



LDP

Objective Analysis
Creative Thinking

*Emerging Markets:
Snapshot of Turkey, Russia and Poland*

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EAS 2013, Berlin
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Introduction

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Russia

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Poland

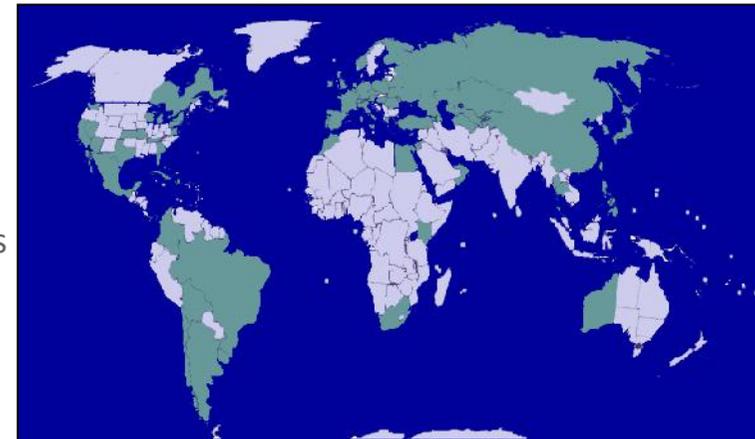
Comparison

Questions



Yael Coifman—Senior Partner
Leisure Development Partners (LDP)

- LDP is specialised in market analysis, feasibility, business planning and improvement strategy for visitor attractions and leisure real estate
- LDP has advised on projects all over the world for leading operators, developers and owners of theme parks and attractions
- LDP tracks performance benchmarks for attractions of all types and combines this with detailed market research to develop realistic forecasts and strategies



Attractions Overview

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- In general the visitor attractions industry in emerging markets is not yet mature.
- This suggests opportunity but equally it is important to look in depth at the available markets and economic conditions in each country.
- While many of the emerging markets do not have the population densities of the leading two Russian cities there will still be opportunity at the right scale of investment.
- Spending power is also a big issue in many of the countries- needs to be balanced against investment
- Most of the emerging markets countries:
 - have museums and educational attractions
 - and often play facilities (at different levels of sophistication)
 - and some have lunar park type operations, travelling fairs and, on occasion, permanent attractions.

Russia

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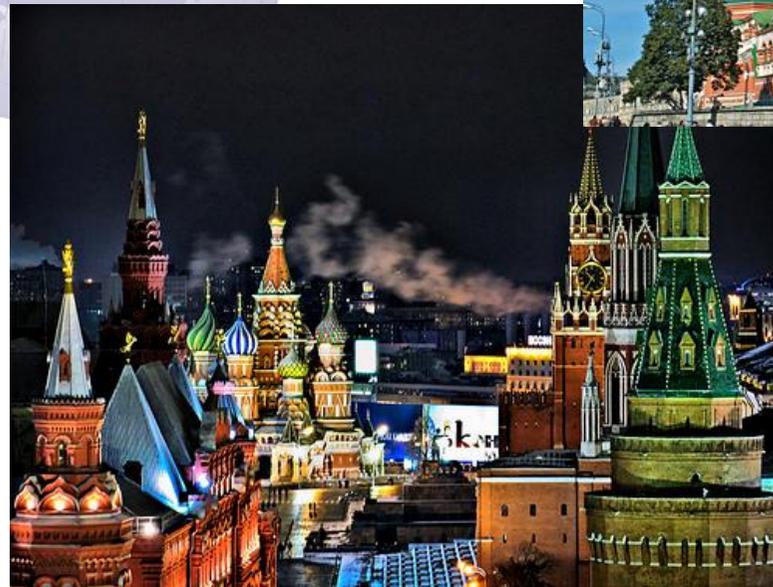
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Russia Markets - key points

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- Population of 142.8 million
- Moscow and St Petersburg, both major 'World' cities, have the largest.
- With a life expectancy average of only 66.5 years, the age profile of the country comprises:
 - 0 - 14 years: 15.2%
 - 15 - 64 years: 71.8%
 - 65 years and over: 13.0%
- Population growth is currently negative at an annual rate of decline in 2011 of -0.5%.
- Active employment = 75.4 million, unemployment at 6.6% in 2011.

