

Russian hospitality and tourism: what needs to be addressed?

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Abstract

Purpose – This paper aims to review contributions made to the strategic question about the main trends, opportunities, challenges and success factors in the Russian hospitality and tourism market in the experience economy era.

Design/methodology/approach – Based on the strategic question, a critical analysis of each contribution was carried out to identify the key themes and the issues, impacts and findings related to each theme.

Findings – The findings show nine key themes related to the sustainable development of the Russian hospitality and tourism market.

Research limitations/implications – The findings create a framework to boost discussion between all stakeholders in the tourism and hospitality industry in Russia. There are ways to improve the competitiveness of the country as a tourist destination in spite of a number of impediments, both internal and external. Overall, this theme issue provides a useful framework for discussions with a wider range of stakeholders as the implications arising are of importance to all stakeholder groups.

Originality/value – All nine articles have contributed different perspectives to the topic, and all confirm that networking is critical in the experience economy era to ensure that aspirations and concerns of all key stakeholders are taken into account.

Keywords Russia, Tourism, Service quality, Hospitality, Experience economy, Socio-demographic profile

Paper type General review

Introduction

This paper presents a summary of contributions to the strategic question – What are the main trends, challenges and factors of success in the Russian hospitality and tourism market in the experience economy era? Having contributions from stakeholders in academia and industry has helped to create a balanced view of the topic. The contributors include: nine academics (six of them engaged in consulting), the owner of an agro-tourism center, a hotel chain's senior marketing manager, a chief financial officer and a founding president of the association of the most beautiful villages of Russia.

Summary of contributions

The main trends, challenges and success factors in the Russian hospitality and tourism market

Sheresheva and Kopiski outline the issues that are shaping the industry in the post-Soviet decades, beginning with a crash in the tourism market in the 1990s and the impressive revival in the market that took place in the early years of the twenty-first century. After the fall of the Iron Curtain, many Russian tourists were eager to travel



abroad to seek new experiences. Therefore, a steady growth in the number of travelers to and from Russia was one of the main trends, Turkey and Egypt being the top destinations for outbound holidays. The number of tourists served by travel agencies increased from 2.8 million in 2002 to 7.7 million in 2008. The number of travel agencies operating in Russia grew from 3,300 in 2002 to more than 4,500 in 2010. In the World Economic Forum (WEF) Travel and Tourism Competitiveness Report, Russia was placed in the 45th place out of 141 countries in 2015 (as compared to the 59th place out of 133 countries in 2009).

Although there were improvements noted in the WEF report, there were also a number of challenges, namely, international openness, safety and security issues, environmental sustainability, business environment and lack of transparency, particularly in the field of visa requirements for travelers from abroad.

In the current decade, the market has experienced a lot of changes. The flow of tourists from Western countries has sharply reduced largely because of an intensely negative information flow in the Western media which has contributed to a deteriorated image of Russia. At the same time, the volume of Asian travelers arriving in Russia has increased, and the decline in travelling abroad, mainly due to problems with travel to Turkey and Egypt, is translating into a boost for domestic resorts.

One of the main obstacles to the rapid growth of domestic tourism is unsatisfactory tourism infrastructure, including a shortage of accommodation and entertainment resources and the poor state of many local attractions and roads. In addition, domestic tourism in contemporary Russia is too expensive, and there is still no Russian federal program to promote tourism, Russian hospitality and diversity. Russia does not have the kind of advertizing campaigns that can be seen in neighboring countries such as Azerbaijan, Macedonia, Ukraine, etc. These campaigns invite tourists to come and experience the culture and related attractions.

Despite this, Russia's potential for tourism growth and the current under-capacity in lodging is attracting new market participants, and the expansion of new kinds of tourism is also helping to counteract the current problems. The recent government programs and the establishment of special economic zones in tourism and recreation, for which an appropriate infrastructure is being planned, will help operators to develop their businesses.

Sheresheva and Kopiski conclude that although the market faces many challenges, there are lots of opportunities in contemporary Russia for both foreign and local businesses. The availability of different tourist and recreational resources throughout the country is facilitating the development of all kinds of tourism. There are also a number of important success factors with the potential to positively impact the state of the Russian tourism and hospitality market. To improve the experience for travelers, the on-going development of new products such as tours, or packages, and organized visits to places of interest is important. It is also crucial to develop affordable and user-friendly accommodation of fixed quality standards for low- and mid-income tourists and to provide low-budget hotels to facilitate new possibilities for tourism development. Improvement is also necessary in the approach to education and training, and collaboration between universities and industry employers needs to be closer to facilitate and improve recruitment, retention and higher service standards. In the long term, strategic partnerships between industry operators, local authorities and local communities can strengthen the entire industry in Russia.

Institutional structure of experience production in the tourism industry

The contribution by Tambovtsev brings a better understanding of the institutional restraints on tourism growth in developing and transitional countries. The author points out that the new institutional economics (NIE) perspective in tourism research is clearly underestimated and emphasizes on some specific institutions that impact the positive tourist experience production. The notion of institutional structure of experience production (ISoEP) is proposed as a promising framework for (NIE) methodology, and this has implications for tourism research.

