

\$7Bln Business Travel Market Set to Boom

By [Irina Filatova](#)

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The country's \$7 billion market for business travel is likely to grow over the next few years, with domestic and foreign companies saying their executives will travel for business more as part of their firms' expansion plans, a survey released Thursday shows.

The survey found that 87 percent of senior executives at Russian and international companies consider expenses for organizing meetings with business partners "an investment in business development and an important condition for the company's future success," Ernst & Young said in its latest study.

The consulting company conducted the survey in December among chief executives and financial directors at more than 50 Russian and foreign companies, each with an annual revenue exceeding \$1 billion.

The participants said they expect their business to grow over the next 12 months. That will

result in an increase in spending on networking events, which include expenditures on trips, workshops and conferences, said Galina Maloshenko, a partner and head of the risk advisory service at Ernst & Young.

A total of 74 percent of respondents said their number of business trips had increased over the last five years. It declined at 15 percent of the surveyed companies and remained unchanged at 11 percent of them, the survey said.

At the same time more than half of respondents, 51 percent, said they expect that their employees will travel more for business over the next five years, since they consider it an effective way to remain competitive in the fight for potential clients and business partners.

"The results of the survey indicate the trend of growing expenses on business trips over the next few years, and optimizing costs in this field and building an effective cost control system will allow companies to improve their competitiveness," Maloshenko said at a news conference.

The survey was commissioned by American Express, which claims to be a leader in managing corporate costs and hopes to capitalize on Russia's growing market for corporate travel.

Overall spending on business travel in the country accounted for approximately \$7 billion last year, said Vladimir Salakhutdinov, head of American Express in Russia, citing figures from the World Travel and Tourism Council.

Although the lion's share of those expenses is managed by the companies themselves, a growing number of them are expected to hire firms to manage business travel costs, he said at the news conference.

Most participants in the survey acknowledged that the costs of business travel and networking events represent a significant share of their companies' expenses, with 65 percent of them saying cost control is extremely important for their companies.

Despite the global economic turbulence, Russian companies are committed to expanding into new markets, which will require more business networking, Salakhutdinov said.

"It is obvious that to ensure growth, a company needs to find new categories of customers, and the only effective way to do that today is to meet with those clients and partners," he said.

American Express is targeting companies that spend at least \$500 million a year on business travel, he said, adding that companies usually allocate up to half their spending for business travel within the country.

Business travel still accounts for a small percentage of the total number of Russians' trips abroad. The figure reached 904,236 during the first nine months of last year, down 15 percent from the same period a year earlier, according to State Statistics Service data.

A total of 37.3 million of Russians traveled abroad during that period.

Contact the author at irina.filatova@imedia.ru

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