourism in Paris in 2005, Key figures, from Paris Convention and Visitors Bureau, Paris Tourism Research Department, 2006

Graph 6 Number of classified Paris hotels by categories in 2005



Total hotels 1,449

Source: Tourism in Paris in 2005, Key figures, from Paris Convention and Visitors Bureau, Paris Tourism Research Department, 2006

According to the study “Tourism in Paris in 2005, Key figures” 4 and 5 star hotels represent 11.4% of the total number of the classified Parisian hotels and about 26.5% of all the Paris hotel rooms. (see Graph 6 and Table 15)

Since 1990 Paris hotels have been upgrading and by 2005 the number of luxury hotels had increased greatly.

Table 15 Parisian hotels by category in 2005

Category	Number of hotels	% of total	Growth 1990/2005	Number de rooms	% of total	Growth 1990/2005
0*	31	2,1	+244,4 %	1578	2,1	+349,6 %
1*	118	8,1	-58,5 %	3377	4,5	-61,4%
2*	556	38,4	-12,6%	26019	32	-6%
3*	579	40	+29 %	26186	34,9	+1,2%
4*	160	11	+150%	19265	25,7	+150,8%
5*	5	0,4	+66,7 %	662	0,8	+44 %
Total	1449	100	+0,3 %	75067	100	+8,2 %

Source: Tourism in Paris in 2005, Key figures, from Paris Convention and Visitors Bureau, Paris Tourism Research Department, 2006

There are seven 5 star hotels in Paris: L'Hôtel, Plaza Athénée, The Ritz, The Scribe, Hôtel de Vendôme, Fouquet's Barriere and Hotel Lutetia—as of July 2007. It should be noted that the category “palace” is distinct from 5 star hotels and unofficial: to be specific, there is no legal category “palace”. The designation as a “palace” is a general consensus of both frequent guests and hotel professionals. The Parisian palaces are Plaza Athénée, The Ritz, Bristol, Crillon, George V Paris and Le Meurice.

Hotel professionals agree that for a hotel to be in the exclusive palace category it must fulfill the following minimum standards. (Source : *Cahier Espaces* n°40- February 1995 and *Grand Paris*, 2 November 2006)

- A central and prestigious location

Almost all luxury hotels are concentrated in the western Paris area:

Champs-Élysées – Concorde – Opéra

- Room price

600 € per night minimum

- International recognition

- Must be known abroad and have a significant percent of foreign guests

➤ Restricted size

The number of rooms must be limited to 300 to permit personalized service.

➤ Personalized service

The staff knows and fulfils the guests' preferences

➤ A blend of modern and classic

Preservation of tradition style and service while making available the full range of ultra-modern technology

➤ Each guest must have the services of at least 2.5 employees

➤ A gourmet restaurant

➤ A historical building

➤ A long, colorful history

Le Meurice has the stamps of Salvador Dali. As one of the hotel's most outrageous guests the surrealist painter Dali spent at least one month per year at Le Meurice. His behavior could also be surreal: once he requested a horse. Another time, he asked the staff to capture flies for him in the Tuileries Garden, paying them five francs per fly.

The pop-idol Madonna stays at Crillon.

Each hotel has its own identity connected to its architecture, history, clientele, image and qualifying images: "majestic" Ritz who welcomed the Prince of Wales, the Shah of Iran, the Kings of Spain, Sweden, Portugal... and the Windsors.

According to Ana Bauer study (BAUER, Ana « Le marché du tourisme de luxe », ODIT France, 2007) clientele of the luxury hotels can be categorized by their age, income, reason to travel and country of origin.

In general luxury travel is associated with leisure however remembering corporate top executives' travel and government dignitaries on official junkets is essential.

Luxury clients can be differentiated by income. This different market sub-segments can afford distinct luxury market products. Care must be taken in mixing these varied sub-segments.

➤ Super luxury consumers who are a small niche market but very coveted because of extensive buying power and prestige. There are two subgroups:

- "Traditional" clientele who are members of old rich families and the aristocracy

The traditional clientele are historically long-time luxury consumers from the developed nations for whom France has a special place in the universe of opulence. Attracted to the traditional luxury values which are now becoming outdated with a tendency to remain faithful to destinations and products which they have been using frequently for a long time, this subcategory constitutes the main stay of the guests of palaces and other historically recognized luxury destinations. Rather stable in their life styles and tastes their needs do not vary over time.

- The “People”

This clientele are the young rich who come from milieu of sports, the arts and business and search luxury in the slipstream of fashion, glamour and the desire for originality ... that is to say, truly turning the meaning of traditional luxury upside down.

- Luxury consumers, the new clientele, who are the luxury tourist market today and even more so in the future because of their increasing numbers.

There are three subgroups:

- The “Devoted” modern luxury clientele

More modern, the members of this subgroup also come from developed countries and are more cosmopolitan. They desire new experience and to make fresh discoveries. This group will buy the luxury products that are fanciful and trendy.

Their understanding of luxury is wide and worldly thus putting France into a global prospective.

- The “Nouveau Riche”

Nouveau riche is from developing countries and are very concerned about status, social acceptance and hedonism, sensitive to their image and fashion. They are anxious to make up for lost time and show great thirst for experience and acquisition. The choice of luxury products and destinations is made according to the social status. France, by definition, is the attractive country but has strong competition from other eminent destinations. This rapidly increasing subgroup represents a reservoir for luxury tourism.

- “Excursion” or “One Shot” tourists

This clientele is also a fast growing subgroup who considers luxury travel a unique and exceptional experience, a source of unforgettable memories, to live

fully or to be interjected into more moderately priced trip. Less accustomed to the Luxury World they bring in this Heady Universe their consumption habits: more price conscious they need advice and a guide (purchasing is carefully researched). Before buying they browse heavily luxury travel agencies' Internet sites and select the cheapest offer.

Above analysis of Paris hotels by category shows the importance of luxury hotels in terms of percentage of gross sales. Also above, the concept of "palace" was examined and defined. Further the above examination of Bauer shows who are consumers of luxury products and their motivations.

2) Russian clientele in Parisian luxury hotels

Russians have been, up until now, only a very small percentage (less than 5%) of the overall Parisian luxury hotel clients. The average Russian clients stay was 2.6 nights in 2005.

However; Russian tourists are a fast growing market. In 2005 the Russian luxury market was estimated to be 6 to 7 billion euro (Source: BAUER, Ana « Le marché du tourisme de luxe », ODIT France, 2007) and this figure is rapidly growing with the strong Russian economy. Thus this Russian affluent clientele is a strong potential target for luxury tourism especially in France. (In 2005 there were about 300,000 Russian visitors to France and their position increased by 10% according to Veille Info Tourisme.)

Evolution of Russian tourists' image.

