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E-COMMERCE IN THE OUTBOUND TRAVEL SECTOR OF RUSSIA

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Title

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Abstract

Information technologies play a significant role in business. The Internet as a global information system provides an effective communication inside a business and the external environment. Technological progress plays significant role in the travel industry.
The research goal is to investigate the Russian e-commerce market in the outbound travel sector. The research focuses on the development and current situation of e-commerce in the travel sector, with a focus on airlines in the low-cost segment and e-platforms. Another significant topic is online buyer behaviour. It is essential to understand consumer preferences in planning and the online buying process. In the research secondary and primary data were both used. The survey used as primary data. The secondary data consisted of articles, official statistics, monographs and published interviews, blogs and forums. The study result provides information about the state of the Russian online travel market, the business environment and competition environment, online buying behaviour and the results of the survey.

Language	Pages 43
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Keywords

E-commerce, tourism, the Russian market

CONTENTS

1 INTRODUCTION

1.1 Background

The Internet as a global information system provides an effective communication inside business and external environment. E-business takes its place in the market. This term refers to any business activity that uses a global information network system to transform external and internal connections to get profit. (Davoren,2018.) E-commerce is a significant element in E-business. Commerce is trading and intermediary activity that participate or assist in sale process. All transactions are performed without physical contact. E-commerce covers several e-business functions such as marketing, sales, obtaining products and services via Internet. Access to this information is provided for customers by requests from browser programs. Using e-commerce allows producers to engage with a significant number of consumers immediately. (Rydskaya&Skabarova 2016.)

1.2 Aim

The research goal is to investigate the Russian e-commerce market in the outbound travel sector. This research focuses on the development and current situation of e-commerce in the travel sector, with a focus on airlines low-cost segments and e-platforms. Another significant topic is online buyer behaviour. It is essential to understand consumer preferences in planning and online buying process. The main topics are:

- The current situation in the e-commerce market in the Russian travel sector
- The main players in the market
- Consumer online buying behaviour.

1.3 Methodology

The research used secondary and primary data. The survey used as primary data.

The study applies the currency rate from 11.12.2018: 1 EUR= 1.14 USD; 1 EUR= 75.70 RUB (CBR 2018).

1.4 Outline

The first part of the research provides information about e-commerce and its impact on the e-business in the travel sector. It provides information about online market performance and stages of tourism industry development. The second part describes the Russian business environment in several areas in regard to political, economic, social, technological, environmental and legal contexts. The third part provides insight into the main players in the market, the company's business model, payment system and market share. The fourth part describes online buying behaviour through secondary data. This part is providing information about consumers preferences, popular online services, unique features of booking, buying tickets etc. The empirical part of the study is the survey that explored online buying behaviour. The survey's goal is to analyze consumer preferences in the choice of Internet resources during travel planning.

1.5 E-commerce concept

E-commerce or electronic commerce is the buying and selling of goods, transferring funds and data over an electronic network, mostly on the Internet (Rouse 2012). In the travel sector e-commerce plays a significant role. E-tourism includes several activities: business management, information technologies and tourism. Figure 1 shows the cooperation of the activities mentioned above.

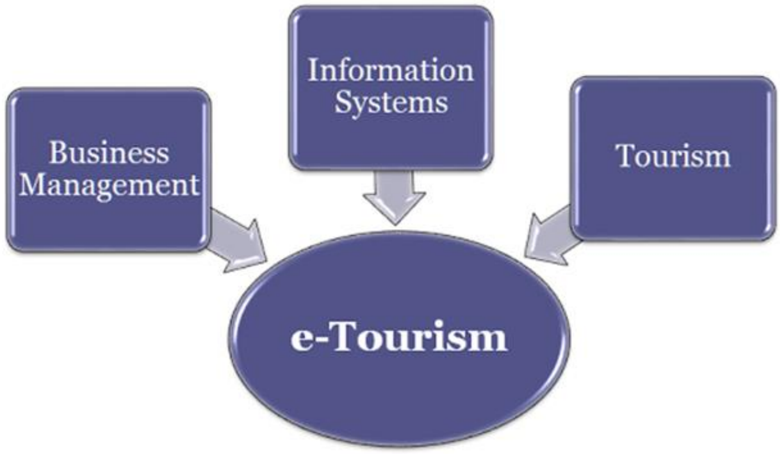

Figure 1. The e-tourism concept (Source: Sajib 2014).

E-commerce divided into five major categories:

B2B (business-to-business) - various levels of interaction between two or more companies. Example: commercial relations between travel agency and tour operator.

B2C (business-to-consumer) - the critical element is retail e-commerce, an interaction between the company and final consumers in a direct way. Example: commercial relations between travel agents and consumers.

B2A (business-to-administration) - the interaction between a business and various governmental body. Example: cooperation between the tour operator and embassy, consulate, legislative bodies, etc.

C2A (consumer-to-administration) - at that moment this part is less developed, but it takes place in social and revenue authority. Example: consumers directly contact an embassy, consulate and legislative bodies.

C2C (consumer-to-consumer) - the interaction between consumers exchanging information about experiences. Examples: online forum, websites with feedback about tour, tickets, service, etc. (Kontsarenko 2015).

The tourism industry becomes the most attractive market for e-commerce and e-business. At that moment, more than 60% of tourism deals are online, and 40% is offline deals.

Almost every company has its own website. Moreover, they actively use the Internet for advertising, seeking new customers, informing consumers about new offers, etc. A cooperative reservation system between the tour operator and tour agency (B2B segment) is rapidly growing now. This system is the simplest and less expensive. It is possible to divide travel business resources into several categories:

- General-purpose websites with tourist information sections (For example: Travelask.ru)
- Specialized tourist websites (Example: TravelOregon.com)
- Global reservation system (Example: TripExpert.com)
- Tour agency websites (Example: Teztour.ru, Ruspo.ru)
- Hotel websites (Example: Parkinn.com)
- Traveler profile account (Example: Forum Vinskogo (forum.awd.ru)

Almost all sites are closely connected with e-commerce and focused on deal implementation. The website's structure and design must be clearly understandable ("three-click rule"). (Shachovalov 2018.) For e-commerce in the travel sector, payment systems are essential. Interactions B2B and B2C (and other parts) are mostly international. Consequently, the contracting parties do not have an opportunity to use cash. Online tourism uses cashless transfers and e-money. Figure 2 shows the online travel market ecosystem. The scheme provides information about different types of e-services in the travel market and their cooperation.

Figure 2. The online travel ecosystem (Source: Edreams 2012).

2 ONLINE TRAVEL MARKET IN RUSSIA

The development of the Russian tourism industry is divided into five stages:

• Educating (before 1890) - people uses tourism as educational and training resources. For example, tourism uses for collecting scientific, geographical and regional natural history of different regions.

• Capitalist (1890-1917) - the start of the development of capitalist relation in Russia. The tourist market began to arise and develop. The first travel agencies, clubs, tourist's society appeared (for example, Russian Touring Club 1895). The First World War and events that followed interrupted the tourism industry development. (Studfiles 2015)

•Tourist and excursion work (1917 -1930) - the development of socio-economic conditions as examples were establishment tourist infrastructure, small and medium-sized travel enterprises, tourist bureaus, etc.

•Organizationally-centralized period (1930-1970) - the implementation of new organisational forms. After World War Two, all tourism activities were discontinued. After 1945 travel activity resumed. (Studfiles 2015)

•Administrative (1970-1990)- in this period, tourism development was focused on a long-term goal that divided by 5 or 10 years. All plan indicators monitored strongly. Moreover, tourism was used to educate the young generation for example the 1970s had All-Soviet Union hiking, expeditions, etc. During this time, a scientific foundation of the tourism industry was founded. (Studfiles 2015)

•Transitional period (from 1990) there are several characteristics such as the transition from monopolistic to a multi-sector commodity (tourism business become the property of different owners); new tourist legislation; new types of tourist services (shopping tour); absence of hotel and resorts demand; increase the rate of outbound tourist, etc. (Vuzlit 2017.)

