Destination competitiveness and tourism development in Russia: Issues and challenges

Lidia Andrades, Ph.D. a, *, Frederic Dimanche, Ph.D. b

a Department of Business Administration and Sociology, Faculty of Business Administration and Economic Sciences, University of Extremadura, Avenida de Elvas, 06071 Badajoz, Spain
b Ted Rogers School of Hospitality and Tourism Management, Ryerson University, Canada

HIGHLIGHTS
- The article discusses Russia as a tourism destination and adds to the literature on tourism in transition economies.
- Russia's competitiveness is addressed from two angles: The WEF's TTC Index and the Crouch and Ritchie TDC model.
- Russia is compared to leading tourism destinations as well as to other countries with transition economies.
- The article identifies some weaknesses and issues that Russia must address to become more competitive.
- Russia is a country with enormous tourism potential that is yet to be fully exploited.

ABSTRACT
With new border policies and the development of travel infrastructure, international tourism to Russia experienced double-digit growth in the past few years. Yet, few authors have reported on the challenges the country faces towards sustainable tourism development and competitiveness. This study discusses issues that have affected and that will continue to affect tourism in Russia. The tenets of destination competitiveness and sustainable development are used to guide a critical discussion of tourism in Russia. The study results from a three-year project that brought together European and Russian partners. Despite great potential, tourism development in Russia remains hindered by numerous issues such as destination image, infrastructure development, workforce training and education, quality management, and sustainable management. Beyond contributing to the tourism academic literature, this paper also aims at contributing to private and public policy stakeholders who prepare the future of Russia's tourism with Russian universities.

1. Introduction

The potential economic benefits of tourism on regions or countries have been a recurrent topic in the tourism research literature. The expansion of the tourism sector is often seen as inducing positive direct and indirect effects on the economy and on the wellbeing of communities (Briedenhann & Wickens, 2004; Chen & Chiou-Wei, 2009; Croes & Venegas, 2008; Holzner, 2011; Ma & Hassink, 2013; Matarrita-Cascante, 2010; Tang & Tan, 2015; Tugcu, 2014). In particular, countries with less-developed economies and transition economies are increasingly focusing on tourism as an avenue for growth, development, and foreign exchange earnings. China, for example, has demonstrated in the past years how fast inbound and outbound tourism could grow when national policies are established to that effect. This study looks at Russia, a country with a transition economy that has been under-considered in the tourism literature, despite its size, the relevance of its economy, and its chances for development (Sheresheva, 2016). The growth of Russia's tourism sector has been limited in the past century, despite its potential, by historical events such as the
revolution, the World Wars and the Soviet regime. The purpose of this paper is to discuss the state of tourism in Russia, a country with an economy in transition, through the light of destination competitiveness determinants, and to assess the challenges that the country is facing in its efforts to develop tourism as a means for development and economic growth. The paper presents current issues that affect tourism in Russia and discusses how the country may evolve in the next years as a tourism destination. It also suggests a list of challenges to be addressed by Russian policymakers and tourism stakeholders to increase the competitiveness of the country as a tourism destination.

2. Background of the study

Before addressing the specifics of tourism in Russia, the following part of the article discusses three aspects that are essential to understanding the current situation: The first section provides a brief historical perspective on Russian tourism, the second discusses tourism in transition economies, and the third looks at conditions for economic growth in fast-growing economies.

2.1. Tourism in Russia

Before the 18th century, trips were mainly taken for religious motivations (pilgrimages), trade, political interests, etc., but were not organized as part of a regulatory system. The first specific businesses created to facilitate people’s leisure journeys started operating in the UK in the mid 19th century (i.e., Thomas Cook Group of Companies, 2014). Artal-Tur, Romanova, and Vázquez-Méndez (2015) described tourism development in Russia from the 18th century up to now. They suggested that the first evidence of government’s involvement in developing some kind of tourism activity was officially recorded at the end of the 18th century. It is at that time that the notion of tourism appears into Russian writing, literature and culture.

In the 19th century, the expansion process of tourism in Russia is explained with different phases. Its foundation was characterized by the start of group tours, many of them linked to spa tourism, which resulted into the emergence of structured forms of tourism. During the second half of the 19th century, the first tourism associations, agencies, and organizations to facilitate mass trips were created. At that point, tourism companies emerged, following the founder of tour-operators in Russia, Leopold Lipson, who supplied four tourist routes in 1895. Later, the Russian Congress (Russkiy Eksursant, 1915) acknowledged the role tourism can play in supporting economic growth and attracting international productive capital. This should have led to tourism growth, however, the Bolshevik Revolution in 1917 and World War I (1914–1918) interrupted any chance to develop tourism in Russia at that time.

