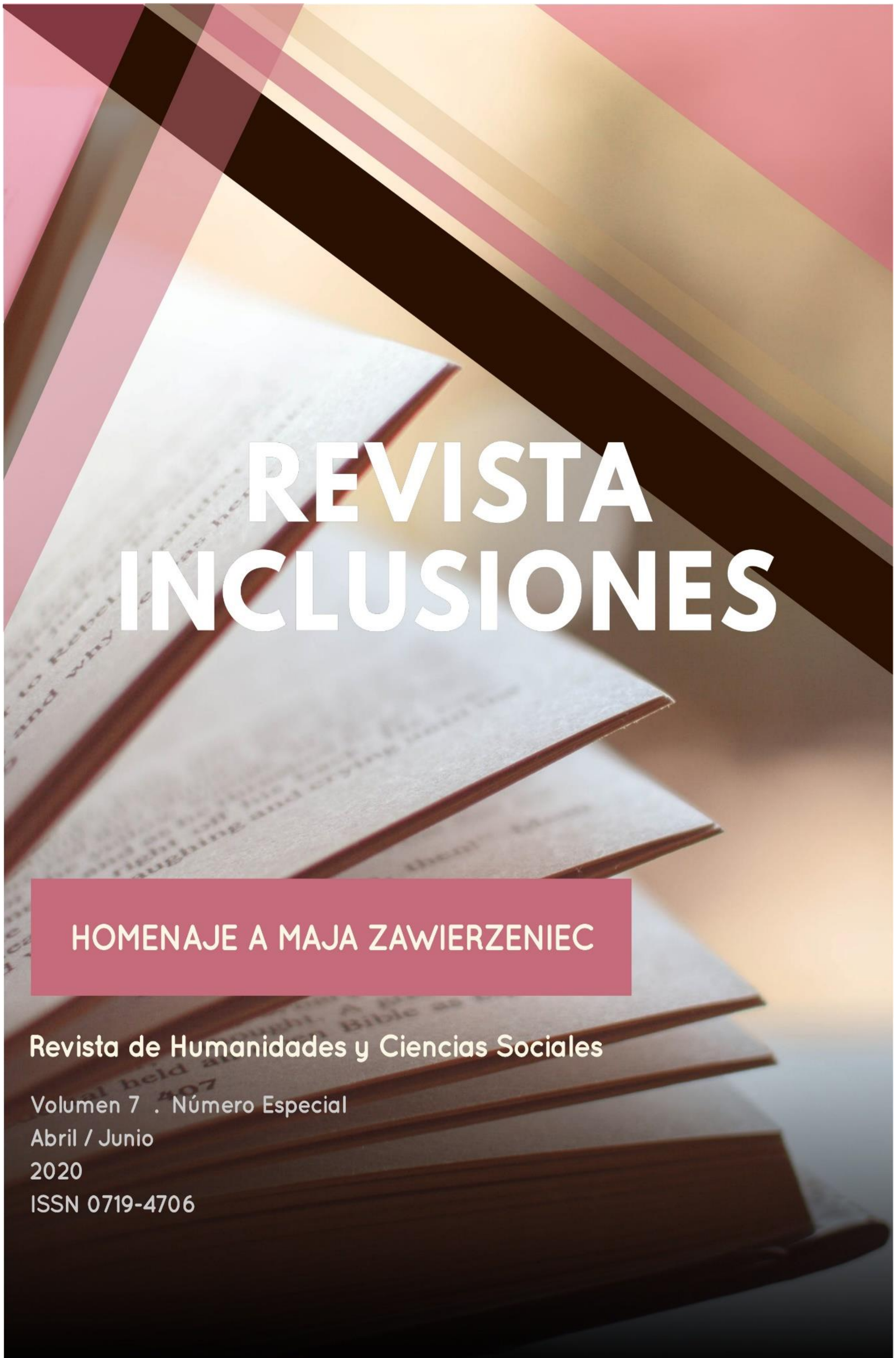

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CURRENT STATE AND ANALYSIS OF TOURISM DEVELOPMENT IN RUSSIA UNTIL 2035

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Abstract

Modern trends related to the development of domestic and inbound tourism make it necessary to improve the competitiveness of the tourism product that is offered in domestic and international tourism markets, as well as to create the most favorable conditions for the attraction of investment. For the purpose of attaining these goals, it is essential to measure a degree, in which a tourism product meets expectations of the target audience, to select areas contributing the most to the attainment of the targets, to determine priority areas, the development of which is inseparably linked with the tourism product, and to create conditions aimed to make businesses more interested in developing tourism on a comprehensive basis. The Tourism Development Strategy of the Russian Federation for the period until 2035 (referred to as the "Strategy") aims to ensure comprehensive development of domestic and inbound tourism in the Russian Federation by creating conditions for the formation and promotion of a premium and competitive tourism product in the domestic and international tourism markets and to increase the social role of tourism and availability of tourism services, leisure and health improvement for Russian citizens.