City	Population
Moscow	11,900,000
St Petersburg	5,100,500
Novosibirsk	1,397,200
Yekaterinberg	1,332,300
Nizhny Novgorod	1,272,500
Samara	1,164,900
Kazan	1,143,600
Omsk	1,129,100
Chelyabinsk	1,093,700
Rostov-on-Don	1,049,000
Ufa	1,024,800
Volgograd	1,021,200
Perm	1,000,700
Krasnoyarsk	1,090,600

- GDP Per Capita (PPP) is the highest of our sampled CIS countries at US\$16,700,
- Average disposable income is \$13,911 per annum
- Tourism has grown to 22.7 million in 2011 with average growth of 12%.. but...roughly 70% are from other CIS countries

Russia opportunities and challenges

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- Approximately 73% of the population lives in urban areas.
- The economy had averaged 7% growth in the decade following the 1998 Russian financial crisis:
 - resulting in a doubling of real disposable incomes
 - and the emergence of a middle class.
- Hard hit by global crisis, the economic decline bottomed out in mid-2009 and the economy began to grow again.
- Russia has reduced unemployment since 2009 and has made progress on reducing inflation since 2010.
- A young market, but decreasing population growth
- Average annual GDP Per Capita US\$16,700, higher than other CIS countries but...still remains half that of the European average of US\$34,000
- The country's long-term challenges include:
 - a shrinking workforce,
 - a high level of corruption,
 - difficulty in accessing capital for smaller, non-energy companies,
 - and poor infrastructure in need of large investments,
 - increasing disposable income levels and discretionary spending power.

Turkey

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Turkey Markets - key points

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- Population of 74.8 million
- Istanbul is key metro area in the country, followed by Ankara and Izmir
- With a life expectancy average of 74 years, the age profile of the country comprises:
 - 0 - 15 years: 25.8%
 - 15 - 64 years: 66.5%
 - 65 years and over: 7.7%
- Population growth is low at 1.1%
- Unemployment at 10.6% with long term unemployment up to 28%

City	Population
Istanbul	13,301,345
Ankara	4,338,620
Izmir	2,783,866
Bursa	1,704,441
Adana	1,609,790
Gaziantep	1,376,352
Konya	1,073,791
Antalya	964,886
Divarbakir	875,069
Mersin	859,680

- GDP Per Capita (PPP) is \$15,320 in 2010.
- Wealth gap: Top 20% earn 9 times the bottom 20%
- Tourism has grown to over 30 million in 2011 with average growth of 12%.

Turkey opportunities and challenges

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- Other than Istanbul the population is spread throughout the country.
- The economy has continued to grow in recent years, but income disparity is still an issue.
- The young market offers opportunities for entertainment and attractions
- The growing tourism offers opportunity to capture part of the tourist markets.
- Average annual GDP Per Capita growing but still significantly below western European levels
- The country's long-term challenges include:
 - combating corruption
 - difficulty in accessing capital,
 - increasing disposable income levels and discretionary spending power

Poland

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Poland Markets - key points

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- Population of 37.9 million
- Warsaw clearly dominates as the urban base
- With a life expectancy average of 76 years, the age profile of the country comprises:
 - 0 - 15 years: 15.1%
 - 15 - 64 years: 71.4%
 - 65 years and over: 13.5%
- Population growth is low at 0.1%
- Unemployment at 8.2%

City	Population
Warsaw	1,720,398
Kraków	756,183
Łódź	737,098
Wrocław	632,996
Poznań	551,627
Gdańsk	456,967
Szczecin	405,606
Bydgoszcz	356,177
Lublin	348,450
Katowice	306,826

- GDP Per Capita (PPP) is \$19,747 in 2011. Average disposable income is \$14,508.
- Earning gaps still exist—top 20% making \$28,024, and lowest 20% roughly \$800.
- Tourism has grown to 13 million visitors with a growing focus on short breaks to complement longer outdoor/cultural holidays.

