



August 27, 2007

## THE LUXURY GOODS MARKET IN RUSSIA

According to a recent study by PriceWaterhouseCoopers, Russia is home to the world's third largest concentration of billionaires (after the United States and Germany) and over 100,000 multimillionaires who have a combined \$300 billion of cash on hand.<sup>1</sup> According to Associated Press, "Moscow is home to more rich people than New York."<sup>2</sup>

Rising consumer demand for new and better products and increasing incomes have given rise to an expanding middle and upper class that "have caused an explosion in all types of consumption."<sup>3</sup> Russian capital, Moscow, is now internationally considered a *mecca* for buying and selling the highest of the high-end.<sup>4</sup>

### The market

Since 2000, the Russian GDP has grown by an average of 7 percent a year. In the same period, dollar income per head has grown by nearly 29 percent annually, faster than China. This unparalleled growth in the population's disposable incomes has created not only the famed billionaires and oligarchs, but also an emerging upper middle class that is clamoring for the finer things in life.<sup>5</sup> The growing spending power, combined with the significant numbers of the very wealthy, has created a lucrative luxury export market sector for top quality U.S. products and services.<sup>6</sup>

*"All top companies in fashion, automotive, accessories and real estate are expanding their business in the country to meet growing demand."<sup>7</sup>*

According to statistics from Merrill Lynch, by 2009 Russia will account for 7 percent of the world's market for luxury goods and will be the fastest growing luxury goods market in the world, with at least 15 percent growth per year over the next five years.<sup>8</sup>

### Trends

Moscow and Saint Petersburg have been assigned the title of "luxury capitals of Russia," but quality U.S. products, long considered out of reach of the majority of Russians, are now

1 "Russian Luxury Goods on the Move." Mark O'Grady, August 2006. Available on-line at:

[http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA\\_5067/\\$file/X\\_8489210.DOC](http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_5067/$file/X_8489210.DOC)

2 The Millionaire Fair Brochure. Available on-line at: [www.millionairefair.com](http://www.millionairefair.com).

3 Business Week, "Russia: Shoppers Gone Wild," February 20, 2006. [http://www.businessweek.com/magazine/content/06\\_08/b3972071.htm](http://www.businessweek.com/magazine/content/06_08/b3972071.htm)

4 "Rubles and riches: in Russia's luxury universe, all roads lead to Moscow." Couture International Jeweler, Fall 2006 v276 i3 p68(2)

5 A recent study by the Russian Academy of Sciences estimated Russia's middle class now numbers about 30 million people or 20 per cent of the population with incomes of \$1,000-\$1,500 a month a head. "Russian Luxury Goods on the Move." Mark O'Grady, August 2006. Available on-line at:

[http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA\\_5067/\\$file/X\\_8489210.DOC](http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_5067/$file/X_8489210.DOC)

6 "Russian Luxury Goods on the Move." Mark O'Grady, August 2006. Available on-line at:

[http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA\\_5067/\\$file/X\\_8489210.DOC](http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_5067/$file/X_8489210.DOC)

7 "Russia: Consumers Clamor To Buy Luxury Goods." June 1, 2007. Available on-line at: <http://www.rferl.org/featuresarticle/2007/06/afc96606-b3aa-4844-9401-9d0b7815b23d.html>

8 "Russia's luxury goods market segment." Market Europe, Nov 1, 2005 v16 i11 p NA

finding a ready consumer base in the regions.<sup>9</sup> This trend is also supported by the rapid expansion of credit availability, which will lead to even greater demand for luxury goods and services.<sup>10</sup>

Stores selling designer clothes and jewelry are now opening in all major cities beyond Moscow,<sup>11</sup> where demand for Western products is burgeoning.<sup>12</sup> Just days after Sochi won the right to host the 2014 Winter Olympics (July 4, 2007), two of Russia's leading distributors of luxury goods started plans to set up shops in the Black Sea resort,<sup>13</sup> looking to turn the southern hotspot into the country's second largest luxury goods market after Moscow.

*"Their plan is to transform the city into a sort of Rublyovka Riviera resplendent with boutiques selling top-end brands from Bentley to Bulgari."*<sup>14</sup>

### Russian consumer behavior

The market for luxury goods is booming and constantly expanding.

