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Tourism clusters in Russia: a network perspective

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Article info

Abstract

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The purpose of the paper is to discuss problems and prospects of tourism clusters development in Russia. The Russian tourism market has huge potential, due to its history, culture, extremely diverse landscapes, rivers, lakes, mountains, flora and fauna, "hidden gems" of small towns with their ancient churches, original local museums and unique sights. In the last decade Russia has witnessed rapid quantitative growth as well as significant changes in strategic development of the tourism industry. Russian Government initiated a number of Federal target programs important for tourism and hotel industry development. In particular, tourism clusters are now in the focus of interest. In 2008, the Russian Government adopted the Concept of cluster policy in the Russian Federation, laying the cluster approach in the basis of the strategy of socio-economic development and considering it as a tool to raise competitiveness of industries and territories. However, the formation of clusters in Russia faces a number of problems due to the peculiarities of the Russian institutional environment. The main challenges facing tourism clusters development in Russia are described. The importance of development joint marketing strategy is underlined. The case of "Big Volga" tourism cluster in the Nizhny Novgorod region is presented.

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1. INTRODUCTION

The Russian tourism market has huge potential, due to its history, culture, extremely diverse landscapes, rivers, lakes, mountains, flora and fauna, “hidden gems” of small towns with their ancient churches, original local museums and unique sights. There are 35 national parks and 84 forest reserves in Russia situated in different climatic zones, extremely diverse flora and fauna offers unique opportunities for ecological tours and rural tourism. Many Russian regions offer outstanding experiences for ecotourism and adventure tourism.

Russian Government recently initiated a number of Federal target programs which are important for tourism and hotel industry development. The most considerable program called “The Development of Internal and Incoming Tourism in the Russian Federation (2011 - 2016)” aims to attract additional investments into the Russian tourism business, to create conditions for staff development and to improve the quality of tourism services assuming a public-private partnership. Strategies for the development of sustainable tourism are now subject of attention of many local authorities.

Still, there are certain aspects that prevent the vast development of tourism business in Russian regions. Tourism police in Russia needs to take in account the major trends in service industries, including recent transformation in organizational structures. In particular, it is important to analyze the role of clusters in gaining competitive advantage on the contemporary tourism market.

2. LITERATURE REVIEW

2.1. Tourism clusters as networks

Nowadays, clusters play an important role in regional development all over the world. Growing interest in the topic of both academics and practitioners has resulted in a number of publications which aim to shed light on networks and clusters development in different sectors of the world economy (Porter, 1998, 2000; Bode et al., 2010; Westerlund, Rajala, 2010; Bergenholtz, Waldstrøm, 2011; Bek et al., 2013).

Having network paradigm as a main basis of investigation, we propose to define business cluster as a specific type of inter-organizational network (Ruigrok, van Tulder, 1995; Sheresheva, 2010, 2013). This definition presumes that the cluster effect is by its nature the network effect (Villarreal Lizzarraga, 2006). Firms increasingly depend on the resources controlled by other actors and thereby are able to combine resources in new ways, gain additional resources, and dispose of superfluous resources (Wilson, Daniel, 2007).

Clusters, being geographic concentrations of interconnected firms and institutions in a particular field, including suppliers of specialized inputs, manufacturers of complementary products provide specialized training, education, information, research, and technical support, governmental institutions; universities, etc., and extending downstream to channels and customers, are network structures highly important to competition (Porter, 1998, 2000). The concentration on a specific region is not a prerequisite for all networks, so cluster is one of a many forms of inter-organizational networking, still having features similar to all types of networks (Bek et al., 2013; Sheresheva, 2014). Once established, a cluster tends to grow through a process of cumulative, self-reinforcing development based on elaborating of internal norms, regulations, and routines.

Networking is crucial in the experience economy era (Pine, Gilmore, 1999) since a lot of different resources and competencies are needed to provide tourists with combination of experiences, and thus to make a destination attractive. Firms that formerly managed wholly owned establishments now operate in complex networks of arrangements that include hotel chains, restaurant chains, etc.

Respectively, tourism clusters can be regarded as destination-based regional service clusters (Hsieh, Lee, 2012).

A growing number of managers, policymakers and scholars all over the world tend to grasp the significant economic contributions from the tourism clusters (Jackson, Murphy, 2006; Novelli et al., 2006; Grimstad, 2011; Hsieh, Lee, 2012). In recent literature different aspects of clustering in tourism sector are discussed, including policy to promote tourism clusters (Jackson, 2006; Aleksandrova, 2007a, 2007 b; Bernini, 2009; Benner, 2013).

An important direction of academic research is also investigation of tourism destinations as complex systems (Capone, 2006; Baggio, Sheresheva, 2014, Sheresheva, Baggio, 2014). This means, essentially, that in examining these systems we expect to find a number of different components (the stakeholders), of different size and functions, connected between them in many possible ways which are typically dynamic and of nonlinear nature (Baggio, Cooper, 2010; Baggio et al., 2010).