Based on a summary of the most relevant literature, the author clarifies the concept of “experience” to understand the meaning of “experience production”. He explains that the concept of “experience production” embraces two different processes. Firstly, it is “experience production” in the narrow sense, that is, a process performed in the mental and emotional spheres of individuals, including perception, impression, evaluation and memorization. Secondly, it is “experience production” in a broad sense, that is, all processes arising around individuals that include not only the actions of a tourist product supplier but also the actions of a tourist, directed to create some clusters of clues that are translated through mental and emotional processes into tourist current experience. Obviously, both tourists and tourist product suppliers try their best to gain only positive current tourist experience. Nevertheless, uncontrollable negative factors may interfere at any of the five travel phases during which tourists interact with organizations and/or individuals: anticipation phase, outward journey, experience phase, return journey and memory (Candela and Figini, 2012). At each phase, specific institutions are (or have to be) especially important to the positive experience production process.

The proposed notion of ISoEP is defined as an institutional arrangement supporting or inhibiting experience production. ISoEP embraces institutions influencing a tourist’s satisfaction (positive experience) during the tourist experience. Tambovtsev argues that at the outward journey and return journey phases, there are no specific core institutions influencing tourists’ experience production and that this is also the case at the memory phase. Therefore, one should pay most attention to the anticipation and experience phases.

At the anticipation phase, the core activity that needs institutional support is information search for the destination choice. So-called open institutional structures, such as tourists’ blogs, booking services and mobile guides, are very useful in terms of extending the tourist experience. At the experience phase, that is, at the destination, the important points are related to hotel service quality elements such as the personalities of hotel staff. Intra-organizational factors are also highly important as they relate to intra-firms’ institutional structure (management structure, culture, etc.). Further, tourist satisfaction and positive experience depends on residents’ support for tourism and sustainable destination development. As local community attitudes toward tourists are influenced by residents’ trust in government, credible regulations imposed by local authorities should be considered not only as having a direct positive impact on local communities but also as having an indirect impact on the tourists’ experience. For sustainable destination development, entrepreneurial initiatives in the hospitality and tourism sector are important. To support activities that create a positive dynamic in tourism, the following factors assist:

- efficient insolvency legislation and protected creditor rights;
- personal bankruptcy law and non-hostile attitudes to entrepreneurial risks and failures;

- employment protection; and
- financial support for early stage and start-up businesses.

All these institutions are usually in place in developed economies, but they are not yet at an appropriate level in the institutional environment of developing and transitional economies. Moreover, there are examples of regulative activity leading to negative effects, for example, the activation of “sleeping” judicial norms of Russian legislation, such as the requirement for a driving license, to be engaged in snow-racer skating.

Tambovtsev concludes that the framework proposed in the paper offers some opportunity for the country’s or destination’s ISoEP analysis in terms of revealing institutional restraints that impede tourism development and can be useful to the elaboration of tourism development programs.

Socio-demographic profile of Russian tourists

Kalabikhina and Shishalov explore a question related to the socio-demographic profile of Russian tourists. Both inbound and outbound travelers are included in the analysis based on the Synovate Comcon, Russian Target Group Index, TNS marketing index databases, Rosstat data, expert opinions and online interviews.

The contemporary economic crisis and political challenges combined with the ending of travel to popular destinations in Egypt and Turkey has led to a decrease in tourism flows. According to official statistics (Rosstat, 2015), the number of Russian tourists in January-September 2015 amounted to 27.5 million visits, that is, 80 per cent of their number in January-September 2014. Nevertheless, tourism market recovery is forecasted in the period up to 2019, supported by domestic tourism growth and online and mobile travel sales. In addition, national currency depreciation makes Russia more attractive for inbound travel.

Industry experts who participated in the round table at the conference Vladimirsky Tract, Russia, 2015, suggested that the most popular destinations for Russian tourists in 2016 will be the Krasnodar region, Crimea and Caucasus, as well as Thailand, India, Vietnam, Italy, Spain, Germany and Czech Republic. As before, holiday resort and shopping will jointly account for a total of about 80 per cent of all outbound trips, and the rest of them will be for cultural (15 per cent) or medical purposes (6 per cent). The most popular way to travel is by air (60 per cent); travel by car and bus tours is also quite popular. The most popular reasons for inbound trips are business trips and visiting relatives. In these cases, most tourists do not stay in hotels. Domestic tourists prefer to travel by train (40 per cent), car or bus. The most popular destinations for domestic trips are Moscow, the Black Sea coast and different tourist attractions situated in the central European part of Russia. It is noteworthy that 76 per cent of foreign tourists and only 13 per cent of domestic travelers are served by travel agencies (Synovate Comcon, 2014; TNS, 2015).

Finally, Kalabikhina and Shishalov unveil a number of changes in the most actively traveling target audiences and list the major factors shaping the socio-demographic profile of Russian tourists. The most important factors for domestic tourism are family status, employment, income and education. Demographic target groups in the Russian domestic tourism market are retired low-income people; family travelers; groups of students; and business travelers (mostly qualified professionals). Recently, people with disabilities and travelers who seek an all-inclusive holiday have become new target

groups that are growing in number. The most important factors for outbound tourism are region of residence, city size and income status. Demographic target groups for external tourism are residents of the Far East and Eastern Siberia, residents of large cities and medium-sized Russian towns and independently travelling middle-income people.