The development of B2B began in the 1990s in Russia. (Kontsarenko 2015.) In the 1990s, the Internet connectivity was low. Most of the companies preferred worked with catalogues and via phone call. The first company that introduced Internet technologies was Academservice. E-service functioned as a catalogue provide information about available accommodation facilities. The payment process was offline. (Kontsarenko 2015.) The situation changed in 2005, when three global players (B2C segment) HRS, Booking.com and Expedia entered the market. In 2009, Booking.com and HRS opened offices in Russia. Expedia opened its office in 2014 in St. Petersburg. For almost three years, only Booking.com saved an excellent position in the competitive conditions. (Konstarenko 2015.) In 2011 a boom among online travel start-ups began. The most successful of these were Ostrovok.ru and Oktogo. (Travel 2018.) Most of the start-ups began to sell air tickets following the example of foreign companies. The main disadvantage in air sales is a low margin, approximately 1-3%, compared to hotel bookings, where the margin is 10-12%. Companies started to sell at a loss, hoping to earn by selling extra services. (e.g. insurance), to save a position on the market, (Travel 2018.) There are several online travel agencies on the Russian market. At the end of 2014, some of the companies left the market, because of the difficult economic situation and increased competition in the market. Only the large players (online agencies) and companies with new products stayed on the market. Figure 3 shows the per cent of online sales in different sectors.

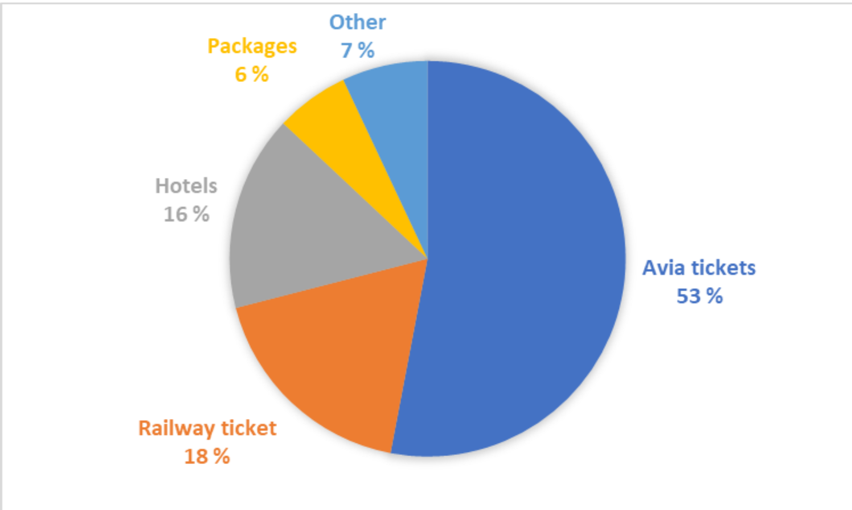

Figure 3. Online sales in the Russian travel market in 2016 (Source: Levada 2016).

Booking hotels are not only the most profitable service in the online travel market but also the most difficult because of the work with many partners. For a profitable business it is significant to build a direct contact with partners in different price segments (B2B, B2C). On the Russian market operates from 8,000 to 15,000 hotels. (Kontsarenko 2015.) The online hotel market combines two products:

- For the customer: where they can choose and buy a suitable place based on their own preferences.
- For an online travel agency: where the hotel sets prices and the availability of hotel rooms, downloads photos and room descriptions, loads documents for payment etc. (Kallimulin & Tishakova 2018).

Future trends

The main feature that determines the travel market is the diversification of the business. New travel services appear every year. The new sales model “Dynamic packaging” comes to the Russian market. This model is popular in Europe. The Dynamic Packaging is an online sale of individual tour packages with unlimited services. (Egorov 2015.) It had become possible when airline and hotels started to offer a special tariff for a packaging tour (not for open sales). However, this model is not popular in the Russian travel market because of difficult technical implementation. Russian consumers are confused about a wide range of services and the complexity of search settings. For consumers, standard travel packages are more common. (Egorov 2015.) Moreover, five aspects identify the modern travel market in Russia. Most of the changes relate to Internet penetration growth and technological progress.

Go online

Internet penetration grows in the Russian market, which increases the level of online purchases. Consumers start to choose and book trips independently. This affected by tour operators and contributes to bankruptcy. (Egorov 2015.)

Go mobile

Around 40% of traffic and 15% of the bookings go through mobile devices. (Egorov 2015). There appears a new term, MultiScreen, when a consumer starts to search something (e.g. product) through a mobile device, continues to search it through a tablet and makes a purchase through a laptop (Egorov2015).

Last minute

With the simplification of the visa regime and changes in demand for domestic trips, more and more consumers start to buy a trip at the last minute, 1-2 days before the trip. (Egorov 2015.)

Local experience

Consumers started to become interested in the advices and experiences of local people, especially regarding exciting places and excursions in on- tourist's places. Consumers want to take a dip in a foreign country's way of life. The popular e-services are Viator, Weatlas, Excursiopedia and Airbnb. (Egorov 2015.)

Make it easy

Consumers get tired of thousands of offers. They want to choose from the minimum number of unique variants selected by consumer habits and desires (Egorov 2015). For example, if a consumer always books a hostel, he/she is not interested in a five-star hotel. (Egorov 2015.)

3 BUSINESS ENVIRONMENT OF RUSSIAN TRAVEL SECTOR

3.1 Political context

Over the past few years, Russian tourism industry is restricted by the political situation. The annexation of Crimea led to sanctions from the USA/EU, embargo, international terrorism had an impact on tourism industry. After incident with downed aircraft increased tensions between Russia and Turkey. As a response, Russian government closed entry to Turkey for Russian tourist. The same situation happened with Egypt when ISIL shot down a passenger liner. (Novichkov 2016). Turkey and Egypt were attractive for Russian tourist because of the low prices of services. Over the past few years, flows of Russian tourists to other countries have changed significantly. Table 1 shows the changes in Russian outbound tourist flows from 2012 to 2015. (Simonyan et.al 201 6)

Table 1. The changes in Russian outbound tourist flows from 2012 to 2015.

	2012	2013	2014	2015
Italy	570764	725841	747479	393788
Greece	690412	1175629	1016083	503284
Germany	713096	830907	820096	443327
Spain	792084	1012811	982256	502013
Thailand	885113	1034977	933759	313573
China	1328850	1067542	766306	285277
Egypt	190637	1909240	2565726	1567689
Turkey	2516136	3078563	3278405	2429242

From 2011 to 2013, the number of tourists from Russia grew smoothly. In 2014, there was a smooth decline. In 2015 was the most significant drop in the past 20 years. According to the modern political situation, the government started to popularise domestic tourism. (Simonyan et al. 2016.)

After the annexation of Crimea, Russia got one of the wealthiest tourist area. Nevertheless, the region needs to be subsidized. The Crimean Peninsula cannot develop fast due to the lack of investments from the regional budget. (Simonyan et al. 2016) The government planned to create six clusters in Crimea until 2020. The investment will be approximately 22.5 billion rubles. Financing plays a significant role in the development of tourism. The Tourism Forum in Yalta mentioned several problems that influenced the development of the clusters. (Simonyan et al. 2016). The main problem is the lack of infrastructure. For example, the future cluster located in the village Olenevka, with a poor infrastructure, has no resorts or tourist centers. Investors are being offered to build tourist accommodation facilities. Other clusters are The Saki Lake, Yevpatoria, the village of Kurortnoe, Bakhchysarai and Koktebel. Projects began in 2015, and by 2020 will be finished. Attracting investments is a priority, as the funds allocated by the state are not enough for the full implementation of all projects. The amount of investments: Evpatoria 14.5 billion rouble (191 million EUR), Saki 3.6 billion (47 million EUR), Bakhchisarai 270 million (3.5 million EUR), Koktebel 7 billion (92.5 million EUR), Kurortnoe 1.7 billion (22 million EUR), Olenevka 1.1 billion (14.5 million EUR). In 2015, 277 (3.6 million EUR) million rouble have already been spent. (Simonyan et al. 2016)

3.2 Economic context

The world economic crisis of 2008 has affected all sectors of the Russian economy. A decrease in the level of liquidity in the banking sector led to the devaluation of the rouble bringing about a decline of liquidity levels in the bank sector. The decline in agricultural production affected exports and the labor force. To support the currency rate and the economy the Government of the Russian Federation spent 800 billion dollars (700 billion EUR). (Utmagazine 2017.) Stabilization of the situation started in 2010. High oil prices and the expense of gold and currency reserves helped to decrease the budgetary deficit.

