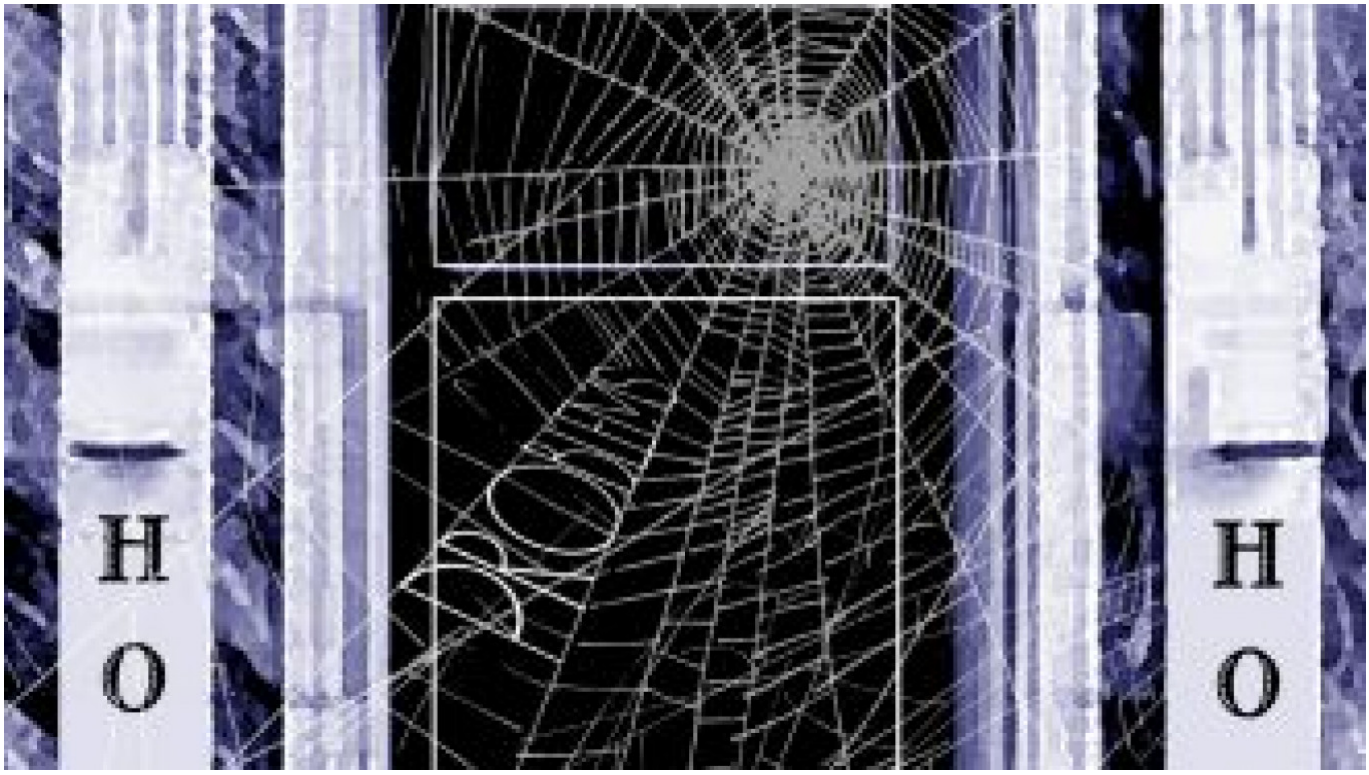
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How to Turn Sochi Into a Top Tourist Spot

By Scott Antel

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It is hardly an Olympian observation to say that accommodation is going to be tight during the Sochi Winter Games in February. What with some 7,000 athletes, 2,800 journalists, 3,000 International Olympic Committee members and guests, 12,000 sponsor representatives and guests, not to mention 73,000 workers, all descending on a city of only 400,000, something has to give. And we have not even counted the influx of Olympics spectators.

The organizers original promise of some 42,000 new or renovated hotel rooms seems overly optimistic. Of the some 9,000 international-branded hotel rooms, all are blocked for Olympic family, VIP or media. This leaves the average spectator with local guesthouse options or several cruise ships that the organizers will situate along the coast during the games. The Black Sea coast can get pretty choppy in February, and not all the guesthouses will be to a standard to which some are accustomed.

Nothing damages

Russian tourism more than its costly, time-consuming and self-defeating visa regime. Let the tourists in, while happily accepting their rubles.