The authors suggest that further research is needed to find out which areas are the most promising and which tourist packages should be offered to new target groups.

Market orientation and business performance – a Russian service industry perspective
Kazakov's paper is the outcome of research conducted by means of personal interviews and direct mailing questionnaires with Russian service firms.

Based on the assumption that national marketing models are unique to different countries, Kazakov suggests that a Russian marketing model for the service industry has its own specifics that are due to the multifaceted nature of the economy. There are three groups of businesses that are very different from each other. These are: foreign firms; "common-sense" Russian companies; and old-fashioned "Soviet-style" companies.

In the paper, the market orientation in service industry (MOSI) model is proposed based on the MKTOR concept. The MOSI is considered to be a combination of five organizational behavior components, customer orientation, competitor orientation, inter-functional coordination, government orientation and industry orientation. The last two are especially important in terms of reflecting the peculiarities of the Russian service market.

The model was tested by implementing path analysis in conjunction with confirmatory factor analysis. The impact of the market orientation level on business performance was examined by means of structural path modeling. The results provided a proof of MOSI elements and revealed a positive impact on company performance, which was confirmed by the introduction of the latent variable of market orientation and by the direct effects of MOSI components on business performance metrics. The data analysis also affirmed that not all the five components equally affect market orientation. Customer orientation leads to an increase in sales, but its impact on new customers' acquisition is relatively low. Competitor orientation helps to obtain more customers because it helps to improve service and thus offer a competitive product. This also brings some increase in sales. Inter-functional coordination helps to boost sales but is less important as a catalyst for new customer acquisition. The newly introduced constructs (industry orientation and government orientation) were also shown to have a substantial influence on sales results and customer base increases.

The author observes that there are ways to improve inter-functional coordination, which is very important for increasing sales. These are: better distribution of market information, setting mutual goals, development of joint plans and budgets and a shared system of responsibility and remuneration. Such coordination should embrace all departments, including those that interact with customers only occasionally or temporarily, such as accounting, logistics and administration. All internal departments' activities should be planned with regard to customer orientation. Service firms should also take a close look at their offers to make them more attractive to consumers and, thus, to secure a better customer acquisition return from the market. Of course, other market orientation components should not be overlooked because they also serve as an

important foundation to the company business performance. Kazakov concludes that the systematic use of the market orientation paradigm as a managerial praxis for Russian service firms can have a positive impact on business performance and strengthen competitive positioning in the marketplace.

The hospitality industry in Russia – trends, challenges and opportunities

Sheresheva, Polyanskaya and Matveev analyzed developments in the Russian hospitality sector. The paper is the outcome of research conducted at the Faculty of Economics, Lomonosov Moscow State University, in 2014-2015. The authors point out that despite Russia's potential as a tourist destination, tourism infrastructure in Russia needs improvement. In the WEF Travel and Tourism Competitiveness Report 2015, Russia is ranked in the 45th place out of 141 countries, but the number of hotel rooms per 100 people is among the lowest (World Economic Forum, 2015). One should point out that the overall trend is positive. In 2014, the number of operating hotels in Russia exceeded 10,700 hotel enterprises. Still, the distribution of hotels throughout the country is very uneven, with over 54 per cent of hotel room capacity concentrated in two Russian megacities, Moscow and St. Petersburg. Many Russian regions with their numerous attractions, both cultural and natural, cannot become attractive destinations for domestic and inbound tourism without intensive development of accommodation facilities. For some regions, their preparation for mega-events, such as APEC Summit 2012 in Vladivostok, World Summer Universiade 2013 in Kazan, Winter Olympic Games 2014 in Sochi, FINA World Championships 2015 in Kazan or FIFA World Cup 2018, provide a strong incentive to increase room capacity and improve hospitality services. Some other regions do not have this opportunity, and their accommodation facilities remain under-developed, but rapid growth of the hotel real-estate market is expected in the medium term because of heightened interest among hotel chains seeking to extend their operations in the Russian regions. In total, at the end of 2015, there were 152 hotels under management by 23 of largest international hotel operators in 38 cities of Russia, with a total capacity of 34,466 rooms; 66 per cent of these operators' market share is split between four companies:

- (1) Carlson Rezidor Hotel Group;
- (2) Accor Hotels;
- (3) InterContinental Hotels Group; and
- (4) Marriott International (Ernst and Young, 2015).

Most international hotel operators have not changed their plans in Russia in spite of the economic sanctions imposed on the Russian Federation. In 2014-2015, 50 new hotels opened (8,933 rooms in total). By 2020, according to current plans, the number of hotels will be increased by 118 facilities (23,450 rooms), up to 270 hotels with a room capacity of 58,000 (Ernst and Young, 2015). As these developments take place, international brands will open their first hotels in Arkhangelsk, Vladivostok, Vladimir, Zelenogradsk, Kemerovo, Naberezhnye Chelny, Novorossiysk, Pereslavl, Saransk, Saratov, Stavropol, Surgut, Tver, Togliatti, Ulyanovsk and Khabarovsk.