In the early 1990s after the fall of Iron Curtain rich Russian tourists' image was a caricature of gauche nouveau riche. They were intimidated by the Western world and their lack of foreign languages increased their insecurity thus resulting in compensatory aggressive behavior. Therefore, somewhat understandably, these newly wealthy Russians needed to show-off and, as the Russian saying goes "Throw their money on the wind".

The early newly affluent Russian travellers' capricious and often incomprehensible demands made them infamous abroad, particularly in hotels. There is an often repeated story about the Russian guest who demanded a black

musician to play on the white piano during his breakfast. There is another tale of a Russian tourist requesting a pink limousine to meet him at the airport with a gigantic bouquet of pink flowers. And then this Russian threw a very opulent party. He shocked the entire hotel with his huge consumption of alcohol.

However the behavior of rich Russian tourists has moderated in comparison with the 1990's. If the disturbing and chocking behavior has definitely lessened, their habit to spend a lot of money during their travels continues which makes Russian tourists very attractive and desirable to tourism professionals.

According to CGTT Voyage Russian clientele is still demanding and capricious but their tastes have also evolved and they have become more discreet. In a luxury hotel a Russian guest complained when a waiter automatically gave him the menu in Russian. This particular guest spoke French and (like growing number of Russians) wanted to appear more Europeanized. However he is not typical, most Russians do not speak French and speak very limited English. Knowledge of fine wines and cheese is for the newly affluent Russian clientele a sign of belonging to the cultured European wealthy class.

Rich Russian seniors' characteristics (Melnik)

As cited above from Melnik's data the "rich Russian seniors" who are ex-USSR administrators and are now part of the Russian nouveau riche do not have the ability to understand how they appear to others.

At the risk of being boring it is important to repeat from above: these rich Russian seniors have no notion or understanding of dialogue and communication which these rich seniors consider to be "Western" in a pejorative sense because they were used to giving orders which had nothing to do with reality. They do not speak foreign languages, are often late for appointments, only half listen to their guides, make snide historical comments, do not answer questions clearly, they compare negatively everything with Russia and they take refuge in saying that, "Russia IS different!"

Therefore the rich Russian seniors do not want a guide/interpreter. This group craves a companion who is a native Russian speaker and can understand their convoluted Russian "soul" (see Dostoevsky and Tolstoy).

Also the rich Russian seniors' progenies are unable to communicate. they Respond only to expensive car and clothing brands. This capricious and sulky

autism seems astonishing because they are enrolled in Russia's most prestigious private schools where foreign language study is a priority.

For these younger well off Russians the **hotel's choice is primary**. Three palaces (The Ritz, Bristol and George V) are the preeminent addresses to the detriment of the Crillon and Plaza Athenee which are less known in Russia. Their meals are prepaid in the palace's restaurants.

Rich Russian seniors' interests in Paris are:

- luxury shopping (avenue Montaigne, place Vendôme, rue du Faubourg Saint-Honoré, rue Bonaparte). Women do the shopping, men do the paying.
- famous restaurants
- the most famous historical sites (Eiffel Tour, Louvre, Notre-Dame, Versailles) with the condition that their visit will be brief (only to take a few posed photos)
- Disneyland
- the real estate prices in France for possible investment

The Russian "nouveau riche" are liberal spenders. They do not have any idea of actual market prices, schedules and tips. They are ready to spend thousands of euros a day for shopping, excursions, restaurants and entertainment. They are ready to pay a lot to be carefully and tactfully supervised and therefore reassured.

From the information supplied by the outbound St Pétersbourg travel agencies CGTT Voyage and Petropolina, the biggest Parisian inbound travel agency Evolution Voyage, *The St Petersburg's Times'* staff and from my own experience as a receptionist in The Ritz (summer 2006) the Russians' reservation methods and the criteria on which Russian clients use to select Parisian hotels will be analyzed below.

Russian tourist general characteristics (other sources):

- most of the rich Russian guests come from Moscow, St Petersburg and other natural resources rich regions. However the Russian Diasporas must not be forgotten. According to the former The Ritz Sale Manager Mogilnitskaia's study (2005) one quarter of a million rich Russians live in London.

- the potential guests are Russian tycoons, successful businessmen, real estate owners, top managers, affluent retailers/wholesalers, fashion designers and devotees and opinion makers.
- in general they are 35-50 years old
- usually they are accompanied by their families or young beautiful mistresses
- the majority of the Russian luxury guests are upper middle class with the need to consume luxury products to reassure social status.

The majority of Russian luxury guests, for convenience, **reserve their Paris hotel rooms through Russian outbound travel agencies.** These travel agencies offer all inclusive packages (hotels, breakfasts, excursions, air tickets, transfers, guides, excursions in Russian, visa support, restaurant and show reservations, etc.). Another reason Russian clients use travel agencies is the language barrier. This language impediment prevents Russians from reserving hotel rooms on the Internet when hotels' sites do not have pages in Russian. During my work in The Ritz as a receptionist in the summer of 2006 several Russian guests asked for the Ritz reservation telephone number. However, they were discouraged to learn that there was not any Russian speaking staff in the reservation department.

In addition the Russian outbound travel agencies services attract the wealthy Russian clientele especially when they want individual personal services. It should be noted that though France is only in 10th place in foreign travel destinations (CIS excluded) for all categories of Russian visitors it does not directly reflect luxury tourists who visit Paris and Côte d'Azur frequently. They want to explore the new French tourist niches such as the vinous chateau areas with wine tastings and regional cuisines, cultural or theme travel (visits to haut couture ateliers, hydrotherapy, anon) etc.

The rich Russians who come for the first time usually reserve a personal guide/interpreter for several days to visit Louvre, d'Orsay and other museums, monuments and the most famous Paris cabarets. The guests who are not first time visitors already know Paris well enough and have their own preferences. They have their own preferred places and hotels. According to Evolution Voyage this is a reason why it is rather difficult for a luxury hotel to attract new Russian guests who are not first time visitors. Russian luxury clients know where they want to stay and only instruct the Russian outbound travel agencies to arrange the details.

However, according to CGTT Voyage they are always looking for new charming and trendy luxury hotels. They want to change their “usual” hotels for something new and “*AUX CURRENTE*”.

Another tendency mentioned by CGTT Voyage is the desire of some part of the wealthy clientele to reserve rooms in 4 star hotels rather in 5 star hotels or palaces even when they can afford the more expensive places. This clientele has shopped spending money as they did in the past. This is an opportunity for the 4 star hotels to benefit from effective marketing.

Before the wealthy clients travel to Paris for first time they ask their friends for recommendations. Also they browse Internet sites and finally ask agencies’ advice. It should be noted that sometimes the choice of the hotel is made by the women of a couple.

Rich Russians’ hotel choice criteria:

 the Hotel :

- image, prestige and history
- location (Opéra, Palais Royal, Champs-Élysées – right bank)
- room: size, view, décor and breakfast (Russians like to eat a lot so the typical continental breakfast is insufficient)

 the Service :

- comfort complemented with prompt and professional services
- recognition

The Russian tourist is very sensitive to the way he/she is welcomed. They want to be welcomed as VIP by the guest relation manager. They want to be recognized at reception.