In 1922, the creation of the Union of Soviet Socialist Republics (USSR) led to another distinctive phase of tourism activity in Russia, from 1922 to 1991. Throughout this period, private businesses and independent associations were eradicated, and tourism was seen by the government as an instrument for image formation, ideological approaches, and education. Accordingly, tourism was angled by the government as an instrument for image formation, ideological approaches, and education. Accordingly, tourism was angled to enhance the cultural, health, and physical condition of the population. Then, internal domestic tourism grew at remarkable rates, reaching 28 million tourists in the 1980s, principally for culture, health and sport. Notwithstanding, it is important to note that almost all tourist activities were subsidized by the government (Dolženko & Putřík, 2010). There was a clear lack of market orientation in the management of the sector, and specific legislation was missed. These weaknesses materialized into bigger challenges for the next phase of tourism development in Russia, when after the collapse of the USSR in 1991, the country started to transition to a market economy and the Russian borders began to open (Annaraud, 2010).

Finally, the most recent phase in the evolution of the tourism sector in Russia (1992 to now), has been characterized, as part of a transition economy, by the gradual introduction of market methods of management, and by the attempt to position the country in the global tourism market. In fact, some of the problems that are currently impeding the development of tourism in Russia still date back to the second phase of development and to the Soviet regime (Annaraud, 2010; Chernishev, 2000, pp. 54–71). That is the case for instance of the scarce availability of affordable tourism services (e.g., accommodations and restaurants) with reliable quality standards for middle class tourists (Sheresheva, Polyanskaia, & Matveev, 2016); or the little supply of convenient pre-set services and tour packages for tourists (Sheresheva & Kopiski, 2016). Burns (1998) presented a rare snapshot of the tourism situation in Russia in the 1990s, documenting the evolution and structure of the sector following the fall of the Soviet Union. Among the difficulties for the country to overcome, Burns highlighted the need for infrastructure investment, tourism professionals’ lack of training in management and communication, the existence of inter-sectorial barriers, excessive visa constraints, and the weakness of the economy at that time. Many of those problems are still valid 20 years later. Another issue raised by Burns was the important role that tourism plays in Russia in the reconstruction of the local history. From this perspective, the singular history of Russia as a country in transition may be used as a base for tourism product development which may be attractive for foreign tourists.

According to official statistics provided by the Russian Federal Agency of Tourism and the Federal Government Statistic Service, in the current post-communism stage, international arrivals and departures from Russia experienced various dynamics. Until 2003, the country had more arrivals than departures, but from 2004, the situation changed, and the number of Russian tourists traveling abroad surpassed the number of international tourists visiting Russia. Although this paper discusses Russia as a tourism destination, it is important to note that since 2004, Russia has not been able to strengthen domestic tourism. In 2013, outbound departures reached a record-breaking 54 million. Reasons that may help explain such figures are the activity of tourism firms working with outbound tourism, or the price competitiveness of holiday packages offered by countries such as Turkey or Egypt, with better infrastructure and service levels than what Russia can provide (Sheresheva & Kopiski, 2016).

Nevertheless, after 2013, the number of Russian tourists traveling abroad has been decreasing. The economic crisis, the depreciation of the ruble (2014–2015), different geopolitical struggles with neighboring countries (e.g., Georgia, Ukraine, or Turkey) but also a change in national policy help explain this evolution. Events such as the revocation of the licenses of nineteen Russian tour-operators by the Federal Agency of Tourism in Russia, illustrates that (Sheresheva & Kopiski, 2016). As a result, in 2015, 36 million Russian tourists travelled abroad, about one third less than two years before. This is reminiscent of the situation in the 1990s when the consequences of the economic crisis “froze” tourism (Lepeshkin, Khristov, & Gregoric, 2016).

Internal, inbound, and outbound tourist flows are closely connected: For instance, a critical mass of tourists is required to develop the needed tourism infrastructure. Also, the depreciation of the ruble, which negatively affects outbound tourism, provided better value for foreigners to visit Russia. In 2015, inbound trips numbered 31 million, which represented a 5% increase compared to the preceding year (UNWTO, 2016). Inbound travel has grown since 2009 at a rate higher than the average for the world for the same
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