In 2014-2015, personal interviews with industry experts were conducted, online hotel guest reviews were analyzed and a case study method was used to study more deeply the major trends and factors affecting success. The expert opinion concerning current

market trends and challenges in the Russian hospitality market confirmed the author's conclusions based on secondary data but also yielded additional information. In particular, experts focused on long-term relationships and guest loyalty, positive experience and positive emotions as a way to gain loyal clients and the growing role of the internet as the distribution channel with the best long-term prospects. Most experts also underlined the importance of joint efforts by hoteliers to improve the image of Russia which has been badly damaged by Western media reporting. Using a local chain Maxima Hotels Moscow as a case in point, the authors come to the conclusion that the supply of skills and the decline of business activity are significant impediments to the rapid development of hospitality services and an increase in the total supply of rooms – especially when coupled with the decline in demand and a more intense competition. There are also specific threats and challenges for Russian hoteliers. There is pressure on more expensive hotels from mid-priced operations, aggressive business-to-business (B2B) pricing, and online travel agency (OTA) are gaining more and more bookings and “stealing” the guest experience from local hotels. At the same time, OTA is a very powerful tool if used properly. In this case, it is clearly important to promote the company's loyalty program, official website and other benefits associated with direct bookings with the hotel.

Sheresheva, Polyanskaya and Matveev conclude that the opportunities for development are far from exhausted. The research results confirmed the long-term attractiveness of the Russian market and hotel chain development as one of the most promising directions for both international and Russian hotel brands.

Customer engagement in value co-creation in the Russian hospitality industry

The contribution by Oyner and Korelina brings to the fore the concerns about customer engagement and co-creation activities in the hospitality industry in Russia. The authors begin by defining the concept of co-creation as an active, creative and social process based on collaboration between companies and consumers that is initiated by a firm to generate value both for the firm and for its customers. Value for customer is his or her unique experience, and value for firm is growing knowledge about the customer, which helps to create the best customer value supply in the market (Prahalad, Ramaswamy, 2000). Therefore, co-creation can be regarded as a source of sustainable competitive advantage due to increased customer satisfaction and its positive impact on customer loyalty. Furthermore, the concept of customer engagement in value co-creation is introduced. The authors believe that this relatively new concept is based on the idea of open innovation, relationship marketing and the service-dominant logic of marketing. Because there is no generally accepted definition of customer engagement, the authors prefer to adopt one of the most cited definitions and to define customer engagement in value co-creation as the level of a customer's motivational, brand-related and context-dependent state of mind that is characterized by specific levels of cognitive, emotional and behavioral activity in brand interactions (Brodie *et al.*, 2011). They also underline that different intensities of customer engagement occur at different stages of customer–company interaction. As to hotel services, it is obvious that they always rely on direct interaction with customers. Therefore, the hospitality industry is a perfect field for customer engagement in value co-creation.

The study presented by Oyner and Korelina adds to the literature on customer engagement by investigating co-creation activities and relevant forms of customer

engagement in value co-creation in the Russian hospitality industry. Moscow hotels were chosen because this megacity is a leading Russian destination in terms of accommodation facilities, including sufficient numbers of high-quality hotel services.

The co-production/co-creation matrix developed by Chathotha *et al.* (2013) is chosen as a basic approach. The matrix describes four types of company–consumer interactions depending on the primary value-creation driver and customer involvement/dialogue type: co-production, firm-driven service innovation, customer-driven customization and co-creation. Oyner and Korelina propose a classification of co-creation activity forms in the hotel industry and show that it is crucial to choose the type of co-creation in accordance with available resources and the main features and preferences of the target audience. They use data on Moscow hotels' activities to assess the relationships between customer engagement in value co-creation and customer satisfaction (as the overall satisfaction with the hotel) and customer loyalty (as intentions to return and to recommend). Finally, a conceptual model is developed that describes the relationship between the degree of customer effort in the value co-creation process and the degree of personalization of created value. According to the model, the degree of customer engagement in value co-creation has a significant influence on customer satisfaction and loyalty.

Since co-creation is a new strategy for the Russian hospitality market, not all types of hotels are equally ready to implement this strategy. In Moscow, mostly five star hotels and hostels proved to be active in co-creation guest experiences. It is noteworthy that expensive hotels prefer to use customization, while hostels more often implement value co-creation with their guests, mostly young people eager to participate. The authors conclude that co-creation is a new market strategy for Russian market. The proposed classification of co-creation activity forms, as well as conceptual model, can help hotel managers in Russia to determine which type of co-creation would be the most promising for each hotel and thus to increase customer loyalty as a basis for sustainable success.