*"There are a lot of people now, educated, that have management jobs, have money, have security, they know that they will always work and make this money and they like to have beautiful things and to buy them."*<sup>15</sup>

Yves Gijrath, the founder of the Millionaire fair - the world-renewed luxury show featuring the top of high-end goods from every part of the globe - affirmed:

*"I really like the Russian mentality. They madly love spending money. The fair is also staged in Amsterdam, Shanghai and Cannes, but Russians are the biggest buyers of luxury goods."*<sup>16</sup>

Based on macroeconomic projections as well as the country's explosive growth, "the rich will get richer and their appetite for luxury will continue to grow."<sup>17</sup> According to Roxane Chatounovski, the public relations and brand manager for Russian Vogue, "It's now consumerism time in Russia."<sup>18</sup>

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9 "Russian Luxury Goods on the Move." Mark O'Grady, August 2006. Available on-line at:

[http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA\\_5067/Sfile/X\\_8489210.DOC](http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_5067/Sfile/X_8489210.DOC)

10 DeltaBank (a wholly owned subsidiary of GE Consumer Finance since November 2004) now has a total of 149 DeltaBank offices across the country.

These are both classic points of sale where customers are offered a complete set of consumer loan and credit card services. "Russian Luxury Goods on the Move." Mark O'Grady, August 2006. Available on-line at:

[http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA\\_5067/Sfile/X\\_8489210.DOC](http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_5067/Sfile/X_8489210.DOC)

11 "Russia: Consumers Clamor To Buy Luxury Goods." June 1, 2007. Available on-line at: <http://www.rferl.org/featuresarticle/2007/06/afc96606-b3aa-4844-9401-9d0b7815b23d.html>

12 The Russian market place, "A farewell to Russia," US agricultural trade office-Moscow, 3.

13 "Luxury Goods to Go on Sale in Sochi." July 10, 2007. Available on-line at: <http://www.themoscowtimes.com/stories/2007/07/10/045.html>

14 Ibid.

15 "Russia: Consumers Clamor To Buy Luxury Goods." June 1, 2007. Available on-line at: <http://www.rferl.org/featuresarticle/2007/06/afc96606-b3aa-4844-9401-9d0b7815b23d.html>

16 The Millionaire Fair Brochure. Available on-line at: [www.millionairefair.com](http://www.millionairefair.com).

17 "Russia: Consumers Clamor To Buy Luxury Goods." June 1, 2007. Available on-line at: <http://www.rferl.org/featuresarticle/2007/06/afc96606-b3aa-4844-9401-9d0b7815b23d.html>

18 "Rubles and riches: in Russia's luxury universe, all roads lead to Moscow." Couture International Jeweler, Fall 2006 v276 i3 p68(2)

Russia is the ideal market for companies in such industries as:

1. Watches and jewelry
2. Electronics
3. Art and antiques
4. Marine: yachts, speed boats, marinas and submarines
5. Luxury automobiles, auto accessories and amphibious vehicles
6. Air travel: private jets and helicopters
7. High-end real estate properties, interior design and luxury furniture
8. Exclusive spirits and gourmet food
9. Luxury cosmetics, beauty and health products
10. Fashion designers and fashion brands
11. Luxury travel and leisure

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### 1. Watches and jewelry

With Russian consumers' income growth, offer of luxury watches and jewelry is still too low to meet skyrocketing demand. Jaeger-LeCoultre decided to open a store in Moscow to reap maximum benefit from the current consumer wealth. "The luxury culture dates back to the Tsars," said Jérôme Lambert, head of the luxury watch maker.<sup>19</sup> Almost always the best stuff is the most expensive and it is well-known among industry experts that Russians just want the best.<sup>20</sup>

According to British jewelry designer Stephen Webster, "A huge part of the world looks to Moscow for what is going on." "In an hour, we sold 25 percent of the whole stock," he recalls of the day he opened his first boutique in Moscow. "It's a very Russian thing."<sup>21</sup>

Webster's Russian business is doing so well that he opened a second stand-alone boutique in St. Petersburg, and is on the verge of opening shop-in-shops with retailers in Kazakhstan and Kiev. He attributes his success to the Russian nouveau riche mentality, which places few limits on what jewelry should look like.<sup>22</sup>