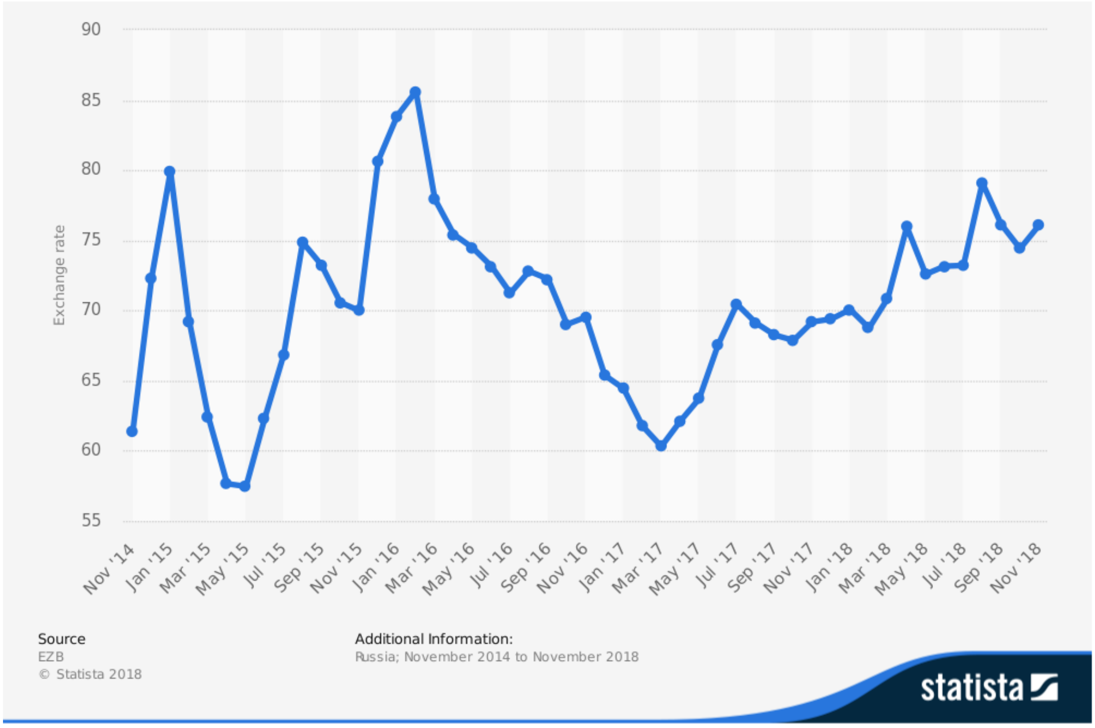

Figure 4. Euro (EUR) to Russian Ruble (RUB) exchange rate from November 2014 to November 2018 (Source: Statista 2018).

Figure 3 displays the monthly exchange rate of the euro to the Russian ruble, according to data from the European Central Bank, from November 2014 to November 2018. Between the months of December 2015 and February 2016, the monthly exchange rate of the euro to the Russian ruble noted an overall increase. In February 2016, the euro to Russian ruble monthly the exchange rate was equal to 85.62. By June 2018 this value had decreased to approximately 73. The overall increase in monthly euro to Russian ruble, the exchange rate between 2015 and 2016 is also reflected in the annual exchange rate. As of November 2018, the monthly exchange rate of the euro to the Russian ruble was approximately 76 (Statista 2018). The travel market is sensitive to changes in the currency rate. As already mentioned, in 2015 the level of outbound tourism decreased significantly. One of the reason is the depreciation of the ruble. In this period, the price of airline tickets and tour packages increased; consequently, the number of tourists decreased.

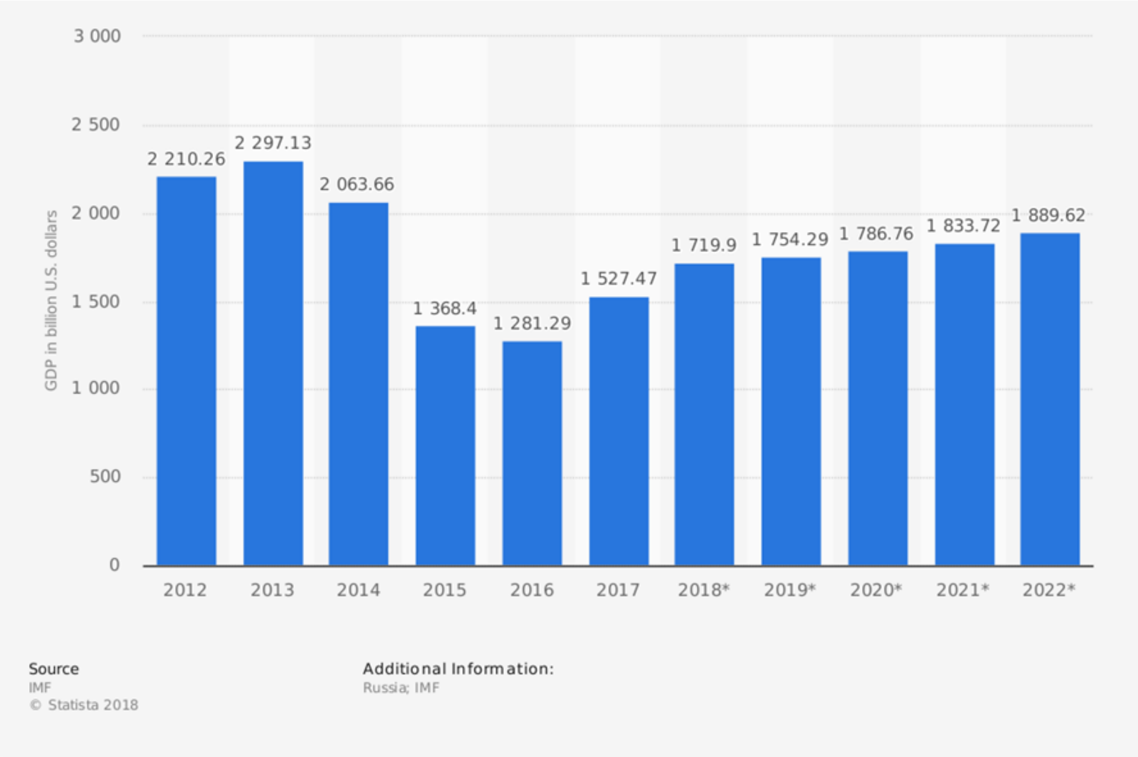

Figure 5. Russia: GDP from 2012 to 2022 (in billion U.S. dollars) (Source: Statista 2018).

Figure 5 shows the gross domestic product (GDP) in Russia from 2012 to 2017, with projections up until 2022. In 2017, the GDP in Russia was around 1.53 trillion U.S. dollars (Statista 2018). There was a decrease in GDP from 2014 to 2016. This relates to the sanctions and conflict with Ukraine. The reduction was almost one-third of the Russian travel market. From 2014 to 2015 there were numerous bankruptcies of tour operators, such as Atlas, Labyrinth and Nordic Star (Tourweek 2014.) The response by the Russian Government was import-substitution activities that created new trade barriers affecting foreign companies' activity. (TASS 2018.)

The International Monetary Fund expects of a slowly growing Russian economy from 2017 to 2018. During the economic crisis, tourism as an act of receiving and consuming impressions falls into the risk zone — expenses on leisure, entertainment consumption decreases imminently. According to the Russian Union of the Travel Industry, outbound tourism decreased by 31.3% in 2015. As reported by, The All-Russian Public Opinion Research Centre (VCIOM), in 2018 only 6% of Russian tourists spent a holiday abroad; 94% took rest in Russia. The majority spent holidays and vacations at home 32% while 26% rested at a summer cottage. The resorts of the Krasnodar Region preferred 6%

consumers Crimea - 3%, and 10% visited another city in Russia. (Fedorov 2018.) In 2017, the price of tourist packages increased by 11%. The average price is 44.200 thousand rubles (581 EUR) against 37 thousand rubles (489 EUR). The reasons for the problems were: high prices, lack of time and weather conditions.