Tourism clusters in Russia: the case of the Vologda region

In this paper, Alexandrova and Vladimirov identify the key issues for tourism cluster formation in Russia and provide an insight into some aspects of government interventions in the tourism sector in Russia. They discuss the pros and cons of two cluster development models that are currently used in the Russian Federation. The first model is implemented by the Federal Agency for Tourism (Rosturizm) under the federal target program “Development of domestic and inbound tourism in the Russian Federation (2011-2018)”. A cluster is defined as an “enlarged investment project, which includes a number of functional, organizational, financial and co-related projects on certain capital construction projects in tourism sector” (Federal Target Program, 2011). Priority is given to large infrastructure projects on a public–private partnership basis, with government funds dedicated mostly to build engineering and transport infrastructure, and private funds expected to be used for the construction of accommodation facilities, catering and entertainment facilities, shopping locations, etc. The second model is implemented by the Ministry of Economic Development of the Russian Federation through regional centers of cluster development programs with the aim of supporting small- and medium-sized enterprises (Ministry of Economic Development, 2008). A regional tourist cluster is

defined as a network of interconnected organizations involved in the development of tourist services and adjacent activities related to tourism and recreation. Besides companies and institutions directly involved in the supply of tourism product, many other actors take part in cluster activity, including local communities, authorities, research institutes, educational institutions, professional associations, etc. Cluster members are prone to combine their resources, align goals and coordinate actions, thus gaining synergies by increasing joint efficiency and effectiveness, as well as an improved business performance of each company.

Alexandrova and Vladimirov further explore the case of the Vologda tourism cluster created by a state initiative in 2013. It is a small cluster in the initial stage of formation. According to the tourist information center of the Vologda region, there are currently 26 members in the Vologda tourism cluster, including 12 private tourism companies, three private catering companies and two hotels, as well as companies that provide general services related to tourism, which provide publishing services and sports services, operate recreational facilities, etc. The cluster operator is a public company, and regulatory and financial support is provided by local authorities and the Russian Federal Government.

In the Vologda cluster development program, it is planned that there will be five sub-clusters (regional tourist destinations). Target tourism infrastructure for each of the sub-cluster is identified, as well as working schedule, funding, responsibilities, transport infrastructure, information technology (IT) components and educational and marketing activities. The efficiency of each cluster is estimated on the basis of a number of metrics and indicators:

- gains made in the number of tourists;
- increases in hotel room numbers;
- the creation of additional workplaces; and
- growth of tax revenues volume, etc.

Alexandrova and Vladimirov express their opinion that all this can be considered as clear evidence of an intention to create a full-fledged tourism cluster in the Vologda region.

Currently, there are also issues and problems that need to be resolved. The study has shown that there are no established quality of service standards, no cluster brand, no instruments for the coordination of marketing activities and price policy and no educational organizations embedded in the Vologda cluster. Moreover, there is no cluster core and no coordination and interaction with other clusters in the Vologda region.

The authors conclude by reiterating the importance of the government in initiating pro-tourism policies. They argue that departmental disunity is one of the main impediments to tourism cluster development in the Vologda region. Contradictions between two different strategies and models implemented at the federal level are projected at the regional level, and this is exacerbated by the frequent reorganization of administrative structures and the movement of managers. However, fundraising from different sources – the federal budget, regional and local budgets and other private investors – is the only way to develop tourism clusters in contemporary Russia.

A cluster model of ethno-tourism in Russia

Polukhina in her paper considers promising and little-known problems related to ethno-tourism prospects in Russia. Ethno-tourism (ethnographic tourism) is based on the interests of people in studying and understanding the authentic lives of other people and their traditions, rites, ceremonies, crafts, etc. It can be defined as a type of cognitive tourism aimed at visiting ethnographic objects to learn the culture and traditions of the visited territory.

Drawing from the literature on networks and clusters and relying on her own experience of co-working with practitioners to develop an ethno-tourism cluster in one of the Russian regions, Mari El Republic, Polukhina confirms that it is necessary to develop a spatial model of clusters and networks based on selecting the areas that feature a unique combination of natural, historical and cultural attractions. She admits that the process of regional clustering in Russia is at an early developmental stage but has recently accelerated as a result of federal target programs for the development of tourism, as well as federal law special economic zones in the Russian Federation, highlighting the special economic zones of tourist-recreational type which are set on the basis of the relevant resources of each target region. However, there is still a problem of regional tourism promotion at national and international levels. This is well illustrated by the example of Mari El Republic. The local authorities consider ethno-tourism as a base concept for local tourism development in the region which can help to make the region more attractive for investors, support and promote interest in the unique culture of indigenous peoples.

Currently, there are a number of attractive ethno-tourism destinations in Russia. These are the ethnographic open-air museum Torum Maa in Khanty-Mansiysk, the ethnographic park Ethnomir (Ethno-world) in the Moscow region, ethnic village Pozharishe in the Vologda region, Martynovo in the Yaroslavl region, Sigovo in the Pskov region, Yb in Komi Republic, etc. Further, the Mari El Republic may be considered as a prospective ethno-tourism destination as the Mari territory is unique in terms of its historical and cultural potential. Paganism, the traditional religion of the Mari people belonging to the Finno-Ugric group of languages, has been preserved since ancient times. Therefore, ethno-tourism can be positioned at the core of the tourism development program for Mari El Republic. At the same time, Mari El is a part of the Volga region where the idea of multiculturalism has been developed over a long period. Given this, it does make sense to recognize the significant mutual influence of Russian, Mari and Tatar cultural traditions. Besides, tourists usually prefer to experience something new and exciting and as an alternative to carefully described historical facts. Therefore, the interpretation of myths, storytelling and tour composition are essential, as well as tour promotion. To capitalize on the potential of the emerging Mari El ethno-tourism cluster, there is a need to create a recognizable and attractive brand. Polukhina points out that there are more issues to be addressed, and improved infrastructure is of crucial importance. Also, the negative attitude of local and conventional religion communities to the idea of ethno-tourism also needs to be addressed.