Keywords

Tourism – Development strategy – Leisure – Tourism product

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Introduction

The World Travel & Tourism Council[1] stated in a report that the total contribution of tourism to global GDP is estimated at 10.4%, or around USD 8.3 trillion (3.2% is an estimate of the direct contribution of tourism excluding indirect and induced effects on the economy), with one out of 10 jobs globally being created in the tourism sector. According to the OECD Tourism Trends and Policies 2018 report, the direct contribution of tourism in Organization for Economic Cooperation and Development (OECD) member states is on average equal to 4.2% of GDP, 6.9% of employment and 21.7% of services exports. World Tourism Organization[2] data show that international tourism flows have doubled over the past two decades from 680 million inbound tourists in 2000 to 1.3 billion in 2017 and 1.4 billion in 2018.

Methods

Tourism is still one of the biggest subjects of international trade in the non-commodity sector[3]. According to the WTO, the tourism sector exports rank third worldwide, trailing chemicals and fuel but outpacing automotive products. In the article, we applied methods of economic and statistical analysis, quantitative and qualitative studies, as well as the principles of a system-based approach and development.

Results

Tourism is a leading export item for a majority of developed countries. The tourism sector total exports amounted to USD 1.6 trillion in 2017, i.e. roughly USD 4.4 billion per day (USD 1,200 per tourist), constituting around 7% of international goods and services exports (USD 22.9 trillion) and 29% of international services exports (USD 5.4 trillion). In 2010-2017, global tourism services exports grew at an average annual rate of 4-7%. Global income derived from international tourism in the travel category (excluding transport expenses) jumped substantially from USD 475 billion in 2000 (roughly USD 700 per tourist) to USD 1,310 billion in 2017 (around USD 1,000 per tourist).

In addition to total amounts spent by international tourists and income earned by the countries visited by tourists, international transport services, which were provided to non-residents worldwide, amounted to some USD 240 billion (USD 180 per tourist) in 2017. An important feature of international tourism is the sector's relative stability in times

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[1] The World Travel & Tourism Council. Available at: https://www.wttc.org/

[2] Statistika WTO. Available at: https://wto.ru/useful-resources/wto-statistics/ y_The UN World Tourism Organization. Available at: https://www2.unwto.org/

[3] E. Panfiluk y E. Szymańska, "The measurement of the innovativeness of health tourism services using an adequacy matrix title of the article", Entrepreneurship and Sustainability Issues Vol: 4 num 4 (2017): 400-420; A. N. Dunets; I. B. Vakhrushev; M. G. Sukhova; M. S. Sokolov; K. M. Utkina y R. A. Shichiyakh, "Selection of strategic priorities for sustainable development of tourism in a mountain region: concentration of tourist infrastructure or nature-oriented tourism", Entrepreneurship and Sustainability Issues, Vol: 7 num 2 (2019): 1217-1229; O. Chkalova; M. Efremova; V. Lezhnin; A. Polukhina y M. Sheresheva, "Innovative mechanism for local tourism system management: a case study", Entrepreneurship and Sustainability, Vol: 6 num 4 (2019): 2052-2067 y Y.A. Singgalen; G. Sasongko y P. G. Wiloso, "Community participation in regional tourism development: a case study in North Halmahera Regency – Indonesia", Insights into Regional Development, num 1 Vol: 4 (2019): 318-332.

of an economic recession and geopolitical instability and rapid recovery after a recession. The international tourism flow declined by 4% in 2009 but, as early as 2010, the flow recovered, rocketing 42% in 2017 compared with the 2008 pre-crisis level. As regards travel expenses, the same happened. After a 9% y-o-y decline in 2009, as early as 2010, global travel expenses nearly recovered to the pre-crisis level, soaring by 43% in 2017 against 2008.

As part of the initiative designed to keep records of international trade based on the value added, the OECD highlights an especially important contribution made by tourism services exports and their influence on the formation of the tourism sector's share in GDP. OECD data show that services exports create the value added in the tourist-receiving countries, which exceeds the economy's average, with 80% of tourism exports being converted into the value added of a country's tourism industry.