- security

This can be understood because of the threat of Russian organized crime since 1990.

- restaurant
- Russian speaking staff

The above sub-section examined who are the Russian guests of the luxury Paris hotels and their main characteristics. The fact that Russians make their reservations through Russian outbound travel agencies and the criteria of the hotel choice has been examined.

Summary Part 1

In Part 1 above the tendencies of outbound Russian tourism were examined and the importance of the growing Russian market for luxury tourism industry has been demonstrated. The qualitative and quantitative characteristics of Russian tourists and especially those who are guests of the luxury hotels have been analyzed.

In the following Part 2 the market ability of the Parisian luxury hotels will be examined. That is, the compatibility between Parisian luxury hotels' offer and the Russian clientele demand will be analyzed. The main strategies of luxury hotels to develop this potentially wealthy clientele will be viewed. This study will lead to conclusions and practical advice for the luxury hotels Sales & Marketing managers to profitably develop the lucrative luxury Russian tourist market.

Part 2

PARISIAN LUXURY HOTELS MARKETING STRATEGY TO THE RUSSIAN CLIENTELE

A) EXISTING SERVICES AVAILABLE TO RUSSIANS IN THE LUXURY PARISIEN HOTELS

1) In Parisian palaces

To analyze and compare the existing services available to Russians in the Parisian palaces I surveyed six palaces and interviewed the Sales and Marketing managers of The Ritz and the George V. It should be noted that hotels are not compared for quality of service with each other. Only services available specifically to Russian clientele were recorded and are reported herein.

According to the information collected it can be seen that all of the surveyed hotels attempt to respond to the needs and the preferences of the increasing number of the Russian clientele. (see Table 17) Almost all hotels offer brochures, newspapers and magazines in Russian, as well as Russian TV channels. All the palaces have some Russian speaking staff (except the Meurice which at the time of the survey [20 April 2007] was looking for Russian receptionist) and offer independent interpreters' service.

Unfortunately four of Paris' palaces do not have Russian menus. Only one of these stated the intention to produce a Russian menu shortly after the date of the survey (20 April 2007). This is unfortunate because Russians are enthusiastic gourmand diners and they add significantly to the Food & Beverage bottom line.

For Russian guests (even for those who speak enough French to go shopping alone) it is not always easy to understand the dishes' French names. Surprisingly, half of the palaces does not have Russian Internet sites (on 20 April 2007) but two of those are planning to have them in "nearest future".

Table 17 Existing services available to Russians in the luxury Parisian hotels (as of 20 April 2007)

Services In Russian	Bristol	Crillon	George V	Meurice	Ritz	Plaza Athénée
Russian speaking staffs	Yes, only in reservation department	Yes, Reception, reservation switchboard, room service	Yes, 15 employees	Looking for	Yes, But only in the Sales department	Yes
Brochures	Yes	Yes	Yes	No	No, but directory in Russian	Yes
Newspapers and magazines	No	Yes	Yes	Yes, on request	Yes	Yes
TV channels	Yes	No	Yes	Yes	Yes	Yes
Menu	No	No	Yes	Being prepared	Yes	No
Guide-interpreter	Yes	Yes	Yes	Yes	Yes	Yes
Web sites	Yes	Yes	No, brochure with general information	No, brochure with general information --- Russian site in preparation	Yes	No, brochure with general information --- Russian site in preparation

It should be noted that The Ritz and George V have the most Russian oriented services available. The important difference between these two leaders is in the quantitative characteristics of their services which influence the quality. The

George V has 15 Russian speaking employees out of 650 (as of March 2007) in comparison with The Ritz which has only one who is not in reception but in the Sales Department (as of April 2007).

The Sales Manager in George V David Baillot explained that the concierge recommends a Russian speaking shopping-guide/interpreter to accompany the Russian Madame when she is shopping. Another service is a Russian speaking chaperon who meets the wealthy Russian guests at the gate in the airport when he/she/they disembark and accompanies them through passport control and baggage claim to the limousine and hotel. This assistance simplifies greatly the bureaucratic procedure and allows guests to save time which is important because Russians are infamous for being impatient.

The Ritz sales manager responsible for the Russian market in 2006 said Russian guests are welcomed in their hotel rooms with a greeting in Russian on their television screens (unfortunately as of December 2006 there were not any films in Russian).

Finally it should be noted that for Russians most of the luxury hotels include an expanded breakfast with a room. As stated previously Russians traditionally eat a substantial breakfast.

2) In the 4 and 5 star Parisian hotels

A lot of the 4 and 5 star Parisian hotels have limited capacities (less than 30 rooms). Usually these small hotels do not have sufficient number of Russian guests to be able to afford providing the special Russian marketing and guest services.

To understand the actions taken by Parisian hotels to increase Russian clientele the most recent study of Maison de la France (2003) will be examined. Mostly 3, 4 and 5 star hotels in Paris, Côte d'Azur, Deauville, Biarritz and some other important French cities were surveyed.

The form was sent in the summer 2003 to 234 French hotels (126 in Paris, 60 in Côte d'Azur and 48 in other French tourist cities). 61 replies were received (26.1% of the total number of the questionnaires sent) with the following results (see Graph 7):

- 17 hotels have Russian speaking welcoming staff (receptionists, concierge etc) which comprises both permanent and seasonal employees. This is 7% of the total questionnaires sent and 28% of the responses.

Among the questions posed was: "Do you have any special problems with Russian guests?" Most of the hotels answered: "Yes". They complained about problems posed by the language barrier. The following are some of the hotels answers:

- "Linguistic problems (comprehension). It was found that Russian guests speak very little English".
- "When we don't have Russian speaking staff and the guest speaks no languages but Russian".

- 16 hotels offer maps, guides and brochures in Russian. This is 7% of the total questionnaires sent and 26% of the responses.

- 25 hotels offer newspapers and magazines in Russian, among them 7 are on request. This is 11% of the total questionnaires sent and 41% of the responses. One hotel only makes the offer in high season.

- 14 hotels offer television channels in Russian. This is 6% of the total questionnaires sent and 23% of the responses.

- 11 hotels offer Russian menus. This is 5% of the total questionnaires sent and 18% of the responses. However, it should be noted that some hotels who were surveyed did not have restaurants.

- 39 hotels offer Russian speaking private guide-interpreters (on request for a fee). This is 17% of the total questionnaires sent and 64% of the response.

- 5 hotels reported that they have special dishes for Russians culinary preferences. This is 2% of the total questionnaires sent and 8% of the response.

Some more hotel responses:

- "By inquiring from them [Russian guests] and by planning in advance the menu with inbound French travel agencies"
- "Adapting particularly breakfast (vegetables...)"