The author proposes implementable solutions related to the ethno-tourism cluster model in practice. She suggests that social partnerships between local authorities, local community and the industry should be established at the initial stage of cluster development and that all stakeholders should be involved at this stage in the

ethno-tourism cluster concept development. At the next stage, institutionalization of networking is needed to enhance the joint activities of cluster members. At the third stage, marketing activities should be substantially increased to strengthen customer orientation, which, in turn, helps to raise the attractiveness of the destination.

Polukhina concludes that cluster policy has great potential in the Russian tourism market and that federal programs should support tourist centers with the greatest potential. She also concludes that a legal framework designed to support cluster initiatives needs to be developed.

The experience economy approach to marketing les plus beaux villages brand in Russia
Merzlov and Karpov provide an overview of the difficulties faced by rural settlements in the past – often badly affected by the turbulent events in Russia that took place in the twentieth century: the revolutions; the civil war; the Soviet times of collectivization and dispossession of wealthy peasants (kulaks); the Nazi intervention during World War II; and then the Soviet Union disintegration. Many of Russia's beautiful villages, previously possessing outstanding historical, cultural and natural heritage, were destroyed and cannot be restored. Nevertheless, there are prospects to save a number of unique rural settlements that still retain their beauty and to make them attractive tourist destinations.

The authors begin by listing the issues of greatest concern regarding rural development in contemporary Russia. These are environmental problems, loss of architectural and gastronomic uniqueness, lack of attention to the inheritance of location (e.g. landscapes) and a lack of modern infrastructure and basic services. Currently, it is almost impossible to improve the situation substantially, as it is aggravated by the narrow sectoral approach of state policy. The Russian authorities consider rural areas as the only source of agricultural products, and, consequently, support is focused mainly on industrial agriculture. That said, the work of enthusiasts, volunteers and non-profit organizations can significantly contribute to the rescue of attractive rural settlements and development of rural tourism.

Based on the experience of foreign associations united in the federation of the most beautiful villages on Earth, a new non-profit organization was established in Russia during 2014 called the association of the most beautiful villages of Russia. This association aims to involve inhabitants of beautiful settlements in the self-development processes; promote conservation and better engagement of rural heritage; and enhance the attractiveness of rural places in different Russian regions.

Merzlov and Karpov outline the process of building the les plus beaux villages brand in Russia and recommend essential changes in the management practices of the association of the most beautiful villages of Russia with the aim of making it more competitive in the rural tourism market. They state that there is a need to reconsider the service economy approach to marketing the les plus beaux villages brand in Russia and to apply the experience economy approach (Pine and Gilmore, 1999). Although the service economy methods focus on the supply of quality and diverse services to the visitors of villages, the experience economy methods pre-suppose the provision of a complex product that evokes visitors' emotions. The proposed approach obviously needs better coordination of all human and material resources of different stakeholders involved at the three stages of experience production (exploration, scripting and staging).

Finally, the authors stress that there is no universal recipe for all rural settlements in Russia because they are so different. Each beautiful village has to find its unique advantages. This can be impressive local history, architecture, cooking, nature, crafts, customs, etc. It should be an exclusive characteristic of the village. Residents should be proud of it, and guests' perception of the village's unique features as very interesting and distinctive, not as ordinary and common, is of critical importance. In conclusion, Merzlov and Karpov express confidence that the introduction of the new approach will provide a new impetus for the development of the association of the most beautiful villages of Russia and make it more competitive in the rural tourism market.

Conclusions and solutions

The nine articles in this theme issue have addressed several aspects of the strategic question "What are the main trends, challenges and factors of success in the Russian hospitality and tourism market in the experience economy era?" The discussion on the topic, the major issues and challenges and key success factors and solutions can be summarized as follows.