Poland opportunities and challenges

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- Improving economy offers higher levels of disposable income and spending power than in the past
- Lack of significant competition to date could offer opportunities if of appropriate size and scale
- The growing tourism offers opportunities to capture part of the tourist markets.
- Average annual GDP Per Capita growing but still significantly below western European levels
- The country's long-term challenges include:
 - increasing tourism
 - retention of the younger generation
 - increase earning potential in country
 - minimize income disparity issues if possible

But.. Compared to Western Economies...

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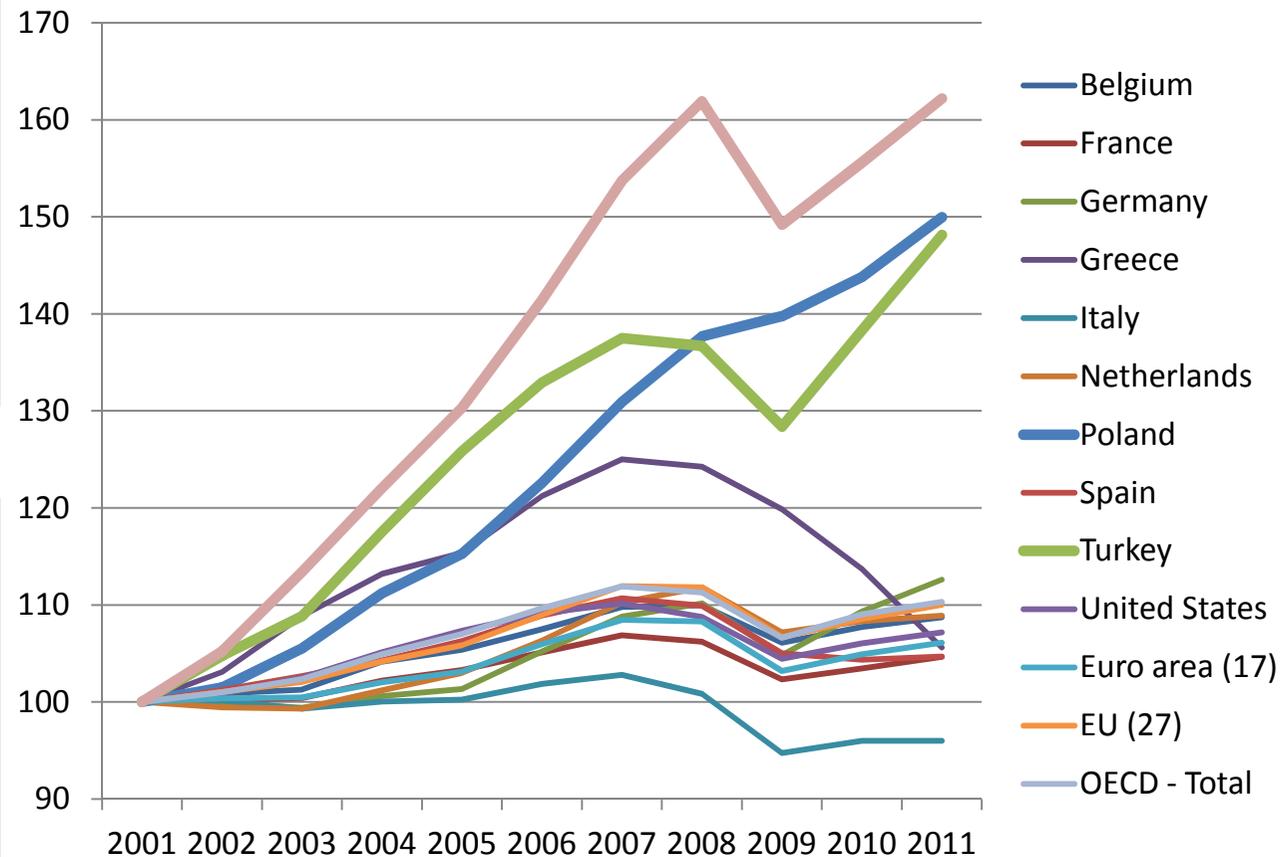
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GDP per capita (constant prices, PPP) growth index



But.. Compared to Western Economies...