3.3 Social context

Nowadays, the socio-cultural impact of tourism is impossible without globalisation. Consumerism is the main effect of globalisation. It defined as growth in consumption demands on various products and services (Bâc Dorin 2012). Tourists become more fastidious and spoiled among a variety of products and services. In recent years, the attitudes toward recreation have changed gradually in the Russian market. (Bâc Dorin 2012). A new type of consumer is still committed to consuming more and more. However, unique experience, enjoyment, and personal expressions have come to the forefront when real values are become less important. New Russian consumers know what they want. They know about excellent services, have become more fastidious, independent, knowledgeable and spoiled. New consumers crave a variety of impressions and new activities. (Neopsyhology 2018). The unique aspects of new consumers are: great awareness, great insistence for comfort and quality, individualism, environmental consciousness, spontaneity and mobility.

3.4 Legal context

The legislation of the tourism industry is complicated because it combines different sectors. Apart from laws that control the tourism process, other laws influence the industry. Global companies give special attention to legal questions. In the case of an accident, a company might lose its market share. The legal pressures and challenges in the tourism environment are high. Modern legislation appeared at the beginning of the 1990s when a legal framework for a market economy and business activities was established. The Law of the Russian Federation in the tourism industry determines the principles of government politic, focuses on the legal structure of a single travel market in the Russian Federation. It regulates relations raised by the realization of the right to travelling. The legislation controls the proper uses of tourist resources. (Vuzlit 2018.)

The core legal content rules of tourist activities are consumer protection, legal controls tour operators and tour agents and entrepreneurial activities in the travel industry. From 1993-2006 existed a licensing system for travel businesses. After this, was founded the Unified Federal Register of Tour Operators. The federal register contains information about liability insurance contracts or banker guarantees of the tour operators. From 01.06.2008 financial security payments for the outbound sector is no less than 10 million rubles, for domestic tourism is 500 thousand rubles. (Vuzlit 2018.) The basis of the legal framework of international relations of the Russian Federation in the field of tourism currently comprises more than 60 reciprocal contracts with countries in the world. The legal pressures and challenges in the tourism environment are high.

The main normative acts are The Federal Act of Tourist Activities in the Russian Federation and The Federal Act, The Foreign Citizens in the Russian Federation and The Federal Act and the Foreign Citizens in the Russian Federation. There are three main laws on travel legislation: The Federal Law on the Protection of Consumer's Rights, The Federal Law On the migration register of aliens and stateless persons in the Russian Federation and The Federal Law The principal legal act regulating the functioning of special economic zones in Russia. (Biryukova& Khamova 2007.)

3.5 Environmental context

Sustainability is a crucial concern in the tourism industry. There are several issues that are significant to tour operators — the weather changes, pollution etc. For example, aeroplanes cannot fly in a storm, if an accident happens it impacts all the industry. Moreover, seasonal tourism and changes in seasons influence supply and demand in different areas. Tourists do not go to the city all year round. For example, in the hottest season tourists do not choose destinations close to the equator. Nowadays, ecotourism grows in popularity. It is also impacting on the tourism industry. Consumers start to choose clean and green cities. (Zakharov 2016.)

3.6 Technological context

Nowadays, the online travel market is developing dynamically. The rate of booking travel services via e-services takes 50% of the total tourism market. The development of online tourism in Russia and around the world is of the same nature. According to Public Opinion Foundation research, the share of Internet users in Russia is 81%. (Bizhit 2018.) The audience of Internet users (from 16 years old) is 87 million people in 2017. (Gfk 2018.) According to GFK research, Internet penetration among young people 16-29 years old reached a peak, 97% an active user. Internet penetration among the older generation has increased by a quarter. Sixty-seven million consumers use the Internet through a mobile phone, where 16 million consumers use the Internet only through a mobile phone. The reasons why people use the Internet: 60% lot of useful information, 31% various possibilities for communication, 8% entertainment. (POF 2018.)

4 MAIN ONLINE TRAVEL PLATFORMS IN RUSSIA

Nowadays, the segment of online travel agencies is gaining momentum in the world travel market; the Russian market is no exception. In the aviation segment companies have started to reorient customers to their online channels. Online travel agencies must expand their travel portfolios and offer a new travel-products to consumers, develop additional sales services and invest in the loyalty program. (for example, Aeroflot frequent flyer program) (Aeroflot 2018). The popularity of low-cost airlines has increased over the past few years. Price lowering affected the margins and the company’s volume. This forced companies to reorient to non-aviation segments and start to sell train or bus tickets, insurance, etc. (Trn-news 2017). The level of competition and consolidation on the market is very high. On the Russian market operates foreign and domestic players. The popular local players are Aviasales, Tutu.ru, Ozon.travel, Avia.yandex.ru. The most popular transport companies on the market are Pobeda, S7, Ural Airlines, Nordwind Airlines and Russia. Pobeda is the first low-cost company in Russia and the most popular now. Pobeda implements flights domestically and in Europe. The average price for a ticket is 999 rubles (13 EUR). The S7 airline is the leading company on the Russian market, with flights to 26 countries. The Ural Airlines and the S7 airline hold a strong position on the market, with flights to 40 countries. Nordwind Airlines is a dynamically developing company with regular and charter flights from Moscow's airports. (Iklife 2017.)

4.1 Types of travel e-services

Nowadays, there are various e-services for tourists such as aggregators and metasearch engine websites, online travel agencies, information resources and specific websites. A search aggregator is a type of metasearch engine which gathers results from multiple search engines simultaneously, typically via RSS search results. It combines user-specified search feeds (parameterized RSS feeds which return search results) to give the user the same level of control over content as a general aggregator. (Wikipedia 2018.) The websites that aggregate and compare products do not explore sites; they ask the supplier to submit their data (sources) to the aggregator in a unique format (XML or CSV) (Goia 2011). For example, Aviasales find tickets and compare prices from 1000 sources. The company database contains 700 airlines and 200 ticket agencies. After consumers find a card, the website then switches to seller’s website (official airline website). Aviasales reserves the right to moderate a search engine results page, if the supplier changes shipment prices, Aviasales excludes the supplier from the page. (Wiki 2018.) The company offers suppliers (partners) a commission of 50-70% from each sales ticket. Aviasales average yield is 2.2% from the price ticket (Aviasales 2018). Table 2 shows the difference between Meta Search Engines and OTA work.

Table 2. The difference between OTA and Meta searcher (Source: SZMADMIN 2017).

Meta Search Engines	**OTA**
Display of the current rates of many different hotels of a destination.	Promote hotels in destinations across the globe, presenting their room rates, descriptions and photographs.

Example: Google, TripAdvisor, Trivago	Example: Booking.com, Agoda, Expedia

4.2 Domestic companies

Aviasales is the most popular meta-searcher in Russia. The company was founded in 2007. In the beginning, it worked as a travel blog which accumulated airlines' special offers. Later, the website installed a search algorithm. In 2011, the company created a financial model. In May 2012 a mobile app appeared. The monthly visitors to Aviasales are 12 million people. Aviasales finds tickets and compares prices from 1000 sources. The company's database contains 700 airlines and 200 ticket agencies. After consumers find a card, the website switches to the seller's website (official airline website). Aviasales reserves the right to moderate a search engine results page, if the supplier changes shipment prices, Aviasales is an excluded supplier from the page. The second most visited service in Russia is Tutu.ru which was founded in 2003. The primary functions are air ticket sales, train tickets, processing travel vouchers, booking hotels and informing about the schedule of suburban trains. In the hotel segment, the most popular are Ostrovok and Oktogo (Travel.ru, 2017). These players hold a strong position in the market. In four years of operation, Ostrovok was able to come close to Booking.com in terms of hotels amount. (Egorov 2015.) Now Booking.com and Ostrovok have the biggest contact database in Russia. New players that also work with the direct contract have started to explore the travel market, e.g. 1001 Hotels and Bronevik. (Egorov 2015.) It is impossible to cooperate with all hotels; that is why companies started to integrate suppliers in their work, to provide a wide selection of hotels and lower price (Egorov 2015) (See more information in Appendix 1).