- “Late breakfast”
- “Sausages and smoked meat for breakfast”

When I worked as a receptionist in The Ritz (summer 2006), a liaison officer for a company trying to woo a potential rich client who was staying at The Ritz gave me a package of buckwheat (a Russian favorite food) and asked that it be prepared for the Russian guest’s breakfast.

Many of Russian clients were disturbed by the “early” breakfast schedule. One time a client asked for breakfast to be served in his room so he did not have to get up “earlier, dress and go down for breakfast before it finished. However his wife insisted that they go downstairs and eat in the restaurant.

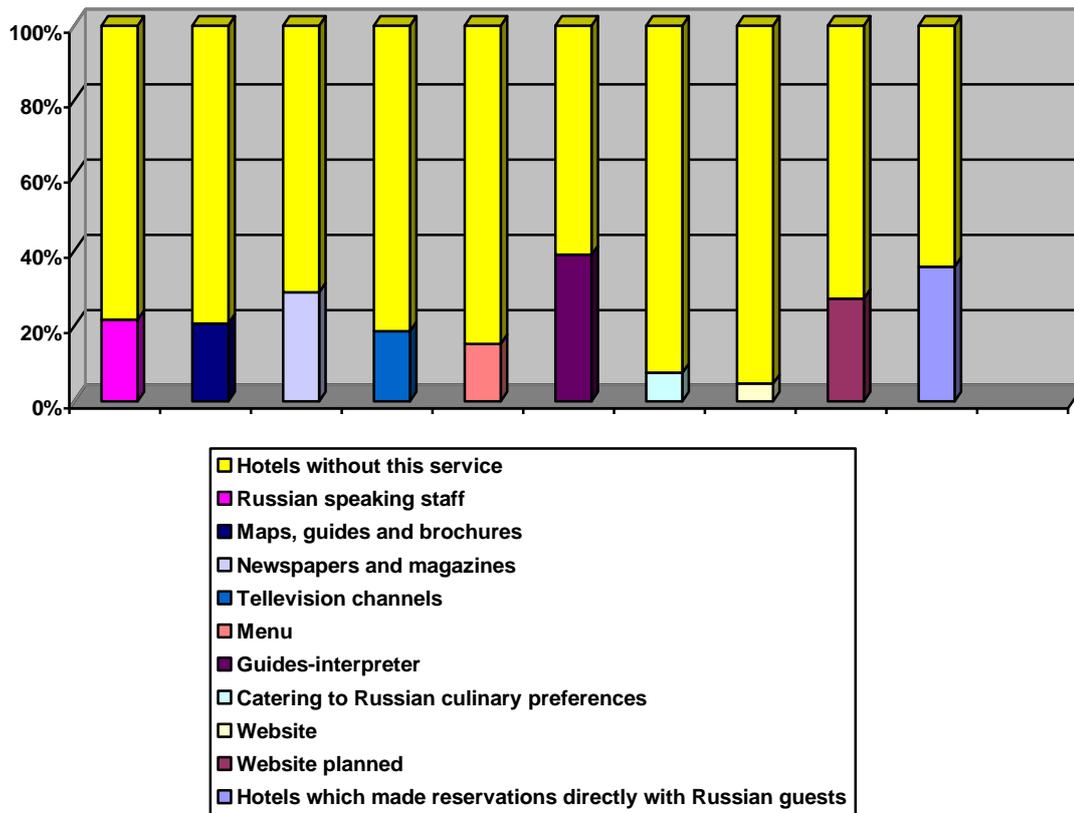
- 3 hotels have some information about their hotels on their websites in Russian. This is 1% of the total questionnaires sent and 5% of the response.

- 23 hotels were going to put some information about their hotels on their websites in Russian. This is 9.8% of the total questionnaires sent and 37.7% of the response.

It was possible to make a direct reservation in Russian only on one hotel website. 34 hotels had made reservations directly with Russian guests. (This is 14.5% of the total questionnaires sent and 55.7% of the response.) Some reservations were made through Russian guests’ friends and family members living in France.

Six hotels stated they experienced an increase of reservations made by Russian guests themselves without the assistance of tour-operators or travel agencies. (This is 2.6% of the total questionnaires sent and 9.8% of the response.)

Graph 7 Existing services available in Russian in the French hotels surveyed in 2003 (according to 61 hotels who answered the Maison de la France questionnaire)



Source: Maison de la France

It should be noted that since this survey was conducted in 2003 (the latest available information) my personnel contacts in the large Paris hotels indicate that the luxury Parisian hotels have improved their services by hiring more Russian speaking staff, offering documents in Russian (menu, directory, etc.), as well as Russian television channels.

The sales managers H el ene Gourd es of **H otel Regina** and Irina Epikina of **Warwick Westminster Op era** confirmed hotels' desire to improve services tailored to Russian guests.

In H otel Regina one receptionist and one concierge speak Russian. This hotel also offers one Russian television channel, as well as a Russian menu and directory. Hotel Westminster gives their Russian guests a personalized letter of welcome with a list in Russian of all the hotel services available. Also supplied are by the hotel are Russian TV channels and the Russian magazine *Bereg (Coast)* published in France. The Westminster gourmet restaurant has a Russian menu.

