

My Impressions of Georgia

Source : Joseph Fischer - Exclusive for 4Hoteliers.com

Exclusive: This year, for our family summer holidays, we chose to visit the Republic of Georgia, which is known to some of you as the Gem of Caucasus.

So, what drove me to go to a relatively unknown destination? Simply curiosity to visit a place I haven't visited before and reading on the web about the beauties of the Caucasus mountains.

Georgia is a country in the Caucasus region of Eurasia; it is a very mountainous country. Located at the crossroads of Western Asia and Eastern Europe, it is bounded to the west by the Black Sea, to the north by Russia, to the south by Turkey and Armenia, and to the southeast by Azerbaijan.

The capital (and largest) city is Tbilisi. Georgia covers a territory of 69,700 square kilometers, and its 2016 population was about 3.72 million inhabitants.

In 2016, the international arrivals number reached 6,350,825 out of which tourists' arrivals accounted for 2,714,773; this number represents a y/y increase of 19% compared to 2015.

One- day - visits: this segment accounts for 38% of all visits and it remains the biggest source of revenue for the Georgian Hospitality Industry. Most one-day trips are from Turkey, Azerbaijan and Armenia. They accounted to 2.2 million visitors in 2015.

Georgia's geographical location makes it a very attractive destination to visit for the neighboring nations: Russia, Turkey, Iran, Azerbaijan and Armenia.

Some geopolitical background: after the fall of the Soviet Union, Georgia became an independent republic. In the late 1990's, Georgia suffered a civil war which resulted in tens of thousands of casualties and hundreds of thousands of refugees.

During the early 2000's, Georgia was one of the most dangerous countries for tourists and locals alike. This situation was resolved and nowadays Georgia and its Capital city of Tbilisi are considered by the UN to be among the safest destinations when it comes to physical security.

The most recent war took place in 2008 when hostilities broke between Russia and Georgia which resulted in Russia taking control of some of Georgia's land – Abkhazia or South Ossetia.



Sno Valley

Nowadays, relations between Russia and Georgia are back to normal and Russians are visiting Georgia in large numbers, crossing via ground border crossings and numerous flights connecting the Russian cities with Georgia.

Since Georgia has so many regions and driving around isn't what we are used to from Europe or the US, we decided to focus on 3 regions in this trip:

- Tbilisi and the surrounding region of Kakheti, which is the most important Georgian winemaking region. This area is referred to by specialist tour operators as "The Tuscany of Georgia".
- Kazbek, which is located on the Khokh Range; it is a mountain range which runs north of the Greater Caucasus Range.
- Borjomi, which is a resort town in south-central Georgia; it is one of the districts of the Samtskhe-Javakheti region and is situated in the northwestern part of the region in the picturesque Borjomi Gorge on the eastern edge of the Borjomi-Kharagauli National Park.

Tourism Infrastructure, market segments and source markets

Back in the days of the Soviet Union, Georgia was one of the most favorable destinations for Soviet and Eastern European block citizens. Known for its Geo-Thermal mineral waters, many people used to come for health treatments to what was then called Sanitariums.

Over the last decade, Georgia has been focusing on diversified tourism segments - and I shall name the most important ones among them:

- Cultural and gastronomical trips both for individuals and groups
- Wine Tourism
- “Soft-Adventure” jeep trips, rafting, river kayaking, Paragliding, horseback riding, Winter sports focusing on Heli-skiing, mountain climbing
- Summer Beach holidays on the Black Sea
- Spa & Wellness
- Nature – Eco Tourism
- Photography
- Halal
- Corporate travel
- Gambling
- Regional tours – Georgia, Armenia, Azerbaijan & Silk road

Airports and airlines

Georgia’s key gateway airport is Tbilisi. The airport is the hub of the local carrier Georgian Airways; the national carrier operates services from Georgia to destinations in Armenia, Austria, Iran, Israel, the Netherlands, Russia, Ukraine, Czech Republic and in the United Kingdom.