Issues and challenges

- The Russian economy which is highly dependent on oil and gas exports is now faced with a decline in petro-dollars because of falling oil prices. Under new circumstances, Russian leaders have to decide how to reduce the energy resource dependence of the economy and, therefore, pay close attention to tourism and hospitality as potential drivers of the national economy. Over-reliance on traditional exports is impeding responsiveness and re-gearing of the economy toward the services sector. Put simply, there is not enough appreciation of tourism and hospitality benefits, and the total gross domestic product (GDP) contribution of the industry is still unacceptably low.
- In accordance with the WEF Travel and Tourism Competitiveness Report 2015, Russia sits in the 45th place out of 141 countries but its tourism infrastructure is ranked only in the 54th place ([World Economic Forum, 2015](#)). Many potentially attractive Russian regions cannot create a steady tourist flow because of the poor development of the tourism infrastructure, including transportation problems, shortage of accommodation facilities and entertainment resources and the poor state of many local attractions.
- There is discrepancy between outbound and inbound expenditure. During the past two decades, up until 2014, Russians tended to spend holiday outside the country, whereas inbound tourism was at an early stage of development, with modest tourist flows, particularly for leisure purposes. Foreign tourists are mostly seen as business and income and not guests, and Russian hospitality is often less than welcoming.
- Industry operating standards are inadequate. In addition, there is no continuing and systemic assistance or subsidy for investing in tourism. No architectural building control is in place in Russian cities, and the identity of many rural settlements is being lost. Most current tourist sites are not well presented and excursion themes are being usually repetitive and boring. In many Russian regions, though very attractive in terms of potential, there is a lack of supporting

information in English for foreign tourists, and this makes it difficult to attract inbound tourist flows.

- Domestic tourism is too expensive for many citizens, bearing in mind both internal transport costs and accommodation costs. Infrastructure is costly, and because of the distances involved, time is also an important factor. For foreigners, depreciation of the Ruble creates more favorable conditions but costs are high even for visitors despite favorable exchange rates. Russia is one of the most expensive countries in terms of accommodation, which constrains inbound and domestic tourists in Russia.
- The Russian hotel market is represented by more than 13,000 hotel enterprises, but mediocre and not-well-serviced hotels are prevalent in many Russian regions. There are 152 hotels under the management of 23 of the largest international hotel operators in 38 cities of Russia, with a total capacity of 34,466 rooms. By 2020, according to the current plans of international operators, the number of hotels will be increased by 118 facilities (23,450 rooms), up to 270 hotels with a room capacity of 58,000. The continued growth in accommodation facilities improves tourist infrastructure, especially in Russian regions, but at the same time, it presents a challenge for local hoteliers who face stiff competition from the increased activity of the international hotel chain operators.
- Until recently, Russia devoted little time and attention as compared to many other countries for the creation of an attractive image internationally. In fact, the current image of Russia badly needs improvement, as its overseas image is far from reality. This impacts the mindset of most foreigners, both experts and potential visitors, according to which Russia is considered to be both unsuitable for tourism and insecure. This is a significant barrier to be overcome if Russia is to become a tourist destination of choice. Further, Russia's reputation has been tarnished by the Western media – which is often focused on negative aspects such as the civil war in Ukraine and especially after the return of Crimea to Russia. This issue has sharply reduced the flow of tourists from Western countries.
- Russia's tourism and hospitality industry has developed more rapidly than the human capital needed to support it, and so there is a lack of expertise and managerial skills on the part of hotel owners and a lack of skilled labor. The reality is that the level of professionalism in the human capital pool that services the industry is lower than that in Western countries.
- There are few educational institutions offering degree-granting courses in tourism and hospitality because of a dearth in student enrolment in reputable universities and training institutions and a lack of skilled faculty preparation, research capacities and learning resources.

Opportunities

- Russia's potential for tourism growth is huge, taking into account Russian history, culture, extremely diverse landscapes and unique sights. There are 35 national parks and 84 forest reserves in Russia situated in different climatic zones, extremely diverse flora and fauna and a number of nice rural settlements, which offer unique opportunities for ecological tours and rural tourism. Many Russian regions offer outstanding experiences for eco and adventure tourism and for

small-scale unconventional tourism, including fishing, hunting, cycling, mountain climbing, kayaking, rafting, etc. In the past decade, Russia's event tourism also demonstrated its potential and local community and Russian volunteers tended to be welcoming and friendly, thus evoking positive tourist emotions and a better understanding about Russian culture, its people and the contemporary way of life.

- The visa regime is changing, and this will have a positive impact on hospitality business development. The simplification of Russia's visa system for a number of countries will gradually reduce impediments for foreigners, especially for those from Asia.
- A significant shortfall of accommodation, especially in Russian regions, makes the market highly attractive for international hospitality investment.
- Big international events such as Summer Universiade 2013 in Kazan, Sochi 2014 Winter Olympics, FINA World Championships 2015 in Kazan are of great importance to improve the image of Russia and increase interest in visiting Russia. These events have also had a positive impact on the local infrastructure and regional domestic development.
- Industry development has been boosted by recent government programs and the establishment of special economic zones in tourism and recreation. Since 2011, Russian authorities started to implement a special program "Development of the inbound and outbound tourism in the Russian Federation (2011-2018)". This should result in improvements to city and rural settlements, infrastructure, tourist attractions, transportation and in other areas.

