

Tourism cluster development in Russia: The case of Altai region

Abstract

The purpose of this paper is to provide a better understanding of the tourism cluster initiatives in Russia. The paper sheds light on the key trends, challenges, and opportunities of cluster development in the Russian tourism market. Case study method is used to unveil the prospects of the Altai tourism cluster. It is characterized by unique natural resources that can significantly contribute to the attractiveness of the destination, and by presence of some intra-cluster standards. Still, the Altai tourism cluster is at the initial stage of development and faces a number of problems. Therefore, all the actors that are localized in the emerging Altai cluster have to be actively engaged in collaboration and place marketing activities.

Introduction

Nowadays, it is broadly recognized that emerging markets are becoming catalysts for accelerated growth, and that international and local businesses need to adapt their marketing strategy and marketing practices to these markets (Sheth, 2011; Khanna, Palepu, 2013). This fully applies to the field of tourism which is now growing in importance as a strategic sector of the economy. There are lots of papers discussing a broad variety of hospitality and tourism issues in emerging markets, positive effects attributed to tourism are pointed out (Sharma and Dyer, 2009; Legrand et al., 2012; Chon et al., 2013; Ghimire, 2013; Ajagunna, 2014; Hussain et al., 2015).

However, to harvest the positive effects, a lot of different resources and competencies are needed to provide tourists with combination of experiences, and thus to make a destination attractive. Tourism destination should offer a set of desirable and satisfying products and services (Kwon, Vogt, 2010; Lichrou et al., 2010).

A number of important aspects must be considered in the development of a tourism cluster as geographically concentrated value-creating ecology of organizations (Lafferty, Van Fossen, 2005; Hearn, Pace, 2006). 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. 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; Baggio, Sheresheva, 2014).

Clearly defined marketing strategy appears to be crucial for sustainable development of a territory which depends on the existence of tourist flows. At the same time, 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, can significantly differ. 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 (Sheresheva et al., 2012). Another important point is place marketing and branding is of high

importance, since competition between places for economic development is becoming increasingly fierce in the global economy (Morgan et al., 2011; Ashworth, Goodall, 2012).

This paper sheds light on the key trends, challenges, and opportunities in the Russian tourism cluster development. The study presented in the paper is based on case study method. Passive forms of surveillance were supplemented by in-depth interviews. Direct perception and direct registration of the facts relevant to the purposes of research, ensured objectivity of the information gathered on the processes of cluster formation in tourism of the Altai region.

Cluster development on the Russian tourism market

In Russia, tourism is regarded as one of the most promising areas in terms of reducing the oil and gas dependence in the national economy (Balaeva et al., 2012; Tarasova, 2013; Sheresheva, 2016). 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.

Nowadays, there are two main models of tourist clusters development in Russia (Alexandrova, Vladimirov, 2016):

1) *infrastructure model*, which is realized under the federal target program "Development of domestic and inbound tourism in the Russian Federation (2011-2018)" (hereinafter - FTP) by the Federal Agency for Tourism (Rosturizm). In accordance with the FTP concept, cluster relates to creation of a modern infrastructure. Therefore, priority is given to big infrastructure projects on a public-private partnership basis. Government funds are primarily invested in transport infrastructure and engineering infrastructure, including heating systems, gas supply, power supply and communications, water supply, etc. Private investments are expected to be used in the construction of accommodation, fast-food and entertainment facilities, shopping locations, ski centers, water parks, etc..

2) *collaborative model*, which is implemented by the Ministry of Economic Development of the Russian Federation through regional centers of cluster development programs to support small and medium-sized enterprises. Regional tourist cluster is defined as a network of organizations involved in development, production, promotion and marketing of tourist services, as well as adjacent activities related to tourism and recreation.

Altai tourism cluster

The Altai region (the Altaysky Krai) is considered to be one of the most promising tourist regions of Russia. In 2014, 1.658 million rubles were invested on the development of the tourism industry in this region, of which 390.6 million rubles from the federal budget, 1.230 million rubles of extra-budgetary funds, 37.6 million rubles from the Altaysky Krai regional budget,

and 900.8 million rubles (over 73%) of private investment¹. As a result, incoming tourist flow is constantly growing: in 2014, 1.63 million tourists visited this region; about 2 million tourists per year are estimated for 2017/2018, and at least 3.2 million in 2025.²



According to the *Strategy of the socio-economic development*, elaborated for the Altayskiy Krai up to 2025, the creation of Altai tourism cluster, attractive not only for Russians but also for foreign tourists, is among the priority areas of regional development. This cluster should consist of subclusters that will help to establish a new tourism region of nationwide and international importance, including³:

- Federal spa and health resort Siberia, based on local natural resources and on modern treatment and rehabilitation technologies;
- Pan-Russian Center for active sports and mountain-landscape tourism;
- Siberian gambling and entertainment center - the main Siberian recreation and entertainment center for all categories of consumers.