But the shortage of fixed hotels during a mega event is not a bad thing. You do not build hotels and other long-term accommodation for a one-time event lasting only several weeks. Hence, cruise ships, flat rentals and other programs using existing supply is wise.

If a decision is made to increase hotel supply, there needs to be a plan to keep these facilities occupied long-term. Even with inadequate hotel supply in Sochi, much of the development has been politically driven, with little thought given to the long-term feasibility of the market. Put simply, the Olympics are one large and grand opening party for the city, hotels and related infrastructure. The real question is — what happens the day after the flame goes out?

Post-Olympic Sochi will simply not be able to accommodate the new supply of hotels. Moreover, the new hotels that will remain will be pitched to an economic target audience well above Sochi's historic middle-class domestic market.

To minimize the impact of inevitable post-Olympic market consolidation, far greater focus on broadening Sochi's market base and making it a year round destination is required. Federal and local governments have a key role to play in making this happen. This is itself a problem because Russian governmental bodies traditionally work for their own interests rather than those of its constituents. In the tourism sphere, Russian state and local tourism boards traditionally spend their budgets on trade shows in Cannes, Berlin and elsewhere and, inevitably, shopping. Not surprisingly, they have had little success. Russian outbound tourism and expenditure exceeds inbound by two times and three times, respectively.

To generate local tourism, you need to host the party and invite the tourist-destination planners — tour operators, travel writers and convention organizers — to your home, entertain them and show them your offerings. This is particularly essential given the still prevalent misconceptions and stereotypes about Russia in the global market.

Successful tourist boards, such as in Barcelona, Dubai or Monaco, have their members chosen by the local tourism stakeholders, such as hotels, airlines and event organizers. They take their directions from these bodies as to what is needed to maximize tourism revenues for the community and keep the destination active year round.

This industry-driven approach to promoting tourism requires an obvious cultural shift from the standard Russian "tsar knows best" approach and runs head on with vested

interests. But with tourism comprising nearly 10 percent of global gross domestic product — and a far higher ratio in a tourist city like Sochi — Russia cannot afford to have a tourism authority that is not wholly responsive to its commercial constituents and aggressively competing at the level of competing city venues. Given how many Sochi investors were strongly encouraged and incentivized to develop hotels and other properties that they likely would not have done based on market feasibility, they should demand nothing less from a tourist authority.

Unfortunately, a failure to organize in such a manner is likely to lead to missed opportunities in the short to near term. Capturing the post-Sochi "curiosity" tourist while memories are fresh, or the high-yielding conference and exhibition business, involves substantial advance planning. These opportunities to get post-Olympic Sochi off on the right track may already have been missed.

If post-Olympic Sochi intends to upgrade its target market from its historic middle-class, Soviet- style sanatoria past, it must also expand its international tourist base. Today, only 3 percent of Sochi visitors are foreign tourists. This requires increasing the overall "airlift" capacity and particularly increasing the number of affordable direct flights from non-Russian cities.

Any successful resort locale must also address seasonality. Yes, the region offers diversity, with Sochi city and the nearby Adler offering summer seaside venues, while the mountain resort venues of Krasnaya Polyana cater to winter sports. But economic success requires that both areas be kept active year round, a challenge that only a well-coordinated tourist authority working with local stakeholders can achieve.

In addition, allowing a well-controlled gaming corridor in the region would help, as would efforts to leverage the Olympic venues for sports tourism.

Also important to sustaining any tourism-based economy is ensuring that affordable housing is available to attract and retain otherwise moderately paid hotel and tourism workers. This remains a pre- and post-Olympic problem.

Finally, nothing damages Russian tourism more than its costly, time-consuming and self--defeating visa regime. What is the point of it? After all, the largest terrorist threat is Caucasus-based, whose residents do not need visas to enter other parts of Russia. It is high time for Russia to adopt a "visa on arrival" regime, which is basically a tourist tax.

Let the tourists in, while happily accepting their rubles. This is enlightened self-interest. It is also the cheapest, most effective tool for promoting tourism and projecting the country's soft power onto the global arena.

The ultimate legacy of an Olympic Games rests not just on its successful staging, but also on what happens to the venue thereafter. On this front, there remains much to be done in Sochi.

Scott Antel is a partner with DLA Piper and heads its hospitality practice. He has worked on numerous hotel and related projects in Sochi.

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