2.2. Marketing issues

From a marketing standpoint, there are a number of important aspects that must be considered in the development of a tourism cluster. Actually, all the marketing approaches apply but need to be adjusted with respect of the peculiarities inherent to clusters as geographically concentrated value-creating ecologies of organizations (Hearn, Pace, 2006). Taking in account the network nature of clusters, there is a need in *marketing strategy alignment*. The main challenge is that the objectives of cluster members, as well as their marketing toolkits, are far from identical, and can significantly differ from the overall objectives of the network. It is especially true at the first steps of cluster development. On the other hand, if cluster members manage to align their interests and to develop a unified approach, joint marketing efforts of cluster members may serve as an issue of competitive advantage. There are clear incentives for cluster members to collaborate in different ways including joint marketing research, co-branding, exchanging experiences, taking part in exhibitions, developing and marketing complementary products in order to strengthen the access to new customers looking for special whole product, gaining consolidated image, “sizing up” when approaching new international customers (Sheresheva, 2011).

Another important point is *place marketing and branding*. It is argued that competition between places for economic development is becoming increasingly fierce in the global economy (Bramwell, 1998; Morgan et al., 2011; Ashworth, Goodall, 2012). Tourism destinations as places need to be promoted as a whole unique collection of products and services, with their planning and marketing being guided by a strategic vision and related goals. This leads to the understanding that destination should offer a set of desirable and satisfying products and services in order to attract and retain residents, tourists, inward investment and government grants (Bramwell, 1998; Kwon, Vogt, 2010; Lichrou et al., 2010; Gertner, 2011). Users of place products include residents and leisure and business tourists, who experience varying levels of product satisfaction or dissatisfaction.

Clearly defined marketing strategy appears to be crucial for sustainable development of a territory which depends on the existence of tourist flows. Local authorities, economic development agencies, tour operators and agencies, trading houses, sports committees and federations, any other structures that are localized in the territory need to be actively engaged in place marketing activities. Thus, *relationship marketing* approach is growing in importance. Relational assets built by tourism cluster actors help them to strengthen their consolidated position and to gain governmental support of their initiatives as well as to create new value by combining complementary assets and key competencies, and thus to gain competitive advantages (Sheresheva, 2011).

3. TOURISM CLUSTERS IN RUSSIA

3.1 The current situation in Russia

Russia has a wide potential for the development of domestic tourism. Rich and diverse natural and cultural-historical heritage of the country opens up prospects for recreational, leisure, cultural, medical, religious, educational, and other tourist purposes. In accordance with the WEF *Travel & Tourism Competitiveness Report 2013* (Blanke, Chiesa, 2013, p.40), Russia takes the 37th place (natural sites of global significance) and on the 39th place (cultural and historical sites of global significance) among 140 countries. By *The Travel & Tourism Competitiveness Index (TTCI)* Russia ranks much lower, on the 63rd place, due to unfavorable business climate and unsatisfactory infrastructure in many Russian regions, as well as the lack of effective public policy in the field of tourism. This results in low overall competitiveness and low investment attractiveness of the national tourism sector (Aleksandrova, 2007c; Balaeva et al., 2012; Sheresheva, 2013).

The vast majority of Russian tourism managers have not yet recognized the main challenges of the experience economy, as well as the need to co-create tourist experiences by means of cooperative strategies and network relations. At the same time, the Russian Government is now turned to the cluster concept as a means to improve the competitiveness of tourism industry. In some Russian regions the initial steps are taken to apply cluster policy and thus improve competitiveness of a region as tourism destination and to stimulate regional economic growth.

Contemporary tourism policy in Russia envisages allocation geographical points of growth and inter-regional routes and clusters.

In 2008, the Russian Government adopted the Concept of cluster policy in the Russian Federation. In accordance with the Concept, the cluster approach is regarded as foundation for sustainable development of industries and territories and as a tool to enhance their competitiveness. Five types of clusters are identified, including tourism clusters.

In 2011-2012, two strategically important documents were adopted by the Russian Government:

1. The Federal target program "Development of domestic and inbound tourism in the Russian Federation in 2011-2018" 2. The Russian Federation State program "Development of culture and tourism" for 2013-2020.

These documents determine the vector of development of the domestic tourist industry in the medium term.

According to these programs, there are two types of clusters:

- *tourism and recreation clusters*. This is a set of interrelated objects of recreational and cultural orientation - collective means of accommodation, catering and related services, equipped with the necessary providing infrastructure;
- *automobile tourism clusters*. This type unites enterprises and organizations rendering tourist and accompanying services, complementing each other and providing favourable environment for automobile tourists. Networking within clusters is expected to improve existing routes and destinations, and to provide a unified high standard of services.

More than 40 high-level investment projects ready for implementation are included in the Program. Each project consists of a number of functional, organizational and financial interrelated projects on separate objects of capital construction in the tourism sector. The most promising clusters are:

- automobile tourism cluster *Golden Gate* in Altai;
- tourism and automobile tourism clusters in Buryatia;
- tourism and recreation cluster *Golden Ring of Russia*;
- the North Caucasian tourism cluster.