### 2. Electronics

According to GFK-Russia, in 2006 the market for Plasma TVs grew by 24.2 percent financially and 66.5 percent physically.<sup>23</sup> All major multinationals are present in the Russian market, and a few launched production facilities directly in Russia. At the beginning of July 2007, Samsung began to manufacture plasma televisions in Kaliningrad and LG Electronics launched a similar project in August.<sup>24</sup>

Russian market for electronics grew the same as China in 2006 (20.5 percent), this number being significantly higher than in Europe, where in the last several years it averaged

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19 "Luxury goods firms are profiting from Russia's wealth." Reuters. Available on-line at: <http://www.iht.com/articles/2006/12/15/business/luxury.php>

20 "Russia: Consumers Clamor To Buy Luxury Goods." June 1, 2007. Available on-line at: <http://www.rferl.org/featuresarticle/2007/06/afc96606-b3aa-4844-9401-9d0b7815b23d.html>

21 "Rubles and riches: in Russia's luxury universe, all roads lead to Moscow." Couture International Jeweler, Fall 2006 v276 i3 p68(2)

22 Ibid.

23 "Russia sees plasma TV boom." May 30, 2007. Available on-line at: <http://www.about-electronics.eu/index.php?tag=plasma-tv>

24 Ibid.

6 percent, as well as the United States, where the growth was 10 percent in the same period.<sup>25</sup>

According to a Bang & Olufsen report, expansion markets in 2006-2007 recorded a substantial increase in turnover, with Russia being the top market for the Danish multinational manufacturer of high-end electronics.<sup>26</sup>

### 3. Art and antiques

According to Money Week, the astonishing performance of Russia's financial market has driven the art market to new records. In the past five years, the Russian art market rose 2,365%, opening up limitless opportunities for foreign galleries and art experts.<sup>27</sup> Russian buyers are considered among the most active investors in fine art and antiques.

Russian art is also a rising star for foreign investors throughout the globe, and already attracted the interest of the world's most renewed auction houses. In 2006, Sotheby's broke its own European record, set in London in December 2005, when it sold \$38.4 million in Russian art.<sup>28</sup> In August 2007, "Sotheby's modern and contemporary Russian art sale surpassed expectations and broke several records in New York, with total sales of over \$50 million."<sup>29</sup>

### 4. Marine related products: yachts, speed boats, personal submarines, marinas

The popularity of yachting on Russia's seas and waterways has skyrocketed in the past five years. While yacht sector in Russia barely existed 5 years ago, according to U.S. Commercial Service, Russia is now estimated to represent 25 percent of the global market.<sup>30</sup>

Although surrounded by land, Moscow is also called "the Port of five seas" since the White, Baltic, Caspian, Black seas, and the Sea of Azov can all be reached by river from Moscow. Russian customers can buy luxury yachts and speed boats from several posh showrooms around Moscow and can even have super-yachts built to their specifications in the center of town.<sup>31</sup> Few yacht manufactures gambled on Russia being a market for luxury boats and it paid off, with production booked through 2009.

Yacht clubs are also rapidly developing along the banks of the Moscow River and the City's several reservoirs. "These elite clubs often charge more than marinas in Monaco."<sup>32</sup>

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25 "Russian electronic industry review." Available at [www.expoelectronica.ru](http://www.expoelectronica.ru).

26 Bang & Olufsen Interim report for the period 1 June 2006 - 28 February 2007. Available on-line at:

[http://www.bang-olufsen.com/graphics/bogo/reports/BO\\_0612\\_FUK.pdf](http://www.bang-olufsen.com/graphics/bogo/reports/BO_0612_FUK.pdf)

27 "Fine art and bubble in money." February 13, 2007. Available on-line at: <http://www.moneyweek.com/file/25435/fine-art-and-the-bubble-in-money.html>

28 "Sotheby's Russian Art Sale Sets Record, Raises \$46.7 Million." Available on-line at: <http://www.gif.ru/eng/news/46-7mln/>

29 "Sotheby's Russian art auction sets new records." Available on-line at: <http://www.reuters.com/article/gc08/idUSN1829726620070418>

30 "Russian Luxury Goods on the Move." Mark O'Grady, August 2006. Available on-line at:

[http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA\\_5067/\\$file/X\\_8489210.DOC](http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_5067/$file/X_8489210.DOC)

31 Timmerman, for instance, has received orders for some impressive yachts including the Pallada, the yacht built especially for President Putin. Another outstanding order is for a 45 meter yacht featuring a platform for a mini-submarine, a helicopter pad and large sauna for an unidentified buyer.