In 2015, following tourist subclusters have shown a significant progress in Altai region:

- tourism and recreation cluster Belokurikha;
- Auto tourism cluster Golden Gate;
- tourism and recreation cluster Barnaul - the mining town.

¹<http://www.altairregion22.ru/info/tour/altai/>

²<http://invest.alregn.ru/upload/iblock/085/0859b8c166ce072021810c0e020669b1.pdf>

³http://www.chem-astu.ru/regional/strateg_7.htm

The tourist subcluster Belokuriha⁴ is one of the most famous in Russia. It is based on the form of public-private partnership, thus not only receiving support on the federal and regional level, but also realizing cooperation agreements with a number of largest Russian private companies, including *AFK System*, *SOGAZ*, et al.

The Altai Krai authorities define and establish the "rules of the game". There are thoroughly elaborated investment standards, cluster development institutions (geographical areas, investment funds, cluster partners, business incubators), regulatory framework and tariff policy concerning electricity, water, heating, etc. Some of the measures implemented by the local authorities are aimed at supporting small and medium-sized businesses. As an example, in March 2015 a cooperation agreement was signed between the Administration of the Altai Krai and the *Agency of loan guarantees*, a non-bank deposit-credit organization. As part of this agreement, the Agency carried out the selection of priority investment projects in Altai Krai, implemented by SMEs, in order to provide direct guarantees for bank loans. The volume of investments required for the implementation of the project will be not less than 200 million rubles⁵.

The experts agree in assessing the prospects of Altai tourism cluster development as very high, while noting the need to improve institutional environment, to implement more elaborated marketing strategy, i.e. to promote the Altai tourism product in the domestic and international markets, to improve quality of services, as well as investment conditions in the tourist industry (Baryshnikov, Mamashev, 2011). There is a lack of skilled staff combined with underdeveloped tourism infrastructure and the inability of enterprises cluster members to meet the demand for tourist services during the peak season (Kuchinova, 2010).

Our research has shown that the Altai tourism cluster may be characterized by following features:

- There is a number of unique natural resources that can significantly contribute to the attractiveness of the destination;
- There are some intra-cluster standards such as investment standard.
- Tourism, transport and related infrastructure is underdeveloped.
- There is no unified marketing strategy and no destination brand positioning.
- The cluster develops in the paradigm of public-private partnership, with the emphasis on the involvement of big private companies.
- A significant problem is the cluster of seasonality and the so-called "weekend tourism", which leads to peak load capacity.
- There is lack of stable linkages with other clusters in the Siberian region, and partnership programs with educational institutions for training.

Therefore, the Altai tourism cluster may be characterized as underdeveloped tourism cluster at the initial stage. It has all the prerequisites to become one of the leading destinations of internal and inbound tourism. Still, the competitive advantages of the Altai nature are underused.

Conclusions

⁴<http://invest.alregn.ru/news/detail.php?ID=959>

⁵http://alttur22.ru/investoram/novosti_dlya_investorov/ao_agentstvo_kreditnyh_garantij_osuwestvlyaet_o_tbor_investicionnyh_proektov_altajskogo_kraya_dlya_okazaniya_garantijnoj_podderzh/

The cluster concept in the Russian Federation is used in a context of applied economic activity. There are two main cluster models used, both on a public-private partnership basis. Considerable funds are allocated by Russian federal government and local government of a number of regions, private initiatives are supported.

The Altai tourism cluster is at the initial stage of formation, with quite good prospects. It has its unique set of local competitive advantages. Still, these advantages are underused. There are no instruments for coordination of marketing activities, advertising and price policy, no coordination and interaction with other emerging tourism clusters in the Siberia.

Therefore, relationship marketing approach is needed. More active collaboration of cluster members, as well as monitoring and further analysis of the Altai tourism cluster development is required. Local authorities, tour operators and agencies, trading houses, sports committees and federations, other structures that are localized in the Altai cluster need to be actively engaged in place marketing activities. As an example, the positioning the region as a kind of "alpine region" for the inhabitants of Siberia, Russian and foreign guests", as well on the development of health and spa tourism, could help to rise the attraction of the Altai destination both for Russian and foreign tourists.

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