WTTC data show that Asia Pacific accounted for the highest share of global GDP with regard to tourism in 2017 (36%), with Europe and the United States in the second and third places respectively, adding 59% to the tourism industry's global GDP. According to the WTO, a peculiarity of the recent years has been a redistribution of tourists among international tourism regions and a higher role played by Asia Pacific (a 6% increase in 2017 compared with 2016), Africa (+8%) and America (+5%). Meanwhile, all destination areas saw higher tourist flows following an increase in air transportation and deeper ties among regions of the world.

The most visited region in the world – Europe – showed a growth rate of 9%, while the Middle East reported a 4% increase. Notably, Top 15 countries (including the United States, Spain, France, Thailand, Great Britain, Italy, Australia, Germany, Japan, China, India, Turkey, and Mexico) accounted for roughly 60% all travel expenses (USD 1.3 trillion) in 2017. Russia was in the 34th place in terms of total funds spent by international tourists in its territory, or USD 9 billion (0.7% of total spending worldwide), but ranked eighth in terms of expenses incurred by Russian tourists traveling abroad (about 2.5% of total funds spent by international tourists). In terms of expenses incurred by tourists who traveled abroad, leaders are China, the United States and Germany.

According to the WTO, Russia ranked 15th in 2017 among the countries, which held leadership in terms of foreign travelers arrived.

Over the past few years, the sector's development has been marked by an increase in most indicators. According to the Federal State Statistics Service[4], the number of rooms and the capacity of collective accommodation facilities soared nearly 70% compared to 2011. In 2017, the number of tourist overnight stays totaled 254 million (50% higher than in 2012).

The Russian tourism sector holds strong potential for faster growth and a bigger role in economic development. According to the OECD Tourism Committee, over the past few years, the industry has generated 3.8% of Russian GDP and 0.7% of the total employed, or much lower than in a number of developed countries. Meanwhile, the gross value added in the Russian tourism sector totaled around USD 900.00 per resident in 2017, or 40% lower than in the US, down 2.1x vs. Germany and 4.5x lower than in Spain. Returns from tourism organizations, which have recently been established, are stable.

[4] The Federal State Statistics Service. Available at: https://www.gks.ru/

According to the FSSS, the value of paid tourist services, which were provided by travel firms in the country, has stood at around RUB 160 billion over the past three years.

Small and medium-sized businesses play an important role in the development of the Russian tourism industry. Efforts taken by authorities and Russian non-profit organizations representing the interests of entrepreneurs and development institutions aimed to provide support have created favorable conditions for the development of small and medium-sized travel companies. There is ample potential for tourism to play a bigger role in the socio-economic development of Russian constituent entities.

Over the past few years, domestic tourism has expanded (54 million Russian residents stayed at collective accommodation facilities in 2017 compared with 32 million residents in 2012). According to the FSSS, the occupancy rate at accommodation facilities is on average under 35%. The average number of employees working at enterprises, which fall within the collective classification of economic activities (tourism), amounted to 1.19 million in 2017 compared with 1.04 million in 2014. Based on FSSS data, over 50% of taxes collected from collective accommodation and catering facilities is accumulated in major cities (Moscow and St. Petersburg). The travelling activity of Russians remains low. According to the Russian Center of Public Polls, over the past five years, only 45% of the country's residents have spent their vacation in a region other than the region where they live. This is a sign that it is necessary to take measures to make tourism products more available for the country's residents and create incentives for people to travel. The flow of foreign tourists has recently been stable (according to the FSSS, the inflow of foreign tourists increased by 0.7% in 2018 (after a reduction in 2017) compared to 2016). While considering the inflow of foreign tourists without taking into account the CIS and Ukraine (most tourists coming from these countries are de facto not tourists), trends are more positive. In 2018, the tourist flow exceeded the 2017 flow by 11.2% and the 2012 number by 10%, including due to an inflow of 2018 FIFA World Cup teams and guests.

According to the WTO, expenses incurred by a foreign tourist in Russia are lower than the global average (less than USD 900 per tourist vs. over USD 1,100 per tourist in France, Austria and Spain). FSSS data show that about 70% of accommodation provided to all tourists entering Russia falls only to two tourist areas (Moscow and St. Petersburg). Despite a slight decrease in purchasing power, Russians still make around 30-40 million foreign trips annually (42 million trips in 2018, or 14% lower than in 2012), spending abroad, based on WTO estimates, up to USD 35-40 billion per year.