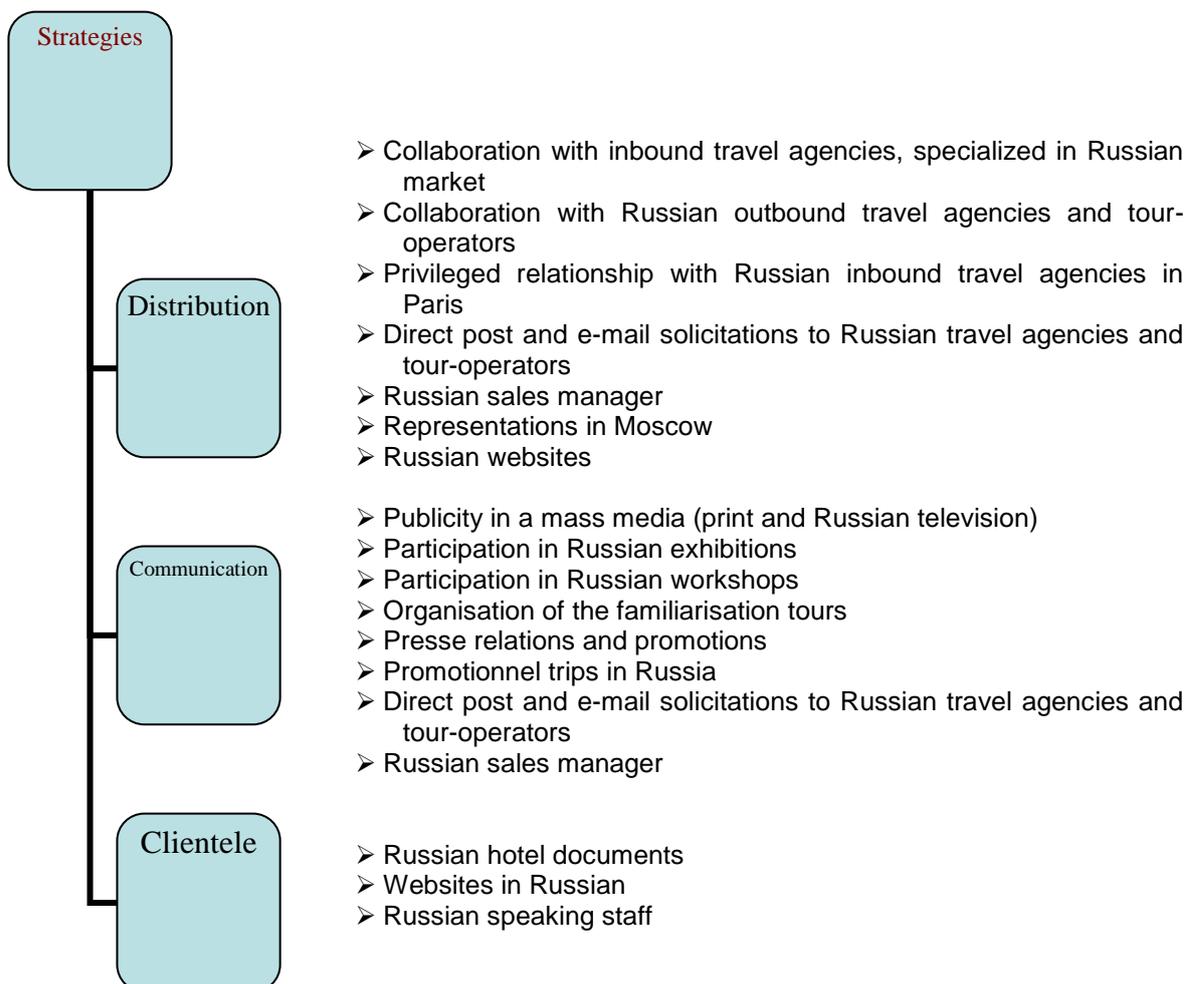
To conclude, the luxury Parisian hotels who are interested in the Russian high-end guests understand more and more the necessity to adopt their services to the growing potential Russian market. The most important is to resolve the communication problem by hiring the Russian speaking staff. Knowing that Russians spend a lot on supplementary services and can thus increase hotel profits translating all hotel documentation into Russian is essential. The more a hotel adopts its services to the Russian clientele's taste and requirements the greater possibility the hotel's Russian guests will be loyalized.

B) THE LUXURY PARISIAN HOTELS' STRATEGIES TO DEVELOP RUSSIAN CLIENTELE

1) The Maison de la France study

According to the most recent **Maison de la France** study cited above only 33 hotels (14.1% of the total questionnaires sent and 54.1% of the responses) actively market to the Russian clientele. The first conclusion we can make is that the French hotels which are actively developing Russian clientele use considerably different marketing strategies. Some hotels simply conclude contract(s) with one or several inbound travel agencies (located in France) who specialized in Russian clientele. Other hotels use more diverse strategies to target the Russian market and improve the welcoming of Russian clientele.

Below is the presentation of the different promotional strategies conducted by some French hotels to target Russian market according to the Maison de la France study:



It should be noted that some strategies mentioned above are rarely employed; Some are used by a very limited number of hotels who answered the survey.

However all the Parisian **palaces** have a sale manager who is responsible for the Russian market. “The Russian clientele is more and more important, it is [a] nearby market [3 hours by plane]. Russia is a developing market. The Ukraine is a new market. Kazakhstan is an even newer market. These are the countries which we are really working.” – says David Barillot, the sales manager in George V.

Below the sales strategies are examined which effectively attract the Russian guests to the luxury Parisian hotels.

2) Distribution strategies

2.1 Indirect distribution

The first question to answer is:

How wealthy Russians reserve rooms?

All hotels interviewed stated that about 85% of their Russian guests reserve through travel agencies. To sell their rooms to Russians, luxury Parisian hotels work with outbound travel agencies in Moscow and St Petersburg as well as with inbound travel agencies in Paris. (“Most of the Russian outbound agencies work with inbound travel agencies in Paris”, said H el ene Gourd es, H otel Regina.)

Most of the Russian outbound travel agencies are located in Moscow and seek clients throughout Russia. The size of the Moscow travel agencies is substantially larger than regional agencies. This is because:

- in Moscow there are more wealthy Russians with greater spending power than in the regions. About 100,000 Russian dollar millionaires live in Moscow according to *Capital* magazine (January, 2007)
- all Russians (except the St Petersburg and North-East region) as of July 2007 must obtain their French visas in the French Consulate in Moscow (in the near future a French consulate will be opened in the Urals as well)

According to the George V sale manager David Barillot, there are about 4,000 travel agencies in Moscow but only approximately 60 are potentially interesting for his hotel. The Ritz works with about 20 travel agencies.

However the Russian tourist industry is in a state of great flux. The high speed of the opening, developing and closing of travel agencies in Russia demonstrates the unstable situation in this industry. The competition for clients is very severe. Promotion of new products is usually aggressive.

In June 2007 a new Russian government regulation requiring most Russian tour-operators to post substantial financial guarantees. It remains to be seen how this new requirement will affect the Russian outbound tourism.

For more information about Russian outbound travel agencies and tour operators, please, contact: olinka@olinka.info.

There are more than ten inbound travel agencies in France who specialized in the Russian market. There are some agencies which work exclusively with the Russian and CIS markets but there are some others who also work with other markets as well. Some of them specialized in a luxury segment (for example: Evolution voyage)

Some Paris luxury hotel managers pointed out the following inbound travel agencies: Evolution, Marin International, Travelscope, Itineria, Eastwood travel France, Cgvt Voyage, MTC group.

For more information about inbound travel agencies in France specialized in Russian clients, please, contact: olinka@olinka.info.

Wealthy Russian clients use outbound travel agencies for the following reasons:

- visa assistance,
- payment flexibility: through their company's bank account, charge card or cash,
- convenience and speed: one phone call and all the reservations are made,
- simplicity: especially if the client wants to visit multiple destinations in France,
- secure payment. Russians are distrustful of electronic payment. They are reluctant to enter their Credit card information on Internet sites.

- personal contact: traditionally Russians prefer to do everything through a personal contact which is connected with Russian history where the beneficial results could only be obtained through personal contact. Another reason is the understandable universal human desire for personalized luxury services.

10-15% reserve directly through the hotel when they personally know a Russian speaking staff member. Some of this “direct” guest reservations are in fact made by a third party: a relative, friend or Russian speaking Parisian guide-interpreter.

