

FETDE 2020**International Conference on Finance, Entrepreneurship and Technologies in
Digital Economy****INNOVATIONS AND IMPROVEMENT OF TOURISM AND
HOSPITALITY COMPETITIVENESS IN RUSSIA: THEORETICAL
FRAMEWORK**

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Abstract

The article is dedicated to the rationalization of the theoretical grounds applied when implementing the innovation principles targeting improvement of the tourism and hospitality competitiveness of the region in the conditions of sustainable development as a strategic priority of the regional socio-economic development of Russia. The study attempts assessing Russian tourism competitiveness based on the data of the World Economic Forum (*The Travel and Tourism Competitiveness Report 2017*) and, thus, maintains that the Travel and Tourism Competitiveness Index (TTCI) is based on 15 variables grouped as 4 subindices that define the opportunities for business development in the country, state policy, infrastructure and available natural and cultural resources. Innovative transformations in the regions are to target the development of the international tourism, which implies focusing on the projects ensuring competitive advantages in the global tourism industry. The competitive ability of a regional hospitality market is seen as its ability to create unique innovative economic, organizational and technological environment for tourism product development, provided the adequate productivity is achieved in the international competitive environment in comparison to the tourism regions around the world.

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Keywords: Tourism and hospitality industry, focus on innovation in the tourism and hospitality industry, principles, hospitality innovation



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1. Introduction

The state policy is constantly challenged to create and enhance conditions stimulating competitiveness of the economic actors largely due to the goals set for the national development in the global market, accelerated processes of globalization, growing competition and accumulation of competitive advantages.

The sustainable economic development in the long term is primarily defined by the implementation of the global experience in the innovation activity in the developed countries and by the effects of the factors resulting from the advancements in technology and science. A decisive role in the system of increasingly competitive national economy is played by the innovation factors which provide for the acceleration and continuity of the innovation process and development as well as for the efficient performance of the innovation system.

Conventionally, the modern theory of innovation mostly targets industry almost completely leaving out services and tourism and hospitality segments. Nevertheless, innovations in the tourism and hospitality services are of no less importance as such services are provided within the territory with certain hospitality and recreational resources and environment that form its attractions and contribute to the localization of demand and entrepreneurship in tourism.

However, the globalization processes cause further international competitiveness in the segment of tourism and recreation, which is also explained by regular emergence of new actors (countries) on the global market of tourism and hospitality and, thus, by greater diversification of offers.

Additionally, we can observe sustainable growth in demand for tourism and hospitality services, which is, to a great extent, due to the improvement of social welfare in the transition economies and liberalization processes forging new conditions for international tourist mobility. Moreover, sustainable growth in demand, often accompanied by downward price trends, leads to higher expectations of the tourism product (Crisis Guidelines for the Tourism Industry, 2020).

Today, governmental regulation of the tourism and hospitality industry in the innovation segment is connected with the following issues:

- increase of the gross national income from the tourism and hospitality activity;
- employment of the citizens;
- ensuring the civilized mode of tourism and hospitality activity;
- preservation and protection of the tourism and hospitality resources (Moiseeva, 2019).

Achievement of the above targets requires finding ways of improving performance of tourism and hospitality enterprises, better productivity of the tourism and hospitality potential and creating a positive image of the recreational territories.

Thus, there is a need for rationalizing the nature of competitiveness in the tourism and hospitality business, in the recreational system and resorts in the regions of Russia as well as for defining their competitive advantages, in particular, taking into account innovation advancements in this area.

2. Methods

It is worthwhile mentioning that enhanced competitiveness and continually growing expectations of the tourism product quality have been greatly influenced by the global factors, calling attention to innovations. Innovation activity has become a major factor of hospitality complexes' competitiveness and, hence, it requires transformation of state policy, specifically, at the regional level (Kotler, 2009; Vanieva, 2014).

Innovation activity, just like the tourism and hospitality segment industry, is closely connected with the local conditions; due to this, reformation of the regional tourism policy in the sphere of innovations is particularly advantageous as:

- regional authorities are better at understanding local environment and offering more effective measures to support innovation as each region has its specific problems shaping priorities in the regional innovation development;
- it is easier to organize continuous direct cooperation between public authorities and business at the regional level, which is another condition to be met when implementing innovations;
- regional authorities are capable of substantially complementing the measures of innovation support at the national level by adapting them to the local conditions and channelling them so that tourism and hospitality innovation structures could be successfully formed, etc.