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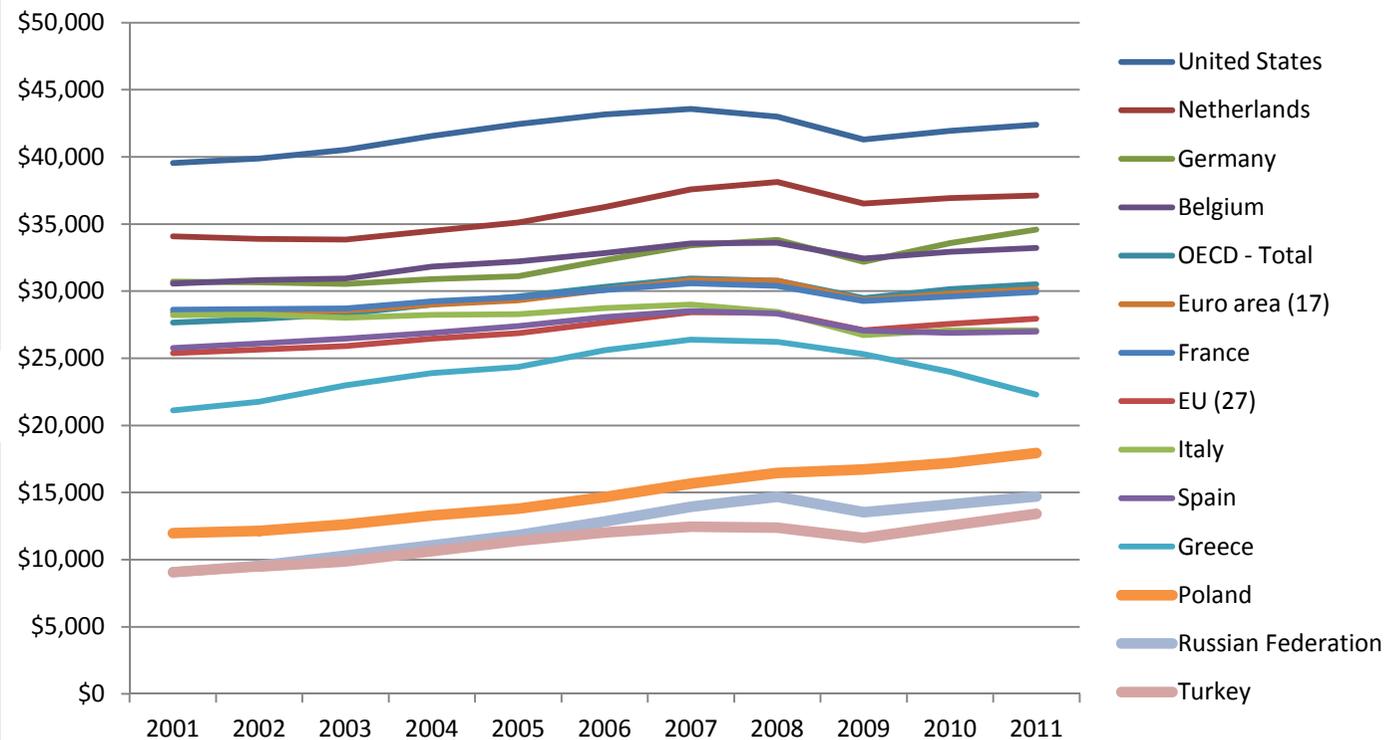
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GDP per capita (PPP adjusted)



But.. Compared to Western Economies...

