

Intourist Gets \$45M Tourism Joint Venture

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Men dressed as centurions awaiting tourists in Rome. Intourist hopes its joint venture will boost growth in Europe. **Chris Warde-Jones**

Intourist, the face of Russia for foreign visitors from Soviet days to the present, and Thomas Cook, Europe's second-largest tour operator, signed a \$45 million agreement on Thursday to create a joint venture.

Thomas Cook will get a 50.1 percent stake in the newly established company by paying \$10 million in cash and the remaining \$35 million in its own shares. The new venture will operate under the Intourist brand.

The deal should be approved by Russian authorities by January and will officially close in February, Thomas Cook's chief executive officer Manny Fontela-Nova told reporters Thursday.

“The move into Russia is in line with our established strategy of capturing growth in emerging markets. I am glad we have taken our time to secure a strong partnership,” Fontela-Nova said. Negotiations between Intourist and Thomas Cook had gone on for two years.

“We think that Russia is a very attractive market. Within the next five to 10 years Russia will become Europe's biggest market,” he said.

The joint venture has some grand plans in mind, hoping to take leadership positions in both domestic and international travel.

“We've joined together two very strong brands,” said Felix Yevtushenkov, Intourist board chairman, vice president of AFK Sistema and son of Sistema owner Vladimir Yevtushenkov. Hopefully, we will eventually see the joint venture as one of the world leaders, he said.

Sistema owns 66.2 percent of Intourist, while the remaining shares belong to the Moscow government and GAO Moskva, a company that works on hospitality and tourism projects for the city.

Thomas Cook, which boasts \$14.9 billion in revenues, said it is planning to diversify its business by moving away from Europe's saturated market through the purchase of Intourist's tour operator and retail business. The Intourist hotels, which include the Cosmos and Pekin in Moscow, and Okytabrskaya in Nizhny Novgorod, are not part of the deal.

In exchange for access to the Russian market, Intourist, with \$324 million in revenues, wants to tap into Thomas Cook's European clientele.

After 81 years in business, Intourist is still a leader on the incoming tourism market and is one of the top five tour operators for outbound tourism, which is shrinking because more Russian travelers are booking independently.

The new venture is hoping to revamp Russia as a tourist destination by launching a new marketing campaign and introducing new products, Alexander Arutyunov, Intourist president, told The Moscow Times.

Developing ecological tourism, specialized packages and online products and services are some of the innovations that Arutyunov hopes will help boost Russia as a destination.

“It is not the first time that a foreign company enters the Russian market,” said Maya Lomidze, executive director of the Association of Tour Operators of Russia. “Each time the market was hopefully looking at what was going to happen. Each time the overall market dynamic did not change fundamentally.”

“As for the incoming tourism market, this is where the new company has a chance to make a difference. This is the first time when a major international company is buying this type of business in Russia,” Lomidze said.

TUI Russia, which is considered the main competitor to the new venture and is majority-owned by Europe's leading travel agency TUI German, said it has been expecting the deal.

“I believe in the positive effect of competition — this is an excellent stimulus for market development,” TUI Russia marketing director Darya Kaplunova said, adding that her company is preparing new products for the spring and summer.

Editor's note: An earlier version of this article spelled the last name of the executive director of the Association of Tour Operators of Russia incorrectly. Her name is Maya Lomidze, not Lobidze.

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