"Russian Luxury Goods on the Move." Mark O'Grady, August 2006. Available on-line at:

[http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA\\_5067/\\$file/X\\_8489210.DOC](http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_5067/$file/X_8489210.DOC)

32 Ibid.

## 5. Luxury automobiles and auto accessories, amphibious vehicles

In 2006, Russians bought 840,000 foreign cars, surpassing sales of domestic brands for the first time. Sales of cars of the most expensive class (such as Bentley, Jaguar, Hummer, Maserati, Ferrari) are growing at astonishing pace. Sales of Bentley in 2005 equaled 115% compared to the level of 2004, Ferrari and Maserati - 100%, Hummer - 88%. Sales of Bentley cars, which start at 220,000 euros (\$264,000), are beating all expectations. "In 2003, when the British automaker opened its Moscow dealership, it sold 40 cars, double its quota for the country. The following year, Bentley raised its quota to 60 but ended up selling 95 cars."<sup>33</sup>

The country's super-rich are scouring the world for ever more exclusive vehicles and are forcing luxury car dealers to exceed sales quotas and raid other European showrooms to make up for the shortfall. Klarus Trading, one of three Moscow Hummer dealers, sold in one month (June 2006) a number of cars equal to the monthly average for all western European dealerships combined.<sup>34</sup>

## 6. Air travel: private jets and helicopters

"Russian executives may spend \$2.5 billion on business jets over the next two years."<sup>35</sup> "It is just the beginning," Christophe Degoumois, Bombardier director for business aircraft sales in Russia said. Russia is Bombardier's largest European market. "Wealthy Russian individuals and corporations have about 300 executive jets and will have about 100 more delivered by the end of 2008."<sup>36</sup>

Russians bought executive planes valued at \$1.5 billion in the last two years, triple the amount spent in the previous two years. Growth in private jet sales in Russia is "unrestrained," the deputy head of the Russian Business Aviation Association said.<sup>37</sup> "Take the list of Russia's 100 richest compiled by Forbes, and they all have a private jet or a helicopter, often more than one," he said.<sup>38</sup>

U.S. manufacturers including Gulfstream, Boeing Business Jets (BBJ), Cessna and Eclipse have the best opportunities and are already experiencing skyrocketing sales in the Russian market.<sup>39</sup>

## 7. High-end real estate properties, interior design and luxury furniture

Russia, together with Ukraine and Kazakhstan,<sup>40</sup> represent some of the world's hottest destinations for real estate development. Their dynamic growth rate outstrips that of the rest of Europe and the trend is set to continue.<sup>41</sup>

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33 "Russian Luxury Goods on the Move." Mark O'Grady, August 2006. Available on-line at:

[http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA\\_5067/\\$file/X\\_8489210.DOC](http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_5067/$file/X_8489210.DOC)

34 Ibid.

35 "Russian Executives Spend Big on Luxury Planes." Bloomberg, August 28, 2007. Available on-line at:

[http://www.sptimes.ru/index.php?action\\_id=2&story\\_id=22797](http://www.sptimes.ru/index.php?action_id=2&story_id=22797)

36 Ibid

37 Ibid

38 Ibid

39 "Russian Luxury Goods on the Move." Mark O'Grady, August 2006. Available on-line at:

[http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA\\_5067/\\$file/X\\_8489210.DOC](http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_5067/$file/X_8489210.DOC)

40 A detailed research report with information about the real estate market in Russia, Ukraine and Kazakhstan is available upon request.

41 "Financing and Developing Real Estate in Russia & the CIS." Available on-line at: [http://www.realestate.moscowtimes.ru/recommend/aid\\_block\(46\)](http://www.realestate.moscowtimes.ru/recommend/aid_block(46))

In the next couple of years, over 500 new luxury communities will be built on the outskirts of Moscow in order to host some of the richest people in the world.<sup>42</sup> Driven by the development of high-end properties throughout the country, opportunities in customized interior design and high-end U.S. furniture are rapidly expanding.