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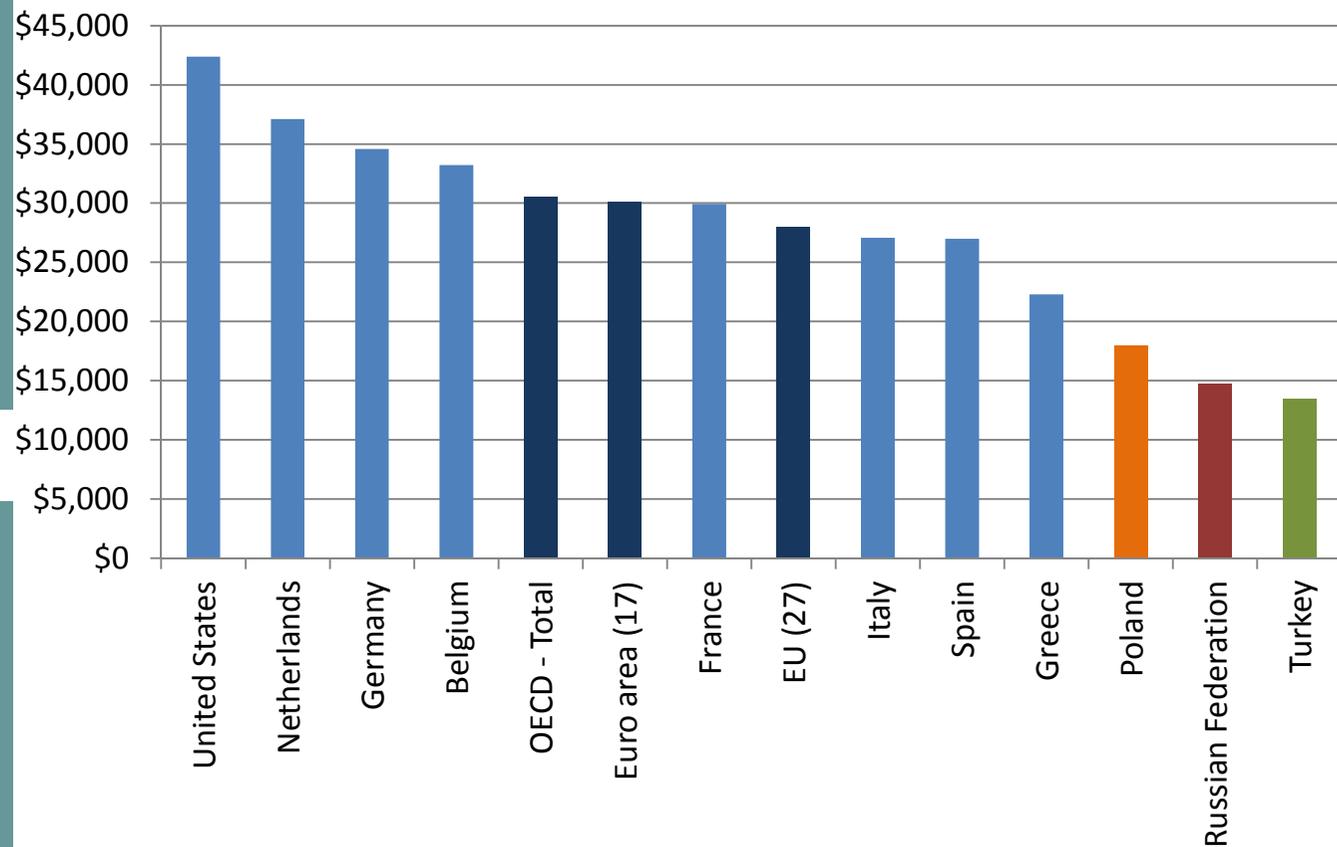
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GDP per capita, constant prices, PPP, 2011



But.. Compared to Western Economies...