In 2015, the airport had 1,847,111 passengers and in 2016 had 2,252,535 passengers, a remarkable 21.95% growth in the number of passengers.

The number one destination from which flights are being operated to Tbilisi is Moscow with 48 weekly flights followed by Istanbul with 42 weekly flights and the UAE (Dubai and Sharjah) with 17 weekly frequencies each. Additionally, during the summer season there are multiple seasonal charter flights operated from these destinations.

In 2016, there were 56 direct flight routes out of Georgia. Georgia offers a visa-free regime to 94 countries.

Batumi is one of three international airports in operation in Georgia. In 2015, the airport had 226,476 passengers and in 2016 the airport had 312,343 passengers, a whopping 37.9% increase in passenger numbers. Most of the flights to Batumi are operated on a seasonal basis; in the summer months, however, there are an increasing number of carriers that operate flights on an all-year-round basis.

Kutaisi International Airport: Kutaisi is Georgia’s 2nd largest city. In 2015, its airport had 182,954 passengers and in 2016 the airport had 271,363 passengers, an astonishing 48.3% increase over the 2015 figures. This huge jump is mainly contributed to the massive entry of the Hungarian based Low Cost Carrier WizzAir to Kutaisi. Currently, WizzAir operates flights from Kutaisi to Berlin, Budapest, Dortmund, Larnaca,

London, Memmingen, Milan, Thessaloniki, Vilnius, Warsaw in addition to seasonal operations to Katowice and Kaunas.

Future air traffic development

It is clear that the Low-Cost carriers from Europe WizzAir and Pegasus (so far) but also from the Middle East namely FlyDubai and AirArabia are becoming very dominant. I expect that soon, EasyJet as well as Ryanair will see the potential and start their own operations. I believe that once the Chinese market recognizes the tourism potential of Georgia, we could expect direct flights connecting Tbilisi with Beijing and Shanghai.

Roads infrastructure

The road infrastructure in Georgia is a mixed-bag between good western style highways connecting key cities and outdated Soviet road infrastructure. There are three types of autoroutes in Georgia, namely international routes, state routes and local routes.

More than 50% of all foreign tourists travelling to Georgia travel to the country by cars or buses, mainly from Russia, Turkey, Iran, Azerbaijan and Armenia.

Transit visitors account for 24% of total visitors. Since 2010, these have grown at a 39% CAGR to 1.4 million.

There is huge truck traffic on the roads since Georgia is by definition a transit country.

One of the most important priorities of the Government of Georgia is the construction and rehabilitation of the East-West Highway in accordance with international standards.

Today, the highway is the main infrastructure of Georgia and its development influences the sustainability of the economy, national security and standard of living.

It is obvious even to me, having traveled with a Jeep for 8 days on the roads there, that Georgia urgently needs to upgrade and extend its road infrastructure.

Hotels

In the old days of the Soviet Union, only Soviet hotels and sanatoriums were available. Nowadays, in the big cities and tourism destinations, international brands are present. Still very far away from what you can see in the EU, Asia or the US, but the numbers are growing.

In Tbilisi, there is a growing presence of international brands: Holiday Inn, ACCOR Mercure, Sheraton, Marriott, Radisson Blu, Best Western and the most recent (opened in 2016) the De-Luxe Biltmore Millennium Hotel and Hilton Garden Inn.

In addition to the current offer of international brands, Hilton will enter the market with its core-branded hotel planned to open in 2019 and a Radisson "Red" also due to open in 2019.

In Borjomi there are currently 3 internationally branded hotels: Crowne Plaza, Golden Tulip and the Rixos Borjomi.

In Kazbegi - also known as Stepantsminda - there is currently only one international standard hotel which is Rooms Hotel Kazbegi, a member of Design Hotels (*below*). This hotel is operated by a local owner/operator company named Adjara Hospitality Group or AHG.