Innovation in the tourism and hospitality industry is a system of scientific, research, organizational, economic, technological and other measures as well as their results focused on the far-reaching changes and upgrading of the tourism product, mechanism of its promotion and selling with the purpose of achieving certain social, economic, ecological and other effects.

Hence, a tourism innovation has two bi-products:

- tourism product innovation (innovation in the set of tourism services and products offered by a travel agency, tourist destination, region, country, etc.);
- innovation in sales and consumption processes.

The innovations of the first type include, for instance, development and popularization of eco-tourism routes whereas an example of the 2nd type innovation may be development of a tour search engine and online booking system in the information space (The Second Meeting of Tourism Recovery Committee of UNWTO. ITB Berlin, 2002).

The effects of the innovation processes in the tourism and hospitality industry may be well illustrated by the example of the Black Sea region which shows the following improvements:

- Development and adoption of the regulatory acts complex contributing to the creation of legal and regulatory environment favourable for the innovation development in the tourism and hospitality industry.
- Formation of the regional innovation system of interacting innovation structures (innovation centres, science parks, innovation business incubators, innovation (technologies) diagnostics centres, technology transfer agencies, regional innovation development centres, business centres, transportation companies, centres for human resources, etc.).

- Formation of the regional network of investment institutions (target investment programs, investment funds, agencies of foreign investment and development organizations, etc.) with the purpose of efficient implementation of innovation projects and enhancement of the innovation activity of the tourism and hospitality actors.
- Facilitation of the efficient state and regional regulation of the adaptive processes transforming scientific and technological potential into the real demand for innovation development in the tourism and hospitality industry.
- Effective development of the strategic destinations and tourism and recreational territories.
- The innovation model of the tourism and hospitality development in Russia displays high potential due to a number of competitive advantages, i.e.:

favourable geography from the point of view of recreation and a vast variety of tourism and hospitality resources;

- high level of education among the local citizens and a developed network of education establishments training specialists in tourism (Yakovenko, 2007).
- At the same time, the study of the development trends in the tourism and hospitality industry allows singling out a number of deterring factors in Russian tourism, such as:
lack of major state-sponsored programs of innovation support;
poor development of the innovation structure, which also concerns innovation business incubators in the hospitality industry that should be responsible for the elaboration and spread of new technologies as well as scientific and research centres, analytical and strategic management departments, tourism laboratories, etc.;
- insufficient expansion of the free economic zones targeting tourism and hospitality development where the whole functioning mechanism of specialized enterprises would stimulate implementation of innovations.

The innovation policy in the regions should target strategic development of international tourism and offer support for the projects providing for the accumulation of competitive advantages on the global tourism and hospitality market.

It is noteworthy that functional and territorial differentiation of the tourism and recreational process in Russia provides for the spatial and temporal heterogeneity of the innovation concept in tourism and hospitality.

Regions with varied levels of hospitality industry development and multiple sets of inherent problems require applying different models of innovation development (Trinh & Ryan, 2016), among them are:

- models of centralized innovation management;
- models of regional priorities;
- models targeting effective use of locally concentrated innovation potential;
- models of integrated innovation space;
- models of international partnership in the innovation industry, etc.

Nevertheless, it is only integrated implementation that could guarantee successful sustainable innovation development in the tourism and hospitality industry in the region and in the country (Yakovenko, 2007).

The criteria of the innovation activity in the tourism and hospitality industry include intensification, proactivity and flexibility (applicability according to the available conditions). In this case, intensification is connected with the quantitative and qualitative innovative changes getting more conspicuous at the level of a region or a hospitality enterprise; flexibility is understood as a feature indicating a shift towards another type of activity marked by a different quality.

3. Results of the research

Taking into account the global imperatives of the growing competition, it is obvious that a modern competitive tourism and hospitality complex should acquire high flexibility and display good dynamics in terms of transformational processes as well as openness and ability to change according to the global tendencies related to innovation (Katanskiy, 2010).