There are also some other tourism destinations which can be developed as tourism clusters with the support of local administrations. These are:

1. *The Silver Ring of Russia* (the North-Western part of Russia, including St. Petersburg), with a considerable number of unique historical and cultural sites, with long tradition in cultural, event, business and active tourism.
2. *South of Russia* (the Rostov, Krasnodar and Stavropol regions, Kabardino-Balkaria). The Azov Sea and the Black Sea coasts, as well as Caucasian Mineral Waters and Elbrus, are known in Russia and abroad as health and ski tourism destinations.
3. *Baikal region* with unique natural sites, including the famous Lake Baikal listed in the world heritage List of UNESCO, and a large number of biosphere reserves, national parks (TRANS-Baikal and Tunka), Federal wildlife refuges, and regional protected areas.
4. On the territory of the Far East rests about 2 million tourists, which is 6% of Russian tourist flow. Now active kinds of tourism (water tourism, mountaineering and climbing, Biking, trekking, ski tourism, snowboarding and other) are developing in the Far East region, as well as therapeutic and cultural tourism.
4. *Big Volga* (includes the Volga Federal district, Astrakhan and Volgograd region).

In addition, place marketing is gaining in popularity. There are efforts aimed at branding not only the above mentioned territories but also such novelties as *Fairytale Map of Russia, Sovereign Road, The Great Tea Road, Silk Road*, etc. (Ale

The first stage of our empirical study draws on the case method which is the most appropriate if the main target of research is understanding and explanation. To illustrate prospects of tourism clusters in Russia, the Nizhny Novgorod region and the Vladimir region (Golden Ring) were chosen. Additional data is obtained by means of observation and analysis of documents. This paper presents the preliminary results of the initial stage of the study, devoted to the case study of emerging *Big Volga* tourism cluster. Residents and tourists took part in the study conducted in 2013-2014. They answered questions about the image of Nizny Novgorod and quality of tourism infrastructure objects.

3.2 Nizhny Novgorod region: problems and measures to create *Big Volga* tourism cluster

The tourism potential of the region is ranked high, which is confirmed by the Program of tourism development in the Russian Federation. Historical-cultural and national peculiarities of the largest cities located on the banks of the Volga and Kama (Nizhny Novgorod, Kazan, Izhevsk, Samara, Ulyanovsk, Saratov, Volgograd, Astrakhan etc.), in combination with a large number of recreation areas, are attractive for both Russian and foreign tourists. In accordance with the Strategy of development of Nizhny Novgorod region until 2020, tourism industry is one of the priority and perspective social-economic development directions of the region.

Currently, the Ministry of entrepreneurship develops the concept of the Nizhny Novgorod region tourism cluster. However, the formation of tourism cluster in the region faces a number of problems due to the low level of tourism infrastructure development, as well as insufficient popularity of this destination not only abroad, but even in Russia. Therefore, complex measures are needed to boost tourism activity in the region to make it more competitive as a tourism destination.

The target program "Development of entrepreneurship and tourism of the Nizhny Novgorod region in 2014-2016" was entered in 2013. The subprogram "Development of domestic tourism in Nizhny Novgorod region by 2014 - 2016" created in the framework of this program lists the business, recreational and cruise tourism as the main priorities. More than 30 investment projects are on the way in the most profitable business and recreational tourism segments, including projects targeted on the infrastructure construction. In marketing, the focus is on folk crafts and arts which are the most

attractive and familiar symbols of Russia. These elements of national identity help to generate an additional competitive advantage. Zone of recreational activities is being formed on the four areas territory of the Nizhny Novgorod region. Vetluga (the Natural Park on Volga) is selected as a priority area.

According to the results of our preliminary research, the unique geographical position (the city stands on the confluence of two rivers, the Oka and the Volga), as well as associative connection of the city with the famous Russian writer Maxim Gorky (Alexey Peshkov was born in the city) can also be regarded as the symbols of Nizhny Novgorod, in addition to folk arts and crafts. Most of the respondents in our preliminary study considered the location of the airport and stations satisfactory. At the same time, many respondents considered unsatisfactory such points as the convenience of hotel locations, hotels and hostels (43%), and the level of service (64%).

At the moment the issue of attractiveness of Nizhny Novgorod for tourists acquired special urgency. Authorities and commercial organizations pay attention to the infrastructure of the city because of the World Football Cup which will pass in the Nizhny Novgorod in 2018.

The World Cup in 2018, being both an important sports event and a significant marketing event, will be able to attract fans and tourists and to improve the image of Nizhny Novgorod. The projects of the new stadium and new cable cars construction, of the stadiums *Vodnik* and *Dynamo* reconstruction, and other infrastructure projects which are to be implemented in the next four years, will change the level of infrastructure. The project of pedestrian street reconstruction *Rozhdestvenskaya storona* was implemented. 14 hostels and small hotels were opened in the city. The load factor of such objects is quite high.

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