Success factors and solutions

- Tourism and hospitality is a long-term business and it takes time to build a reputation. Therefore, a special federal program is needed to promote tourism, Russian hospitality and diversity and to promote – internationally – a more positive picture of the changes taking place in Russia. The development of a positioning system is necessary, and it is important to create a unified information network for tourism promotion and introduce a unified marketing strategy at the federal level that will help to improve the image of Russia and help make the country a more attractive destination to prospective overseas visitors. This strategy should be clearly articulated for both the private and public sectors to ensure a single consistent message to target audiences. Given recent changes in inbound tourist flows, in particular, the fact that the number of tourists coming from Western countries is decreasing, and the number of tourists coming from Asia, especially from China, grows rapidly, it is important to establish a greater physical and digital presence in Asia.
- As online sales in travel and tourism is demonstrating rapid growth in Russia and the internet has become the main source of information for potential tourists, it is important for the industry to increase its online presence and online promotion. Virtual image making and advertizing about "Welcome to Russia" is needed. There are some good examples but they are mainly private, local websites. There are also some examples of sites with interesting presentations about Russia, such as images of Russia on the site of the Russian

Ministry of Culture КУЛЬТУРА.РФ (www.culture.ru/russia), where Russian landscapes are shown, accompanied by classical music, or the Yandex site, which compiles information about the most popular places linked to a map of Russian attractions www.searchengines.ru/seoblog/yandeks_predstavil_kartu.html. It shows popular objects that have been photographed more than 50 times during the period from 2007 to 2014.

- It is important in the future to host more big events, such as the 2017 World Festival of Youth and Students in Sochi or FIFA Football World Cup 2018, so as to improve the image of the country as a travel destination and to attract new foreign visitors. This in turn will also help to improve the country's image.
- Infrastructure development and improvement is needed, including roads, airports, intercity links, road and city signs, shuttle buses and historical attractions. Special attention should be paid to low-cost air carriers that could increase the number of travelers within Russia among all target tourist audiences.
- It is crucial to develop affordable and user-friendly accommodation at a fixed quality standard level for low- and mid-income tourists. The state should support long-term investment in small hotels to provide a greater variety of regional destinations. Subsidizing such hotels for 10-15 years will accelerate growth in this sector, increase regional employment and increase the variety of choices for tourists, thus providing new possibilities for tourism development. It is important to provide low-budget hotels also in big cities such as Moscow and St. Petersburg.
- The experience economy approach should be applied more intensely to become more guest-oriented. To improve the experience for travelers, the permanent development of new products such as tours, or packages, and organized visits to places of interest is important. The improvement of the state of some attractions should be considered by the Russian Federal Government and local administrations. The implementation of new management processes and better coordination of all human and material resources is needed.
- To improve the competitiveness of the country in the field of tourism, the Russian Government and local administrations should support cluster initiatives and define the role of state and local authorities in facilitating interaction between state, business, research and education organizations and local communities based on mutual respect and social partnership.
- There is a lot of potential for the tourism and hospitality industry to contribute to the economic development of host communities through job creation and empowerment opportunities. Therefore, it is crucial to show the benefit of tourism to local communities and make them allies in the development of regional tourism destinations.
- Given the labor-intensive nature of the tourism and hospitality industry, stakeholders need to appreciate the importance of human capital and the need to invest resources in its development. Positive, substantial change in

education is needed to improve the professionalism of human capital entering the industry. Specialized education and training should be supported and boosted by government programs. Private–public partnerships between governmental agencies, tourism and hospitality businesses and educational organizations are crucial to develop up-to-date tourism and hospitality education programs and, thereby, bring skilled professionals into the market. Contact and cooperation between universities and industry employers need to improve so as to facilitate recruitment and retention (via in-company development) and, thereby, enhance service standards.

- The Russian Government should continue to initiate positive change via legislation in support of the industry; review and improve existing laws; enter into consultative engagement with stakeholders; and encourage greater transparency, efficiency and customer protection.
- The industry associations that represent tour operators, travel agencies, hotels, educational institutions, media, etc., and, above all, the Russian Union of Travel Industry, established in 1993 (www.rostourunion.ru/), should more actively articulate their strategic goals, increase cooperation and protect member interests. Their remit should be extended to facilitate joint discussions on the development of industry operating standards, the conduct of a human capital audit for the industry and the proposition of initiatives to improve industry performance. They should also actively collaborate with universities and business schools to ensure a steady stream of skilled and dedicated staff for firms engaged in the industry and participate in the design and implementation of public–private partnership programs in hospitality and tourism.

Finally, having discussed all the previous insights, one can conclude that hospitality and tourist services consist of different elements, such as transportation, accommodation and activities at the place of destination. One of the major challenges is to integrate these services, resources, competences and capabilities so that the customer has an unforgettable travel experience. The Russian hospitality and tourism sector has to adapt to fast-changing consumer behavior patterns and deploy a more flexible infrastructure that promotes the development of entrepreneurship networks at the local level.

This theme issue has explored the challenges, opportunities and factors for the success that is important to the tourism and hospitality industry in Russia. It has explored the question: are current institutions, policies and structures adequate and sufficient to ensure the steady development of Russia as an attractive tourist destination? In particular, the strategic issues relate to the identification of problems that surround the development of tourism and hospitality, the implications of these issues for the industry and, finally, the solutions proposed to solve them. All nine articles have contributed to various aspects of this important analysis; all confirm that the sustainable development of the industry requires the participation of all stakeholders in the industry and networking with the direct support of the state. Only then can the huge potential of Russia as a tourist destination be realized – a truly worthwhile and impact challenge lies ahead!

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