4.3 Global companies

On the Russian travel market global players participate actively. The most popular players are Booking.com and Skyscanner (See more information in Appendix 1). Booking.com is the Internet hotel reservation system. Booking.com works as the aggregator for airline tickets searching. It was founded in 1996 in Amsterdam. Nowadays (April 2018), the website contains information about 1,745,254 accommodation facilities in 227 countries; the site is available in 42 languages. (Booking 2018.) Skyscanner is an aggregator website founded in 2001, Scotland. Skyscanner does not sell air tickets, but the program redirects customers automatically to corporate sellers. There are additional services such as tariff graphs. Skyscanner has a flexible search system that allows finding tickets faster (Skyscanner 2018). According to the news in August 2018, Aviasales and Skyscanner started to sell airlines tickets from Aeroflot directly (Khabibrakhimov 2018).

5 ONLINE BUYER BEHAVIOUR IN TRAVEL SECTOR

According to the Data Insight and PayPal research, Russian consumers prefer to buy tickets and make accommodation reservation through the Internet, 51% in airline ticket segment and 60% in hotel reservation. The main advantages to consumers are the possibility to find a better offer and to save money (36%) and independent self-planning (20%). For example, in 2015 11% consumers order ticket online but pay offline. This is the most popular system for the buying process. (DataInsight 2016.) Moreover, inhabitants of large cities more often buy airline tickets than consumers from medium-sized cities (100-400,000 people). The average age of consumers is 35-54 years; more users are women. The most popular online services are RZD (Russian Railways) (43%), the airline company’s website (30%), Hotel reservation services (29%), airline ticket sales services (22%), Hotel websites (21%) (Blog.7ya 2018).

Buying tickets

In 2014, over 70% of the consumers preferred to book tickets via Internet. In 2017, rates became equal. In 2018, the usage of mobile apps increased. Figure 6, shows the usage of the web interface and mobile apps from 2014 to 2018. (Blog. travelpayouts 2018.)

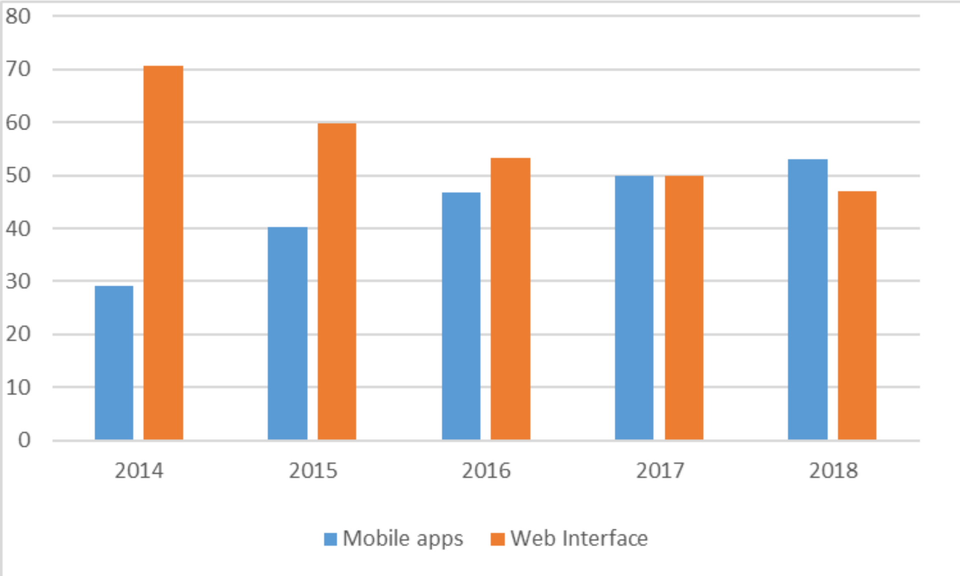

Figure 6. The usage of the web interface and mobile apps from 2014 to 2018.

In 2018, preferences have changed. Mobile apps usage has increased rapidly. More and more consumers find mobile apps easier for reservation and buying. According to DataInsight research in the next two years, the rate will increase to 70%.

Travel planning

There are no significant changes in the travel planning process — one in two buy tickets one week before the flight. The main reason is the complicated Russian vacation system. Usually, a consumer does not know vacation time. Consequently, planning a trip for a consumer may be difficult. For a short flight, the booking period is 2-3 weeks, for a long-haul flight the period is six months. The booking period for flights to Europe is 2-3 months. (Blog.travelpayouts,2018.) Figure 7 shows the booking period time from 2015 to 2018.

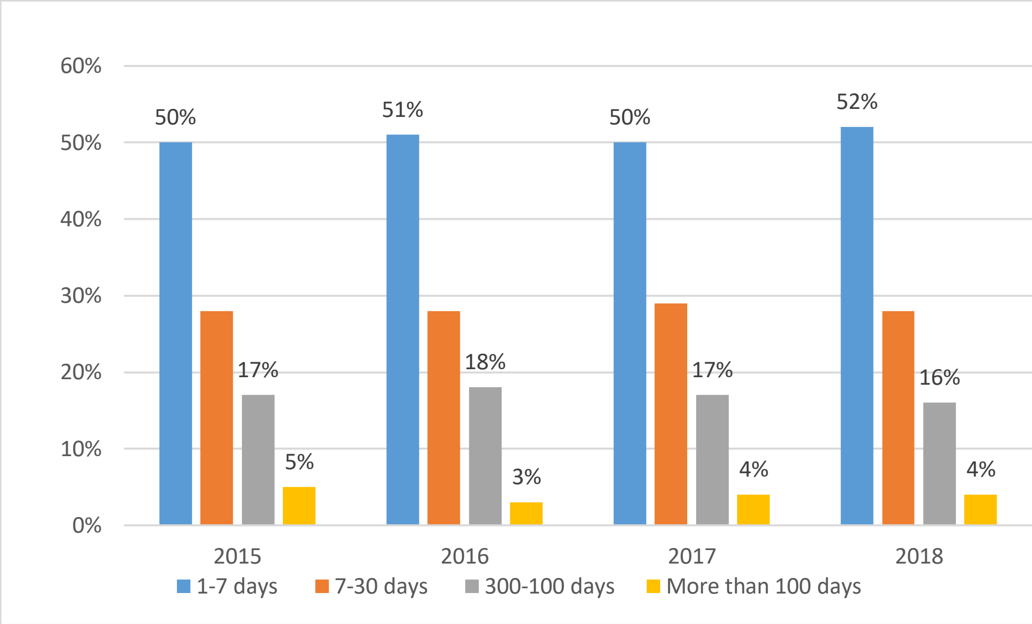

Figure 7. Journey planning (Source: Blog.travelpayouts 2018).

Average purchase size

From 2014 to 2015, the average price decreased from 25416 (335 EUR) to 18392 rubles (243 EUR) for travel abroad. For domestic trips the price decreased from 11486 (152 EUR) to 10308 rubles (136 EUR). In 2017, the rates increased steadily. For the domestic trip the average price is 9783 rubles (129 EUR) and for a trip abroad the price is 22077 rubles (292 EUR). During the New Year's holidays, the average price change unpredictably. Consumers may spend vast sums of money on plane tickets. For example, the flight from Vladivostok to New Zealand for 760,000 rouble (10,039 EUR) (Blog.travelpayouts,2018)

Top Destinations

The popular domestic destinations are Moscow, Sochi, St. Petersburg and Simferopol. For trips, abroad consumers choose Ukraine, Belarus, Georgia, Kazakhstan and Moldova. Moreover, the Arab Emirates gained popularity after the termination of visa requirements. As a travel destination Spain become popular after the low-cost airline Pobeda offered cheap flight connections. (Blog.travelpayouts 2018.)

6 SURVEY

The survey was conducted to find out primary information about Russian online buying behaviour. There are several questions that the study includes:

- What do consumers buy online?
- Where do they prefer to make a purchase?
- What factors influence purchases?

Another goal is to compare survey data and secondary data (that has already been published).

6.1 Methodology

The study was made, conducted and analyzed through the software Anketolog. Background information focuses on consumer identification, age group and location — the survey "Using Internet resources in planning and ordering trips" was held from 09.12.2018 to 09.01.2019 among Russian consumers through the social network Vkontakte and Odnoklassniki. During the data collection interviews, 219 respondents replied, and 18 respondents were disqualified because they do not use e-services — the open link to the survey published in social network forums with 1151 participants. Moreover, the Survey link was sent to respondents directly via messenger. Vkontkate used to get data about the young generation under 20 and from 20 to 40 years old. Odnoklassniki is a popular social network among a senior generation from 40- 60 years old.