Wealthy Russians are also leading demand in luxury buildings in top Western locations. In London, Saint Tropez, and Miami, demand coming from Russians has made prices go up considerably. About 5 to 8 percent of all current sales of luxury homes in Miami are to Russian nationals.<sup>43</sup> A similar trend is apparent in New York and Los Angeles. According to industry experts, “these buyers are primarily interested in only the very best properties.”<sup>44</sup>

## 8. Exclusive spirits and gourmet food

Russian food retail sales in 2006 went up by around 25.5 percent to nearly \$141 billion, and will increase at an average rate of 11.3 percent YOY through 2011, with the top retail chains expecting to register 42 percent average revenue growth.<sup>45</sup> The food market is predicted to exceed \$320 billion<sup>46</sup> within 5 years as economic development boosts income and retailers expand beyond the main cities of the country.<sup>47</sup>

Russians are expected to spend \$12.5 billion eating out in 2009, after annual increases of more than 7 percent.<sup>48</sup> According to the French luxury food retailer Hediard, its Moscow store, which opened in September 2005, was one of the biggest revenue generators of its more than 200 worldwide outlets.<sup>49</sup>

As for the spirits industry, according to Russia’s national statistical agency, sales of premier wines and spirits totaled \$35 billion in 2005,<sup>50</sup> with leading experts affirming that “Russia is the market of the future.”<sup>51</sup>

Aginsky Consulting Group has conducted extensive research on Russia’s wine industry and an in-depth research report is available upon request.

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42 “Russian Luxury Goods on the Move.” Mark O’Grady, August 2006. Available on-line at:

[http://commercecian.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA\\_5067/Sfile/X\\_8489210.DOC](http://commercecian.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_5067/Sfile/X_8489210.DOC)

43 “The Russians Are Coming! Russian Buyers Bolster Luxury Condo Sales.” Available on-line at: [http://blross.typepad.com/luxury\\_clues/2007/07/the-russians-ar.html](http://blross.typepad.com/luxury_clues/2007/07/the-russians-ar.html)

44 Ibid.

45 Russian Food Market Projected to Touch US\$ 227 Billion Level. Available on-line at: <http://www.rncos.com/Blog/2007/03/russian-food-market-projected-to-touch.html>

46 Shushmul Maheshwari, “Rising Disposable Incomes Boosting Russian Food Retail Sales,” Free distribution press, May 29, 2007. <http://www.prlog.org/10018466-rising-disposable-incomes-boosting-russian-food-retail-sales.html>

47 RNCOS Food industry Research, “Russian Food Market Projected to Touch US\$ 227 Billion Level,” March 20, 2007. <http://www.rncos.com/Blog/2007/03/russian-food-market-projected-to-touch.html>

48 “After years of trying, Starbucks to open first shop in Russia.” By Maria Ermakova and Mary Jane Credeur International Herald Tribune, August 20, 2007. Bloomberg News

49 “Luxury goods firms are profiting from Russia’s wealth.” Reuters. Available on-line at: <http://www.ihf.com/articles/2006/12/15/business/luxury.php>

50 The Russian market place. Volume 1, Issue 3 December 2006.

51 “Go for Russia, not China, wine experts say.” June 21, 2007.

[http://www.breitbart.com/article.php?id=070621045143.mp9e76kt@show\\_article=1&cat=0](http://www.breitbart.com/article.php?id=070621045143.mp9e76kt@show_article=1&cat=0)

## 9. Luxury cosmetics, beauty and health products

The Russian beauty and health products market is experiencing phenomenal growth and is one of the fastest growing industry sectors in Russia.