Obviously luxury hotels must offer Russian speaking staff member both to welcome and continually liaison with wealthy Russian guest in order to develop significantly this lucrative growing Russian market. This person can be a Sales or Guest relation manager. Ideally this will be a long-term, loyal employee who will develop personal relationship with the wealthy Russian guests. As noted above Russians are particularly receptive to personal networking.

2.2 Direct distribution

The second question is:

What packages and special offers do the luxury Parisian hotels offer to the Russian market?

In general these hotels do not create special products for the Russian market. Inbound Parisian travel agencies specializing in the Russian market do. The hotels only sell their rooms with an expanded continental breakfast. However some luxury hotels have general packages which can be used on the Russian market, for example hotel's Westminster La Vie en Rose. Hotel Regina adopted one of its packages, Da Vinci Code, to the Russian clientele by adding a Russian guide.

Concerning special offer discounts the sales manager in George V David Barillot says, “We don't offer interesting prices [discounts]. We sell the dream. We sell experience. That's why guests stay with us. It is not the price which stimulates them [guests].”

However the Westminster sales manager, Irina Epikina, says that wealthy Russians do in fact care about price and shop and compare and then book price

for value. Westminster offers upgrades for Russian guests with children during the Russian school holidays.

Hotel Regina offers Russians four nights for the price of three (“We can reduce the price because it is an expanding market like the USA. For Japanese, for example, we cannot offer such promotion because the prices are already low [discounted]”)

All luxury hotels interesting in developing Russian guests’ loyalty offer gifts and sometimes upgrades for the Russian holidays especially New Year’s and 8 March (International Women Day, a very important holiday for Russians).

The importance of the travel agencies in the Russian market is reflected in the communication and promotion politics of the luxury Parisian hotels which will be examined below.

3) Communication strategies

The next question is:

What sales plans/techniques are most effective in attracting rich Russian guests to a luxury Parisian hotel?

3.1 Promotional events

Since the majority of Russian luxury guests come through travel agencies partnership with them is of utmost importance. Hotels invite travel agents to stay, organize familiarization tours, present news and new products and offer gifts. In addition, the hotels’ Russian sales managers go to Moscow where they meet, inform and entertain the hotel’s partners.

The Ritz, to keep in touch with its partners, regularly sends news, offers with special promotions and the *Ritz-magazine*.

To promote themselves Parisian luxury hotels organize in Russia public relation evenings to which travel agencies, journalists and VIP guests are invited. Ideally three separate soirées are organized for each of these groups.

Events organized by the Parisian palaces in Moscow

Ritz Paris

The Ritz organized a promotional evening in Moscow 12 July 2006 for 100 people among whom were representative of the French Embassy, the Maison de la France, travel agencies, tour operators, protocol services, the press and television. The guests were enchanted by luxury atmosphere (the furniture and porcelain of Armani Casa, Baccarat crystal and the charming patio) and excellent “cuisines du monde” created by a French chef. The Ritz’s barmen, Colin Field, prepared 265 cocktails. All of which were reminiscent of the grand splendor of The Ritz itself in Paris.

Ritz organized a lottery with presents for the winners. At the beginning each guest received a beautiful gift of a collection of La Prairie samples and small Ritz glossy bag with the Ritz brochure (in A5 format) and the Ritz Health Club brochure, and the Ecole Escoffier’s (The Ritz culinary school) teddy bear.

On 13 July 2006 a second promotion evening was organized in Cigar Club in the Gubernatorski restaurant (Governor’s Restaurant is in a luxury tower, where the big Russian companies’ headquarters are located, next to the Moscow City Hall). This evening gathered representatives of the Moscow City administration, top executives of important Russian companies and journalists.

Hotel Bristol

The Bristol organized a commercial soirée on the 7th of July in its new theme “green party” in a fashionable place-to-be Maison-Café, terrace-less and not located in the center of Moscow. The room was decorated in green (green apples, flowers) and the dress code was green. The guests were representatives of travel agencies and tour operators. The Bristol was represented by their local agent, the director of the Paris market and sales director.

Hotel George V

The George V is well represented in Russia. It has given many PR presentations: in February 2005 three promotional soirées in prestigious Moscow locations were arranged. One for agencies and tour operators, another for

corporate executives and the third with Cartier for their VIP guests. The evening was organized and decorated by the famous florist Jeff Leatham. The chef and sommeliers of the George V's restaurant Le Cinq promoted the gourmet cuisine and wines in the Moscow gourmet restaurant White Squire. The George V's president was at the soirées to promote the hotel.

Hotel Plaza Athénée, Hotel Meurice (Dorchester Group)

The Dorchester Group organized one promotional soiree on the 15th of June 2005. According to industry gossip it was a failure. The representatives were two hours late for the soiree and the guest were waiting from 19h00 till 21h00 with no one to attend to them. After that there was a lecture in English for 40 minutes which made the remaining guests flee. Everybody was disappointed and dissatisfied.

As the above examples elucidate when done together with other means of increasing the number of wealthy guests from the Russian market, promotional evenings can be very effective. Particularly when they are well organized, luxurious and artistic like the one arranged by the Four Seasons' George V where the famous floral designer Jeff Leatham was engaged to create the successful opulent effect.

3.2 Exhibitions

Participation in professional exhibition (including those organized by Maison de la France) and workshops is another means of promoting Paris luxury hotels to the travel professionals in the Russian market.

Also taking part in international tourism exhibitions in Russia is an important means to make contact with the local luxury travel distributors and thus to gain entry into the lucrative Russian travel market. The most important tourism exhibitions in Russian are MITT and *Otdikh/Leisure*. They take place in Moscow in spring and fall and are attended by numerous tourism professionals from all of Russia and many foreign countries.

Exhibition MITT

MITT (Moscow International Travel and Tourism Show) is the most well attended tourism exhibition in Russia in both the number of travel professionals and the general public. This exhibition is organized in Moscow by the English company ITE (International Trade & Exhibition Group). It is the most successful tourism show in Russia and the number of exhibitors is increasing annually.

For the 14th annual MITT exhibition, 21 to 24 March 2006, there were about 2,700 exhibitors (56% foreign, 44% Russian) from 111 countries and regions and about 98,000 visitors. The next MITT exhibition will be 19-22 March 2008 in Moscow (<http://www.mitt.ru>).

Exhibition Otdikh/Leisure

Otdikh/Leisure is organized by the Austrian company M.S.I. Vertiebs GmbH in partnership with the Moscow Agency of Exhibitions and Conferences. The last exhibition (25-28 September 2006) had 980 companies from 68 countries, 97 national or regional organizations and about 56,700 visitors. The next *Otdikh/Leisure* exhibition will be 25-28 September 2007 in Moscow (<http://www.tourismexpo.ru>).

International Exhibition for Business and Incentive Tourism MICE Russia

MICE Russia exhibition organized by the company ITE Group Plc comprises an International Conference for Business and Incentive Tourism, seminars and presentations. The next annual MICE exhibition which previously has been held as a one-day event and had different format will be 26-28 September 2007 (<http://www.micerussia.ru>).