6.2 Results

Respondents profile

Most of the respondents are women 63%, men 36%. Figure 8 provides information about respondent's age groups. Respondent age groups are:

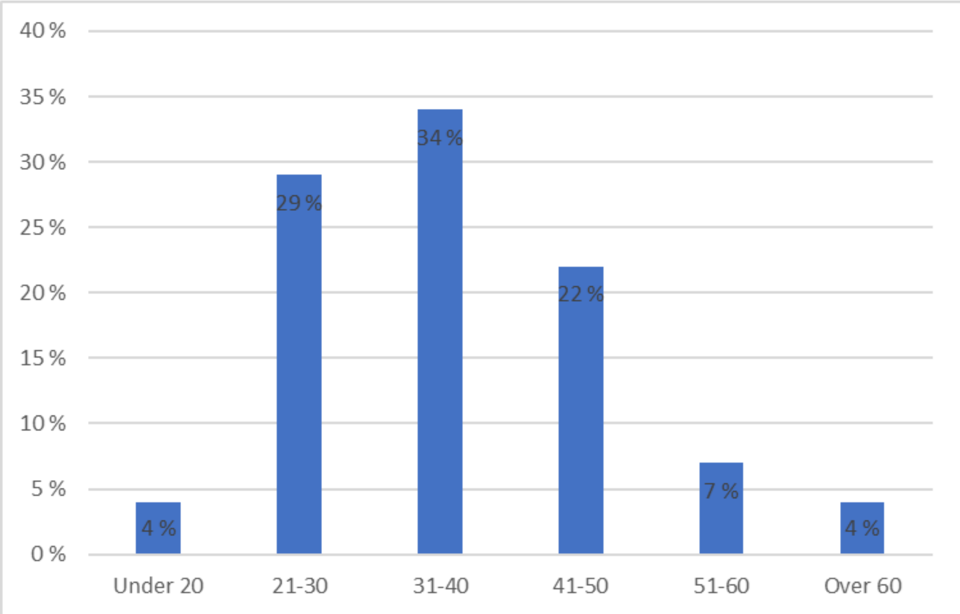

Figure 8. Respondent age groups (Source: Survey 2019).

The most active users of travel e-service were from 21-40 years old. Most respondents were from Moscow and Moscow region, St. Petersburg and Leningrad Oblast. Other cities included Surgut, Belgorod, Barnaul, Rostov, Kaluga, Birobidzhan, Petropavlovsk-Kamchatsky, Kuzbas, Tomsk, Perm, Kemerovo, Smolensk, Stavropol, Zhukovski, Nizhny Novgorod. Moreover, in the survey participated respondents from the Mari El Republic, the Republic of Karelia, Nenets Autonomous Area, Krasnodar Krai, Khanty-Mansiisk autonomous district, the Oryol Region. Figure 9 shows respondents places of living.

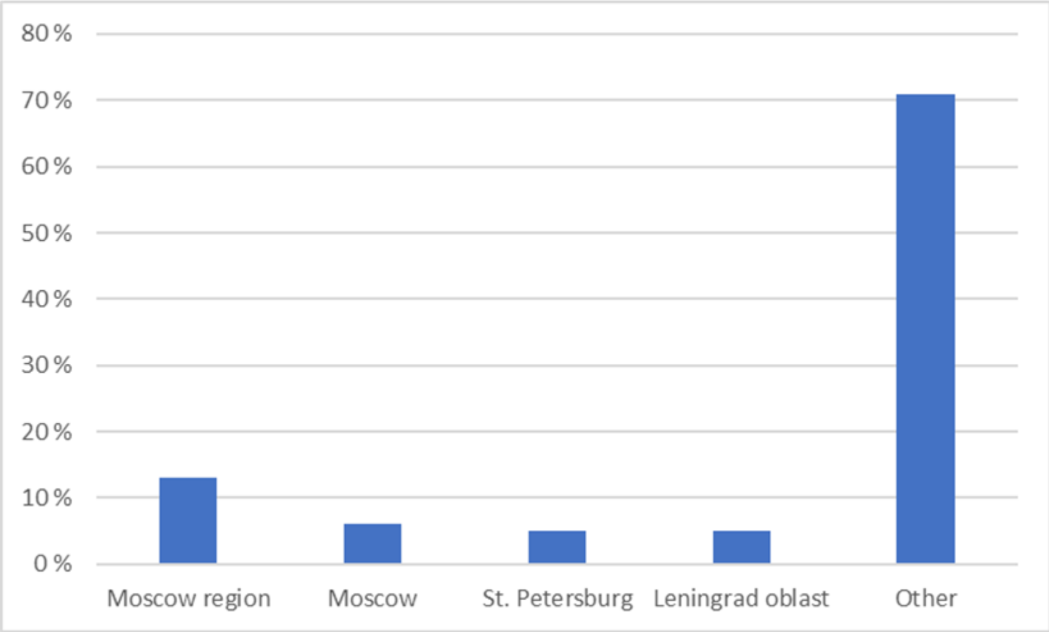

Figure 9. Respondent's place of living (Source: Survey 2019).

Usage of online services for planning and booking travel

According to the surveys result 32% of the respondents always use e-services, 36% often and 32% hardly ever. One-hundred per cent of respondents 41-50 years old rarely use e-service. In contrast, 50% of the respondents from 31 to 40 years old often use online services. For young respondents under 20 years old: 42% always use; 28% often use and 28% hardly ever use e-services.

Booking of trips

The result shows that 43% prefer to book trips independently, 11% through the agency, and 46% of the respondents combine both options. Most of the respondents under 20 years old prefer to combine both options when booking trips, 57.14%. Also, respondents from 21 to 30 years old prefer to combine both options 50%, as well as respondents 51-60 years old. However, respondents over 60 years (57.14%) and from 41 to 50 years old (50%) prefer book trips independently.

The context of online booking

Most consumers prefer to book and pay accommodation online. Young consumers prefer to book accommodation and transport 71.43%. Respondents, from 21 to 30 years old prefer to book accommodation 88%, as other respondents. One hundred twenty-two (61.1%) respondent book and pay transport. Figure 10 provides information about the context of online booking.

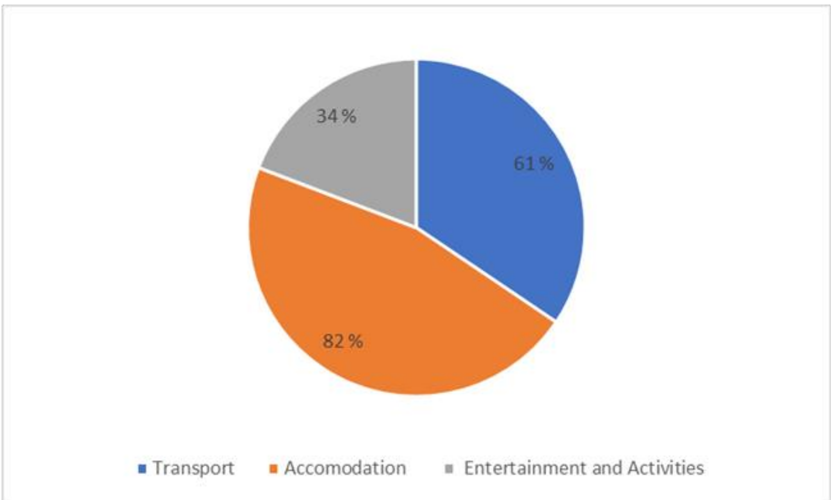

Figure 10. The context of online booking (Source: Survey 2019).

Online services for choosing and booking accommodation

Booking.com and Trivago.ru are the most popular resources. Booking.com was chosen by 61% of the respondents, and Trivago.ru was chosen by 49% of the consumers. Other e-services are Agoda, Travelata.ru, Avito.ru, Couchsurfing or in a direct way through hotel's websites, with 12.63% of the respondents. Figure 11 shows popular e-services in accommodation segment.