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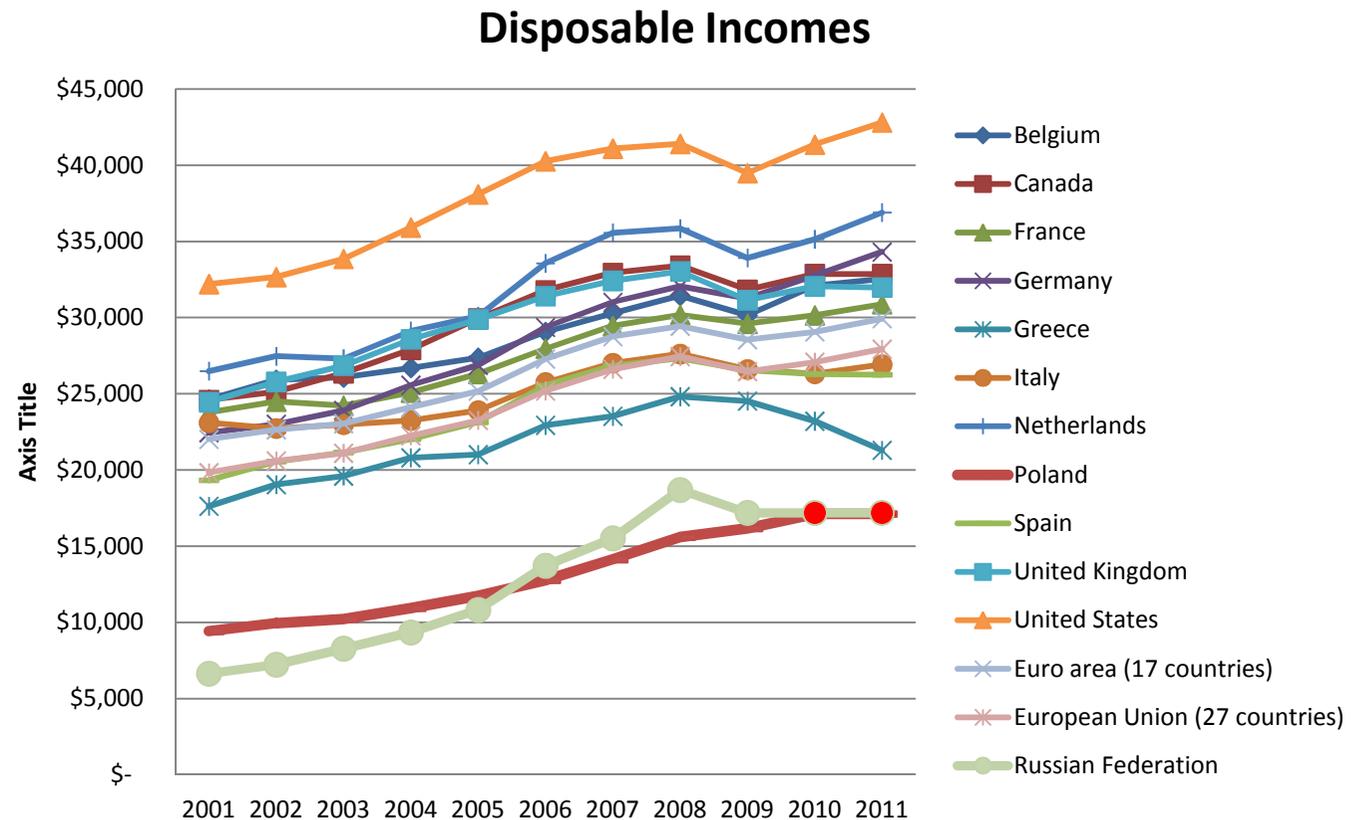
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But.. Compared to Western Economies... Cost of living sample