Exhibition Select Travel Expo

Select Travel Expo organized by ITE Group Plc is a specialized high-end tourism exhibition focusing on luxury, adventure, health and SPAs, education and winter sports. The last exhibition was in Moscow 3-5 October. More than 6,200 professionals attended. The next Select Travel Expo exhibition will be 26-28 September 2007 in Moscow (<http://www.select-travel.ru>).

Exhibition INZETEX-CIS TRAVEL MARKET

INZETEX-CIS TRAVEL MARKET is the most important St. Petersburg tourism exhibition. This exhibition is organized by the S.A. Saint-Petersbourg EXPRESS and the British company Reed Travel Exhibitions. The last exhibition was 4-6 October 2006 with 400 exhibitors from 36 countries and was attended by 9,700 visitors of which 5,800 were tourism professionals. The next exhibition will be 3-5 October 2007 in Moscow (<http://www.travelexpo.ru>).

Exhibition MITF

MIFT is organized by the Moscow City Government Tourism Committee. In May 2007 the seventh annual exhibition had 1,000 exhibitors from 80 Russian regions and 47 countries. The next exhibition will be in Moscow 15-18 May 2008 (<http://www.mitf.ru>).

Some hotels doubt the efficacy of the Russian professional tourism exhibitions. For example, hotel Regina stopped participating in MITT. “We don’t participate there anymore because it doesn’t give us anything: we know our partners, there are too many [unrelated] people...” said H  l  ne Gourd  s, the sales manager of the hotel Regina.

On the other hand some of the Paris luxury hotels actively participate in workshops organized by LHW (Leading Hotels of the World, <http://www.lhw.com/>) semi-annually. LWH workshops permit the 80 or so member hotels to introduce themselves to participating Russian travel agencies.

Another big exhibition mentioned by the luxury hotels managers is ILTM (<http://www.iltm.net>) which is the world’s biggest luxury exhibition organized in Cannes annually every December. Last year (2006) there was a big Russian delegation among the visitors to this exhibition, according to H  l  ne Gourd  s, the sales manager of the hotel Regina.

As shown above, luxury hotels utilize all possible means to locate Russian-oriented travel agencies and establish positive relationship by demonstrating the hotels’ superb amenities and services.

“It is a personal relationship with travel agencies which is important. It is very important for us. For example, there was a guest who used to stay in another hotel in Paris (Bristol) but the travel agency persuaded him to stay with us”.

David Barillot, George V sales manager

Another effective way to promote Paris luxury hotels in the Russian market is to use the services of consulting companies. Below is the list of the most important consulting companies working on the Russian market.

TMI Consultancy (www.tmiconsultancy.com)

Pro- Mark (www.pro-mark.ru)

Ars-Vitae (www.ars-vitae.ru)

RM Consulting (www.france1.net)

However their services are rather expensive for most of the luxury hotels.

Another means that Parisian luxury hotel can utilize to attract wealthy Russian clients is to participate in **luxury exhibitions** which take place in Moscow:

Millionaire Fair (www.millionairefair.ru)

Extravaganza (www.extravaganza.ru)

Participation in these exhibitions is an effective method to target high-end Russian clients but, once more, they are very expensive and at the moment the Paris luxury hotels can not afford to participate.

3.3 Media

Below the next question will be answered:

What media are the most effective to communicate with high-end Russian tourists?

Mass market publicity is not useful and even counterproductive for Parisian luxury hotels. General advertising dilutes the luxury name and loses the mystique and aura of the exclusive La Dolce Vita. In addition mass market publicity is very expensive and certainly not cost-effective.

However Parisian luxury hotels actively publicize in exclusive print media, for example select Russian magazines. Being exclusive these magazines deliver the Parisian hotel's luxury image directly to the targeted audience of the wealthy Russians.

To target the wealth Russian clientele the interviewed Parisian luxury hotels place advertisements in the Russian edition of the following life-style, fashion and travel colorful magazines:

Harpes Bazaar (fashion magazine), *Commerçant Prilogenie*, *Coast* (eminent Moscow life-style magazine), *Bereg* (distributed for Russians in many French 4 and 5 star hotels), *Vogue*, *Lineja* (Russian and Tatarstan Fashion magazine), *Madame Figaro*, *GQ magazine*, *Travel and Leisure*, *Domovoi*, *Condé Nast.*, *Elle*, *AD* and *Men's Health*.

David Barillot, the George V sales manager, thinks that the choice of the hotel is often made by the wife/mistress. That is why Parisian luxury hotels must target up-market women and therefore publicize in exclusive women's magazines.

Hélène Gourdès, the hotel Regina sales manager, said that in two Russian haute couture television programs and two Moscow radio programs (Mayak and Rossiya) segments about hotel Regina were included.

The Ritz was also included in some Russian television programs.

It should be noted that hotels have very restricted communication budgets so they barter publicity for hotel rooms.

In conclusion print media play an important role for luxury Parisian hotels in communication to Russian clientele: life-style, fashion and travel magazines. It should be noted that though the number of Internet reservations by Russians is very modest, the statistics show that number of Russian Internet users is impressive. Potential Russian luxury hotel guests visit the websites of Paris 4 and 5 star hotels recommended by travel agent or friends and then book through their travel agents. Therefore hotels must understand that the Internet is an extremely important communication tool and to increase the number of wealthy Russian guests the Parisian luxury hotels are obliged to translate their websites into Russian.

3.4 Events policies

The next question is:

How can events most beneficially be used to attract wealthy Russian clientele?

Paris luxury hotels which were interviewed do not organize events especially for Russians. However, some palaces hold Russian theme events. For example, the George V built an ice-bar in their courtyard where Vodka Imperia was served. It was -7° C inside the ice-bar. The next year the George V offered “Vodka-Massage” to recall the previous year’s ice-bar.

The Ritz on Russian Christmas, 7 January, offers a “Russian Brunch” and on Old Russian New Year, 13 January, a “Russian Dinner” in its gourmet restaurant Espadon using Russian ingredients but not Russian recipes.

According to H el ene Gourd es, hotel Regina’s sales manager, the Stratagem company organizes exceptional events for Russian clientele.

Helene Lloyd, director of the TMI Consultancy (a company specialized in marketing and public relations for the Russian tourist market), advises offering wealthy Russian clients exceptional and exclusive events. These do not have to be necessarily cultural events. However, they should have an element of “Show-Off”. For example, a hotel can offer a ticket for an exclusive performance in l’Op era Garnier. It is the fact that l’Op era Garnier was opened “just for them” which is the attraction.

Consequently most advisable for Paris luxury hotels is organizing exceptional events related to haute couture shows, exclusive jewelry presentations, rare wine tastings, etc.