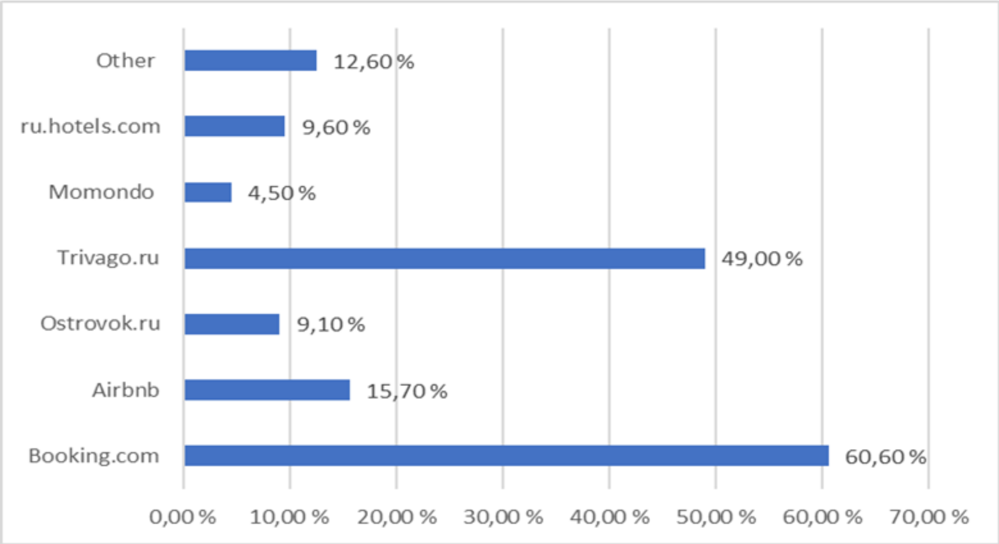

Figure 11. Online services for choosing and booking accommodation (Source: Survey 2019).

Online services for choosing and booking transport

The most popular services for booking and buying transport are Tutu.ru, Aviasales and Rzd.ru. Tutu.ru (52%) is a leader in the Russian travel market, Aviasales takes 34%. Avia ticket consumers prefer buying directly on the carrier websites, for example, Ryanair, Aeroflot, Wizz Air, S7 and Pobeda 10% of the respondents. Other e-services are Kupibilet.ru and Flixbus. Figure 12 shows popular e-services in transport segment.

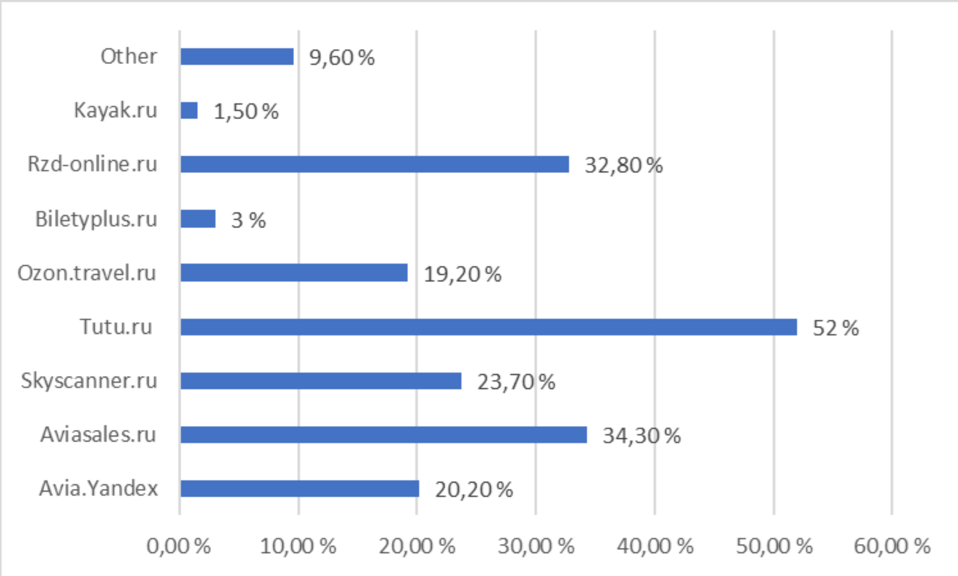

Figure 12. Online services for choosing and booking transport (Source: Survey 2019)

Online tourist information sources

TripAdvisor takes a leading position, 60% of the respondents chose it. Another source is Instagram and tonkosti.ru. Approximately 5% of the respondents do not use any information websites. Figure 13, provide information about popular information sources.

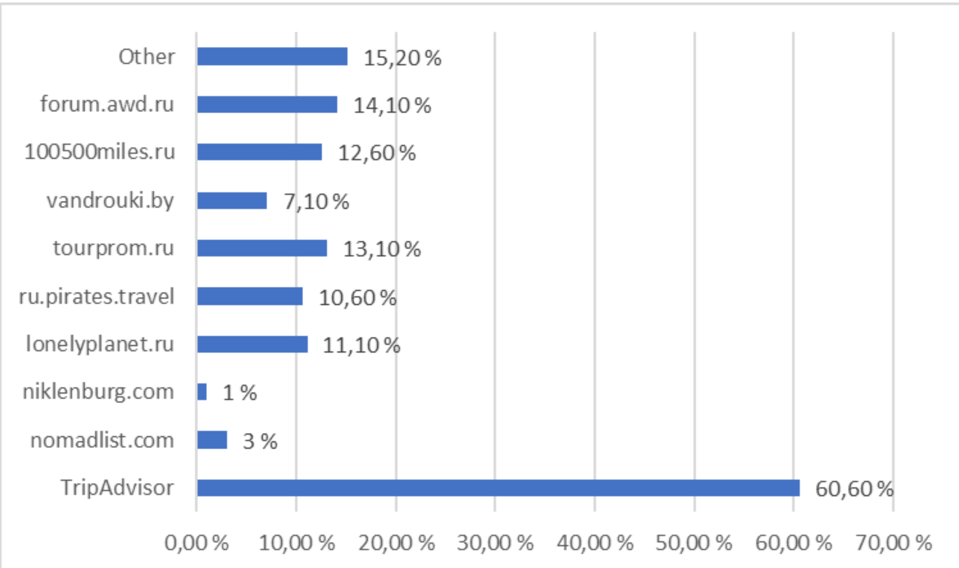

Figure 13, Online tourist information sources (Source: Survey 2019).

Selection criteria

The main criteria for respondents are the Russian language interface (65%) and a wide selection of offers (63%). However, for respondents under 20 years the Russian language interface is not significant. More essential are a wide selection of offers (86%), low prices 57% and easy site navigation 57%. For consumers, 21-30-year-old easy site navigation 58% and low is important too. Respondents 31-40 years mentioned as significant low prices at 53%. Consumers 41- 50 years old chose easy site navigation 63%. For respondents 51-60 and older Russian language interface is the most significant criteria. Table 3 provide information about significant criteria in selection process.

Table 3, Selection criteria, where 1 - means it is not important, and 5 - very important. (Survey,2019) (Source: Survey 2019)

	1	2	3	4	5
Russian language	17	9	17	22	113
Low prices	6	7	33	46	86
Wide selection of offers	8	3	11	46	110
Easy site navigation	7	7	19	47	98
Discounts and bonuses	15	15	38	43	67
Various forms of payment methods	10	14	23	59	72
Possibility to book all at once (transport, accommodation, etc.)	18	13	36	49	62

Trust criteria

All respondents mentioned as trust criteria are guarantees of the money refund in case of failure 68%, guarantees the safety of personal information 65% and safe payment system 83%. Young respondents under 20 years old mentioned as significant criteria the clear contact information of the organisation 86%. Consumer 31-40 chose as essential criteria recommendations of friends 49% and clear contact information 43%. For respondents, 41-50-year-old recommendation of friends 53% is significant too. For consumers 51-50 years, the clear contact information of the organisation is also important criteria 67%. Table 4 provides information about essential trust criteria.

	1	2	3	4	5
Recommendations of friends	12	12	27	53	74
Popularity of e-service	5	13	33	64	63
Guarantees of money refund in case of failure	7	2	13	36	120
Guarantees the safety of personal information	6	7	18	33	114
Safety payment system	5	3	6	17	147
Clear contact information of the organisation	6	6	25	49	92

Table 4. Trust criteria, where 1 - means it is not important, and 5 - very important. (Source: Survey 2019).