According to PricewaterhouseCoopers:

*"The Russian cosmetics and personal care market is one of the most rapidly growing in the world, with annual growth rates of around 13 percent."*<sup>52</sup>

Euromonitor business analysts forecast that the market will triple to \$18 billion by 2010 with imported cosmetic products constituting 53 percent of the total market. Specialized cosmetic retail chains are showing the fastest growth rates: these specialized store chains are rapidly expanding to meet the demand for exclusive, luxury products.<sup>53</sup>

L'Oréal, the largest cosmetics group, said luxury product sales in Russia were growing "clearly faster" than the overall market this year, helped by an "explosion" in demand for perfumes.<sup>54</sup>

Experts predict that in a year Russia will catch up with Spain in terms of cosmetic market size, in three years - with Italy and Great Britain.<sup>55</sup>

## 10. Fashion designers and fashion brands

Russia generates 5 percent of sales for groups like LVMH Moët Hennessy Louis Vuitton or Burberry.<sup>56</sup> After an initial wave of openings was restricted to joint ventures, leading groups like LVMH and Richemont are now expanding through their own stores.<sup>57</sup>

While all major brands are now present in the Russian market, the opportunity for some smaller players in the luxury sector is huge. Alain Schimel, head of the French men's fashion house Zilli, which operates in Russia through four stores, said the country already generated more than 42 percent of group sales of around €30 million, or \$41 million, a year. He said the company's sales in Russia rise 65 percent annually.<sup>58</sup>

The popularity of high-end fashion is rapidly expanding into the regions. For example, in Sochi, a resort town on the Black Sea, boutiques selling clothes and accessories by Christian Dior and Dolce & Gabbana recently opened and the luxury market for clothes is expected to boom.<sup>59</sup>

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52 "Latest Developments in the Russian Cosmetics Market." Available on-line at:

[http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/IMI\\_3419/\\$file/X\\_166739.DOC](http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/IMI_3419/$file/X_166739.DOC)

53 Ibid.

54 "Luxury goods firms are profiting from Russia's wealth." Reuters. Available on-line at: <http://www.iht.com/articles/2006/12/15/business/luxury.php>

55 "Latest Developments in the Russian Cosmetics Market." Available on-line at:

[http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/IMI\\_3419/\\$file/X\\_166739.DOC](http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/IMI_3419/$file/X_166739.DOC)

56 "Luxury goods firms are profiting from Russia's wealth." Reuters. Available on-line at: <http://www.iht.com/articles/2006/12/15/business/luxury.php>

57 Ibid.

58 Ibid.

59 "Russia: Consumers Clamor To Buy Luxury Goods." June 1, 2007. Available on-line at: <http://www.rferl.org/featuresarticle/2007/06/af96606-b3aa-4844-9401-9d0b7815b23d.html>

## 11. Luxury travel and leisure

*“Wealth increases daily in Russia and more people are looking for high standards for their travel.”<sup>60</sup>*

With the booming Russian economy, strong growth in Russians’ disposable income has positively impacted the travel and tourism market. According to the latest figures from Euromonitor International, outgoing tourism showed an 11 percent annual increase in the number of Russians going on holiday abroad.<sup>61</sup> The demand for trips continues to shift towards more expensive traveling, such as cruises, individual tours, extreme tourism or visiting exotic countries.

Euromonitor International reports that “Russians are very lavish spenders and spend an average five times more per night than other guests, while staying longer when traveling abroad.”<sup>62</sup> According to a British study, Russian visitors are the top spenders on London hotels - with an average spend per night of \$254. Russian tourists are one of the biggest spending groups - at \$1,300 per average transaction.<sup>63</sup>

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*Russia’s luxury goods market is growing at a phenomenal rate and a large number of actors are expected to enter the market in the next months. Aginsky Consulting Group has a dedicated program to assist Western players to enter Russia and the CIS. As advised by Jones Lang LaSalle, “unless global brands enter the market now, they will probably find that they have very strong competition.”<sup>64</sup>*

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60 “Russia’s Luxury Travel Market Awaits Annual Catalogue’s Re-branding Launch.” July 16, 2007 in Events. Available on-line at: <http://www.forimmediaterelease.net/pm/343.html>

61 International Leisure World. Available on-line at: [www.leisure.ru](http://www.leisure.ru)  
62 Ibid.

63 Evening Standard, 17 May, 2007. Available on-line at: <http://mvp.morris.com/livepages/images/203.pdf>

64 Mark Wynne Smith, European CEO, Jones Lang LaSalle. “Moscow pushes new hotels into the regions.” Available on-line at: <http://www.gvasawyer.com/v2/press.asp?WCI=26>