4) Clientele loyalization

The penultimate question is:

How can luxury hotels loyalize wealthy Russian guests?

All the Parisian luxury hotels agree that the number of the services offered to the Russian clientele and especially their quality are the keys to success. Of course, hotel can offer gifts for Russian holidays. However it is the everyday, top-quality service that counts. The relationship with guests, the service oriented atmosphere must be the center of the management’s attention. “We are in luxury, excellence; it is the small details which make the difference. The product can be beautiful but it is not this which makes the difference. Everyday we must fight to please our clients, it is necessary to smile, it is necessary to be [always] ready to please.” David Barillot, hotel George V

To welcome an important new Russian client in George V David Barillot personally greeted and accompanied him to his room where a complimentary bottle of champagne was waiting. Also in the room the VIP guest found carrot juice with a small note from the sales manager. M. Barillon had found out that the guest adored carrot juice. A little later the guest called to thank M. Barillon, “I love carrot juice!!!” said the guest. Since then the guest became loyal to George V.

All the hotel confirmed that mouth to mouth recommendations has an important place in the luxury hotel industry. Experience shows that satisfied guests bring other guests. In the contemporary luxury world it is the experience of living that is paramount.

Summary Part 2

In Part 2 above the Parisian luxury hotels offered services to the Russian wealthy guests were detailed and analyzed. From the relatively large number of services offered the conclusion can be made that Parisian luxury hotels understand the importance of the growing Russian tourist market. However the Parisian luxury hotels can further improve their offered services to attract even more of the increasing numbers of the wealthy Russian clientele.

Therefore, here we have arrived at the ultimate question:

How to increase the occupancy rate of Russians in Paris luxury hotels?

As has been discussed above, in develop the wealthy Russian travel market the importance of the travel agents in 1) influencing the choice of the Parisian luxury hotels, and 2) reserving the Parisian luxury hotel rooms, and, also, the importance of personnel relationships were underscored.

Further, the most effective media means in the communication with well-off Russian clientele and importance of the event policies in the promotion of the Paris luxury hotels have been discussed.

Based on the information collected, the following **principal means** used by the luxury Parisian hotels to attract the Russian clientele have been identified:

- resolving communication problems
 - ☞ Russian speaking staff
 - ☞ all documents, brochures and information sheets in Russian
- developing and maintaining friendly relationships with travel agencies
 - ☞ organizing promotional evenings
 - ☞ participation in professional exhibitions
 - ☞ organizing familiarization tours
 - ☞ constant presentations of new promotions and events
- targeted media communication policies (print media predominance)
 - ☞ life-style magazines
 - ☞ fashion magazines
 - ☞ travel magazines
- event policies
 - ☞ Russian holidays promotions and gifts

Further, the conclusion that the personalized service adapted to the needs of the Russian guests is a key to success was made, especially because personal recommendations have an extraordinary influence in the Russian luxury market.

It should be noted that this study examines the special marketing strategies particularly relevant to the Russian market. There are other universal marketing strategies applicable to all markets which were not discussed herein.

Conclusion

Russia is a big future tourist market and currently is developing very quickly. World Tourism Organization ranks Russians tenth in terms of tourist spending. More and more luxury hotel managers begin to understand the importance of the Russian market and consider it a breeding ground for potential clientele.

Wealthy Russian clientele is relatively new and has a reputation for spending (and in fact does spend) a lot on hotel services. It is a clientele which is particularly **sensible to prestige and price as an indicator of value**.

Having sensitive character and gourmand taste for all things which stems from traditional Russian culture with its passion for excesses, well-off Russian clientele is very attracted to the **Spectacular Universe of Luxury**.

For the rich Russians **choice of the hotel is paramount**. Three Parisian palaces are leading: the George V, the Ritz and the Bristol. According to the survey conducted for this paper these three palaces offer the most Russian-oriented services.

More than 80% of the Russian guests' reservations in luxury Parisian hotels are made **through travel agencies**. The principal reason for this is visa support—the outbound Russian travel agencies obtain the French visas with the required prepaid hotel reservation. Consequently the principal responsibility of the luxury hotels Sales and Marketing managers is establishing and maintaining successful personnel professional relationship with the Russian-oriented travel agencies. The luxury hotels invite travel agents to stay with them, organize familiarization tours, inform about new promotions and events and offer gifts. In addition, the Paris luxury hotels organize promotional evenings in Moscow for their partners, the press and their VIP clients. To enter the Russian tourism market and find partners or to strengthen the position in already established market and augment existing

relationship with Russian travel agencies, luxury hotels participate in numerous professional exhibitions in Moscow.

The Parisian luxury hotels consider **print media** the most cost-effective means of direct communication with potential wealthy Russian clientele. Life-style, fashion and travel magazines play the principal role in this communication.

The most important objective, loyalizing the wealthy Russian clientele, is, in the largest part, effectively achieved by **services adapted to Russian guests' needs** and by increased **personalized attention**.

This paper has responded to the introductory questions and enumerated methods to cost-effectively respond to the particularities of the wealthy Russian tourist market.

Russia is a relatively new, strong not only potential but currently growing market. Russian guests are increasingly contributing strongly to the net profits of luxury hotels because of this clientele's grand consumption in all areas.

It is very important to attract the clientele of the growing wealthy Russian tourist market. It is common knowledge that satisfied customers not only will return but they will bring their friends. Because of Russian tradition **word-of-mouth** recommendation has an especially important role in developing the Russian wealthy luxury tourist market.

Therefore attracting the new wealthy Russian clientele is essential to **ensure future** profitable growth of luxury Parisian hotels.

More and more, the **recognition** of the importance of the Russian tourist market is becoming evident. On 23 January 2007 the Paris Convention and Visitors Bureau organized a seminar on how to successfully enter the Russian market. In summer 2007, to facilitate the issuance of the increasing numbers of short-term (tourist, business and family) visas, the French Consulates in Moscow and St. Petersburg outsourced this visa processing to the private visa service VFS France.

Parisian luxury hotels must also prepare for the increasing number of wealthy Russian tourist. As stated above the French government is simplifying the visa issuance for Russians. The outgoing global tendency, which surely will be followed in Russia, is for more and more direct Guest-to-Hotel reservations. It is important to note that currently (2007) in Russia there are about 20 million Internet users and this number is growing every day. Among the advice discussed above in detail,

translating hotel's **web-sites into Russian** and **employ Russian speaking staff** are essential.

Another previously examined important method to attract wealthy Russians to Parisian luxury hotels is organizing of special packages that include **exclusive events**. Consequently exclusive, private and aristocratic-like events which may be related to fashion, jewelry and rare wine and food should be organized to attract the wealthy Russian clientele who is always seeking novelty.

Following all the methods outlined above is required today to succeed in attracting the growing number of affluent Russian clientele. These current wealthy Russian guests are the vanguard of what is becoming a significant portion of the highly competitive luxury hotel market of the future.

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