Conclusion

The survey shows that Russian consumers active uses e-services actively. The most active online buyers are women, from 30-40 years old from Moscow and St. Petersburg. The significant proportions of consumers combine two options when booking trips. Possible is connected that people still do not trust and are afraid of online purchases. Few of the consumers left comments that they do not buy online tickets or accommodation, they check only information. As in secondary data, booking accommodation is the most popular activity online, 82% survey result and 60% secondary data. For ticket purchases the survey result show 61% and secondary data is 51%. As already mentioned, the most active online buyers are women 35-54 years old. The survey shows the same result. However, there may be a margin of error because of small survey's selection. Regarding popular companies, Booking.com, Tutu.ru, Aviasales are leaders. However, Ostrovok.ru (travel.ru) does not show a strong position; only 9% of the consumers choose it. A popular information resource is TripAdvisor.

7 SUMMARY

The Russian online travel market is on crossroads today. On the market operated two main types of players: aggregators and tour-operators. Both try to change the market and become the leader. Tour-operators cannot follow the market changes because of the market consolidation tendency.

Moreover, the political and economic situation has a significant impact on tour – operators’ work. Now, tour-operators try to decrease the number of expenses and save low prices. Aggregators can influence the market too, but not in a price segment because the aggregator commission is low. The only option for aggregators is to increase costs in non-material service. Now, there are no companies with a strong position in the market and the necessary resources that can impact (or change) on the market.

For a safe position on the market, Russian companies need to gain experience from successful companies and cooperate with huge tour product's suppliers. Moreover, it is significant to remember individual tours. As already mentioned, consumers become sophisticated; this means integration with suppliers of unique products bring benefit. The cooperation with search systems (Yandex, Google), social network and informational sources (TripAdvisor) are significant for market development. Global players participate actively in the Russian travel market. For domestic companies, they may be a good example. Russian companies can learn from the worldwide player's experience.

The study provides the survey, and the results show that Russian consumers are interested in e-services. However, some of them still prefer to work with travel agencies, because of prejudice regarding online purchases.

To sum it up, the Russian online travel market has excellent opportunities for future development. The exchange of experience with global players and increase awareness of online purchases among consumers may bring benefit for future development.

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Global and domestic players in the Russian travel market

Company name	Business Model	Payment System	Monetezation	Monthly attendance
Aviasales	Meta-searcher	Master Card,Visa,Paypal,Domestic payment system(Mir,Qiwi)	No commsion	12 million people
Tutu.ru	Online travel agency	Master Card,Visa,Paypal.Domestic payment system(Mir,Qiwi,TCH)	Commision ≈ 10%	13,5 million people
Ozon.travel.ru	Internet service for booking air and train tickets	Master Card,Visa,Paypal.Domestic payment system(Mir,Qiwi)	Commision (vary from tickets price)	3 million people
Avia.Yandex	Internet service for booking air and train tickets	Master Card,Visa,Paypal.Domestic payment system(Mir,Qiwi,Yandex Money)	No commsion	2457550 million people
OneTwoTrip	Online travel agency	VISA International MasterCard World Wide QIWI	Comisssion	526 740 people
Svyaznoy.travel	Internet service for booking,sales air , bus and train tickets	Master Card,Visa.Domestic payment system Mir or by cash at offices.	No commsion	1 614 364 people
Biletyplus.ru	Meta-searcher	Master Card,Maestro,Visa ,PayPal , IATA.Domestic payment system Mir,Yandex Money.	Comisssion	395 370people
Kayak	Metasercher	-	No commison	150 million people
Skyscanner	Aggregator	-	No commison	2 336 100 people
AnywayAnyday	Online travel agency	MasterCard,Visa	No commison	312 360 people
Momondo	Metasercher	-	No commison	734 670 people

Опрос: Использование Интернет-ресурсов при планировании и заказе путешествий

1. Сколько вам лет?
    - Менее 20
    - 21-30
    - 31-40
    - 41-50
    - 51-60
    - Более 60

2. Где вы проживаете? (Укажите город или регион)

3. Используете ли Вы Интернет-ресурсы для планирования и заказа путешествий?

    - Всегда
    - Часто
    - Редко
    - Никогда

4. Вы предпочитаете планировать путешествия

    - Самостоятельно
    - Через агенство
    - Совмещаю оба варианта

5. При планировании путешествий, что вы обычно заказываете через Интернет?

    - Транспорт
    - Проживание
    - Развлечение и отдых

6. Какие Интернет-ресурсы вы используете при выборе и заказе проживания?

    - Booking.com
    - Airbnb
    - Ostrovok.ru
    - Trivago.ru

- Momondo
- ru.hot
- Другое

7. Какие Интернет-ресурсы вы используете при выборе и заказе транспорта?

- Avia.Yandex
- Aviasales.ru
- Skyscanner.ru
- Tutu.ru
- Ozon.travel.ru
- Biletyplus.ru
- Rzd-online.ru
- Kayak.ru
- Другое

8. Какие информационные туристические интернет-ресурсы вы посещаете?

- TripAdvisor
- nomadlist.com
- niklenburg.com
- lonelyplanet.ru
- ru.pirates.travel
- tourprom.ru
- vandrouki.by
- 100500miles.ru
- forum.awd.ru
- Другое

9. При выборе Интернет-ресурсов, что является для вас важным? Оцените каждый фактор по шкале от 1 до 5, где 1 - слабо влияет на ваш выбор5 - сильно влияет на ваш выбор

	1	2	3	4	5
Русскоязычный интерфейс					
Низкие цены					
Широкий выбор предложений					
Понятная навигация сайта					

Бонусные программы и скидки					
Различные формы оплаты					
Возможность забронировать и купить всё сразу (транспорт, размещение и т. д.)					

10. Что является для вас индикатором доверия при выборе Интернет ресурсов?Оцените каждый признак по шкале от 1 до 5,где 1 - слабо влияет на ваш выбор5 - сильно влияет на ваш выбор

	1	2	3	4	5
Рекомендации друзей					
Популярность интернет-ресурса					
Гарантия возврата денежных средств при отказе					
Гарантия сохранности персональных данных					
Гарантия безопасной системы оплаты					
Указание места и контактов для обратной связи					

Survey: Using Internet resources in planning and ordering trips

1. Your age?

- Less than 20 years old
- 21-30 years old
- 31-40 years old
- 41-50 years old
- 51-60 years old
- Over 61

2. Your place of residence (region, city)

3. Do you use online resources for planning and booking travel?

- Always
- Often
- Hardly ever

4. You prefer to buy your trips...

- By yourself
- Through the travel agency
- Combine both options

5. When planning a trip, what do you usually order online?

- Transport
- Accommodation
- Entertainment and Activities

6. What online resources do you use when choosing and booking accommodation?

- Booking.com
- Airbnb
- Ostrovok.ru
- Trivago.ru
- Momondo
- ru.hotels.com
- Other, please specify

7. What Internet resources do you use when choosing and ordering transport?

- Avia.Yandex
- Aviasales.ru
- Skyscanner.ru
- Tutu.ru

- Ozon.travel.ru
- Biletyplus.ru
- Rzd-online.ru
- Kayak.ru
- Other, please specify

8. What news websites do you visit?

- TripAdvisor
- nomadlist.com
- niklenburg.com
- lonelyplanet.ru
- ru.pirates.travel
- tourprom.ru
- vandrouki.by
- 100500miles.ru
- forum.awd.ru
- Other, please specify

9. When choosing Internet resource for travel planning what is important for you? (Please, rate each factor on a scale of 1 to 5, where 1 - means it is not important, and 5 - very important)

	1	2	3	4	5
Recommendations of friends					
Popularity of e-service					
Guarantees of money refund in case of failure					
Guarantees the safety of personal information					
Safety payment system					
Clear contact information of the organisation					

10. What is an indication of trust for you to make online purchases? (Please, rate each factor on a scale of 1 to 5, where 1 - means it is not important, and 5 - very important)

	1	**2**	**3**	**4**	**5**
Russian language	17	9	17	22	113
Low prices	6	7	33	46	86
Wide selection of offers	8	3	11	46	110
Easy site navigation	7	7	19	47	98
Discounts and bonuses	15	15	38	43	67
Various forms of payment methods	10	14	23	59	72
Possibility to book all at once (transport, accommodation, etc.)	18	13	36	49	62