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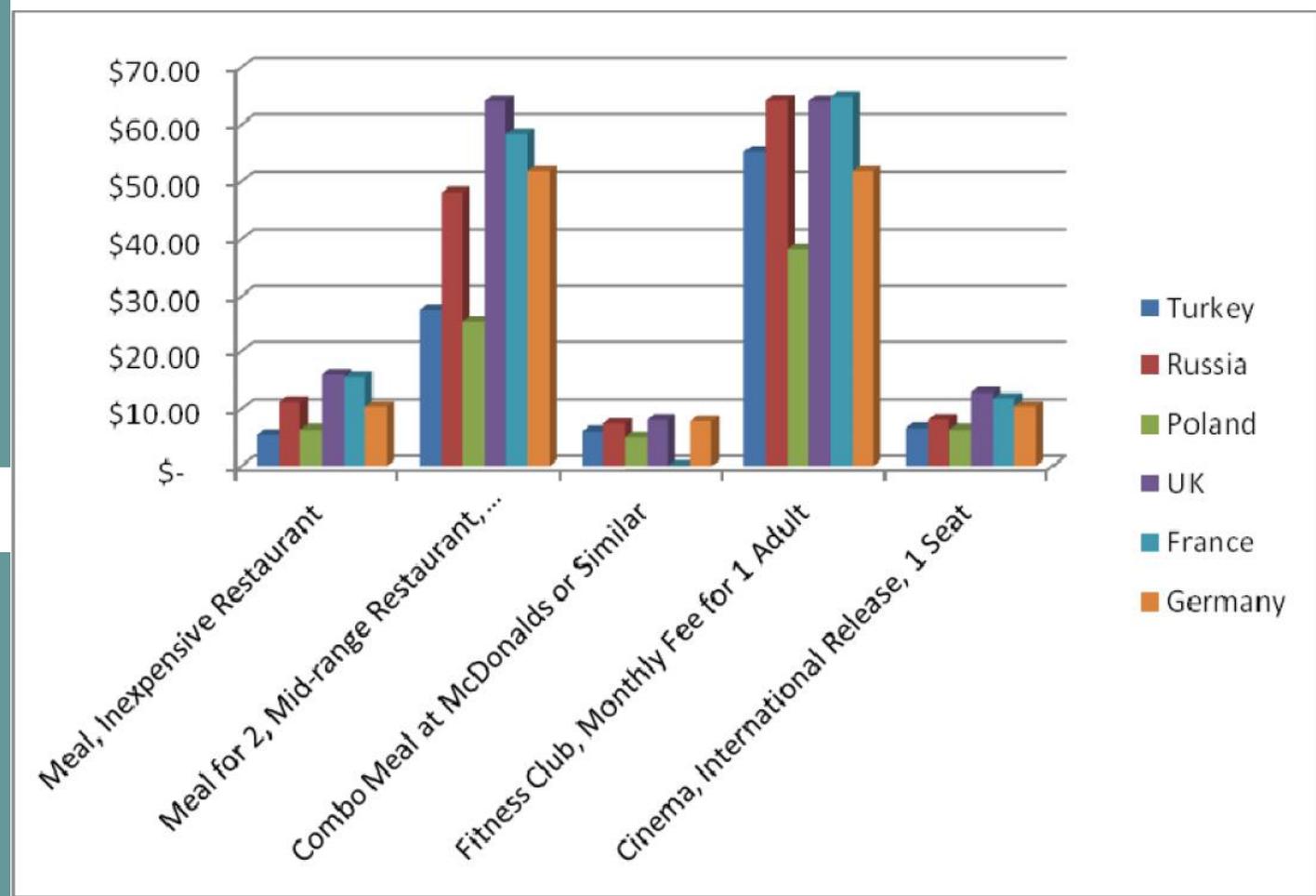
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Data challenges - resident and tourist markets

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Developed Economy—Steps taken

- Assess resident market numbers, demographics, growth patterns, income levels etc.
- Income qualification if necessary
- Tourist numbers, spend, churn rate, origin, profile etc.
- Adjustment for double counting

Developing/Transitioning Economy

- Often have limited information on income distribution
- Cost of living differences-pricing
- Income qualification necessary but challenging
- Numbers often inaccurate and limited profile information
- Limited information poses challenges on origin and double counting adjustment

Data Challenges

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▶ Comparison

Questions

- Resident markets need to be qualified
 - Borders and crossover
 - Income levels understatement? Grey economies? Poverty levels?
 - Cost of living and disposable income.
 - Local Market Nuances: Mortality, Women, etc
- Tourist market—getting to the real numbers
 - Often overstated by government or promoter
 - Who is really arriving? --returning Diaspora (Poland), business vs. leisure tourists (Russia)
 - VFR, origin to assess double counting adjustment.

Conclusion— Question everything!

The Tool kit

(in addition to traditional data sources)

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- Income levels, distribution and spend patterns:
 - Media sources
 - Big Mac index
 - Leisure goods basket
 - Socioeconomic profile
 - Extreme income qualification based on home sizes and location
- Tourism Check:
 - Transport companies
 - Hotel survey
 - Hotel capacity check and interviews with managers
 - Interviews with others in industry and tour operators
- Supply data:
 - Interviews with estate agents and retail managers and planned developments
 - Interviews with local banks and finance sources
- Other regional and established comparables once income qual complete
- Smaller scale comparables
- Taxi drivers
- **Do it yourself!**



Key Points

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- Emerging Markets can offer tremendous opportunities
- Make sure to scale project to economic and market realities
- Don't just transfer experience from one country to another—remember the local nuances
- Sometimes a market just isn't ready
- Sometimes the numbers create a pretty picture but that's all.



Thank You

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