In line with FSSS numbers, some 60% of tourist packages offered by Russian travel agencies target foreign countries, which are rivals for domestic tourist destinations. However, this is a sign of solvent demand, which can be refocused on the domestic market when making a competitive offer. Russia holds potential to increase its share in the global market in terms of incoming tourists. According to WTO numbers, in 2017 Russia accepted 17 incoming tourists per 100 residents, while the United States, Spain and France accepted 54, 261 and 309, respectively.

The expansion of the sector's growth potential will largely depend on the quality of infrastructure, which requires constant upgrading. From 2012 through 2017, the efficiency of using tourism infrastructure did not increase but decreased given some separate indicators.

According to the FSSS, the number of overnight stays in collective accommodation facilities dropped from 129.1 in 2012 to 117 in 2017, while the occupancy rate was on average 32% in 2014-2016. Marked seasonality of demand produces an adverse impact on the overall efficiency of infrastructure use. By comparison, according to WTO data, the occupancy rate in Russia stood at 35% in 2016 vs. 44% in Germany and 60% in Spain. Even though a lot of accommodation facilities remain available, there is a shortage of tourist infrastructure meeting tourists' consumer expectations and focused on the international quality of service. Key competitive advantages for the development of tourism in Russia are a host of points of attraction for domestic and incoming tourists, which are of global importance for the development of various types of tourism and target virtually any consumer group. Specifically, Russia has 18 UNESCO World Heritage Sites and 11 UNESCO World Natural Heritage Sites[5]. By these indicators, Russia ranks 10th and 4th worldwide, respectively. High tourist transportation costs substantially limit the demand for tourism products in Russia.

Based on WTO data, foreign tourists spent 40% of their total traveling budgets on transportation in 2017 (USD 248 per foreign tourist), 29% in Germany and 16% in the US. The high cost of tourist transportation is due to long travel distances, the centralization of air transportation through the Moscow transport hub, insufficient development of direct charter flights within the country, etc. Other factors constraining demand are low recognition of Russian tourism brands in foreign markets and within Russia, including unexplored opportunities for the development of a promotion system using modern information, marketing and other technologies, prejudices (stereotypes) of foreign citizens about tourism in Russia (lack of security, poor knowledge of the Russian language, negative geopolitical image, etc.), complex system of obtaining Russian visas for most countries with a potentially high flow of incoming tourists, as well as an insufficient number of available tools to ensure a short-term stay of incoming tourists, including for those who attend major sporting and cultural events.

Russia's tourism product will become more competitive and unlock its potential if the following measures are taken:

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- to improve the quality of tourism and backbone infrastructure, to expand the availability of transport infrastructure;
- to increase the occupancy rate and to reduce the influence of seasonality factors while using the tourist infrastructure;
- to increase the availability of relevant statistical information amid higher needs for the scope and details of sectoral data on the part of tourism market participants and government bodies;

- to sharpen the tourism sector's investment appeal and to reduce payback periods, thus removing hurdles for the development and upgrading of tourism infrastructure;

- to extend efforts to remove administrative barriers and improve tourism laws in Russia;

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[5] UNESCO World Heritage. Available at: https://wikitavel.org/ru/Список_объектов_Всемирного_наследия_ЮНЕСКО

- to improve the quality of service and staffing for the development of tourism, to develop foreign language training courses for people working in the tourism industry and to encourage businesses to take an active part in elaborating educational programs for the tourism industry;

- to reach the level achieved by world leaders in the development of digital infrastructure and services, the development of digital platforms for the promotion of tourism products and brands, digital navigation means and the formation of a tourism product;

- to eliminate restrictions related to the safety of tourism activities, which are associated with the provision of tourists with insufficient information about risks, as well as outdated requirements for the safety of certain types of tourism, environmental conditions of tourism regions.

Conclusion

The implementation of these initiatives will create ample opportunities for faster development of tourism and a bigger role of tourism in the country's socio-economic development.

Above all, such opportunities include measures to improve the quality of a Russian tourism product and separate tourism regions, to develop and improve the efficiency of using tourist infrastructure, to increase tourist activities of Russians, including through the development of social tourism and import substitution in the domestic market, and to launch a system designed to promote a tourism product to attract Russian and foreign tourists.

Investment in the modernization and upgrading of existing infrastructure will contribute to the formation of an attractive and competitive product for domestic and incoming tourists. The higher quality of a tourism product will make it possible to increase the flow of tourists, thus creating incentives for the involvement of existing infrastructure, which is not fully used.

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