This operator also owns and operates the Holiday Inn in Tbilisi, the “Rooms” design Boutique hotel in Tbilisi, the Fabrika Hostel in Tbilisi and a “Rooms” hotel in Batumi that is still under development. AHG also plans to develop a large 5-stars hotel in Tbilisi under a new brand that it plans to introduce to the market

- Aviator.

From what I was able to gather, developing new hotels seems to take quite a while in Georgia and many developers work on conversions. These mostly local developers buy old sanatoriums, old pre-or soviet era hotels and residential buildings and convert them into boutique or design hotels.

Currently there are 24,297 hotel rooms in all of Georgia, a number which I believe is far too small when taking into consideration the rapid development of flight routes between Georgia and the rest of the world.

Financing new built hotel projects via local banks is difficult and rather expensive; local banks take very high interest on construction loans.

The EBRD is helping developers in financing, but developers - local and especially foreign - are required to bring large equity participation into the projects.

I can see great development potential for budget hotels/hostels in Georgia; this coincides with the growth showed in the Low-Cost Carriers arriving to Georgia.

Another segment that I believe has future growth potential, is the “Collections”. The Georgians want to “run their own show” and manage their own hotels. Management agreements and franchise agreements may prove difficult to reach, however, with connection to “Collections”; local owners feel that they are in control without losing the local identity, and this maybe has something to do with the Georgian mentality.

During my travels, I had the great pleasure of meeting the GM of the Rooms Hotel in Kazbegi – Ms. Elena Machavariani. The Rooms hotel Kazbegi is a great hotel. The developers bought a 60 or 70 years old Soviet era hotel and turned it into a beautiful design hotel which offers full service hotel, Spa and Casino. The hotel was operating in August, which is typically a slow month, with 97% occupancy.

Before taking the GM’s position at the Rooms Hotel, Elena was the Executive Assistant to the CEO of AHG. I asked Elena about her opinion in regards to some of the key challenges facing the Georgian hospitality sector. Her answer was very interesting:

- Shortage of formal high standard international hospitality Education
- “Brain drain” – Many young well-educated Georgian professionals prefer to move out of Georgia to other countries where they can earn more money
- Lack of low-cost local or international bank financing for new hotel developments

Conclusion

I believe that Georgia has big tourism potential once some of the infrastructure issues are addressed. It is obvious that once the large European Tour operators such as TUI, Thomas Cook and DER touristic recognize the potential, the numbers of tourists will go much higher in a very short time. The European LCC’s will increase their frequencies and seat capacities and this will push developers to create limited service budget accommodations in order to address the growing demand of this market segment.

Iranian, Turkish, Azeri, GCC, Saudi and Muslim tourists will continue coming to Georgia in larger numbers. Many Georgian restaurants already offer Halal food.

The large demand from Russia & Ukraine, which are already ranked 4th and 5th in sending tourists to Georgia, will continue to rise.

Once the Chinese tourism market sees the potential in Georgia, I am confident that we shall see tourists coming from China to Georgia.

Anecdote: during our last day in Tbilisi, before returning home, we toured the city. While walking in the old part of the city, we saw a partially blocked street by a film production. I walked near and saw that some of the actors and the almost the entire production crew was Indian. I asked about this and was told that they are busy shooting a film – a Bollywood production in Tbilisi. Some of these films are watched by tens of millions of viewers, sometimes even more - not only in India but also in other countries. From other countries' experience – Switzerland is a great example - once a good film is produced in a location, that's the best promotion a destination can get.

Sources: GNTA – Georgia National Tourism Administration, TAV Airports Group, Glatt & Taggart Research Georgia Tourism Sector December 2016, KMPG – Georgian Hospitality Sector Overview May 2016, TBC Capital Hospitality & Tourism Sector Overview Georgia February 2016, Wikipedia.

Joseph - Yossi - Fischer the CEO of Vision Hospitality & Travel - international lodging & Travel Solutions and a regular contributor to 4Hoteliers.com with exclusive writing and views.