Thereon, innovation in the tourism and hospitality industry is defined by the strategic priorities and available business potential. At the same time, emergence of innovations requires certain conditions and the maximum governmental (regional authorities) support of innovation development, targeting in particular major innovation projects and financing complex research and advanced developments, etc.

Equal efforts made by the governmental authorities and the hospitality business are expected to contribute to significant improvements in the innovation development, which, to a great extent, concerns regions where tourism appears to be a key industry.

The specific features of the innovation activity in the tourism and hospitality industry are as follows:

- diversity of tourism types and their interchangeability;
- heavy reliance on the environment and other social conditions;
- changeability of tourists' preferences;
- strong dependence of the hospitality complex on other industries; need for spreading innovations.

Thus, the innovation processes in the tourism and hospitality industry, alongside with common patterns, have certain peculiarities in the organization of their performance (which is also characteristic of other service industries). Currently, a pivotal role is played by cooperation and open innovations whereas the innovation development of a hospitality complex serves the foundation of its performance (recreational, cultural, social, fiscal functions, etc.) (No & Kim, 2015; Ramos et al., 2016; Trinh & Ryan, 2016).

It should be well understood that radical changes in the regional hospitality industry are geared by the changes in the society. For instance, growing living standards caused by the technological progress, higher cultural and educational levels, transformation of strategic values, greater psychological pressures and accelerating pace of life underlie a growing demand for new impressions, deeper knowledge of the cultural heritage of humanity and interaction with nature.

All these lead to greater demand for tourism and hospitality service and, therefore, to greater competition on the tourism and hospitality market.

Despite differences in the approaches to the nature of competitiveness, all the researches point out that it is relative, relevant and temporal (dynamic) (Pesonen & Horster, 2012):

- it is relative since competitiveness is only manifested through comparison of characteristics of the economic actors;

- it is relevant as the trajectory of the economic actor (its competitive position) as related to other actors can only be defined within certain relevant environment;

- it is temporal (dynamic) since competitiveness as a criterion of an economic actor defines its position on the competitive market along the time coordinate as a result of its competitive performance.

As of today, all the definitions of competitiveness focus on a specific market actor which manages gaining competitive advantages over the other actors of the market due to certain resources.

Nevertheless, there is a significant interrelation between different actors of the market, in this case – of the tourism and hospitality market. Hence, the competitiveness of the aggregated total of individual actors forms the total competitiveness of the regional tourism and hospitality market and, vice versa, high competitiveness of the regional market affects the growth of its individual actors' competitiveness.

Therefore, we maintain the opinion that when defining competitiveness, it is not enough to take into account current competitive positions as attention should also be paid to the potential of an individual actor to preserve/improve competitiveness in the long term.

Thus, competitiveness on the tourism and hospitality market performs as an integrated value displaying various factors of its performance. The competitive environment of the market is generally created by the enterprises active in certain target segments. This competitive environment defines criteria of the tourism and hospitality product quality by setting the volumes and conditions of selling, pricing, advertising approaches, sales promotion, etc. (Moiseeva, 2019).

In other words, the products and services offered by different actors compete on the market. Hence, Table 1 shows the constituents of The Competitiveness Index in the tourism and hospitality industry.

Table 1. Structure of the constituents forming the integrated competitiveness index in the tourism and hospitality industry

Subindex	Constituents
Favorable Environment	- business environment; - safety level; - healthcare and hygiene; - infrastructure of information and communication technologies.
State Policy and Creating Favorable Environment	- segment prioritization; - international openness; - price competitiveness; - ecology.
Natural and Cultural Resources	- natural resources; - cultural resources; - business tourism.
Infrastructure	- air transport infrastructure; -land transport infrastructure; - water transport infrastructure.

Source: compiled by the authors, based on (Moiseeva, 2019)

This research of the competitiveness of the Russian tourism and hospitality industry is based on the data from *The Travel & Tourism Competitiveness Report 2017* published by The World Economic Forum and rating the nations of the world according to The Travel and Tourism Competitiveness Index. The study is published twice a year and collects data from a number of competent international organizations such as The World Tourism Organization (UNWTO), The International Air Transport Association (IATA), The International Union for Conservation of Nature and others.

The Travel and Tourism Competitiveness Index is formed as an integration of 15 variables grouped as 4 subindices defining the opportunities for business development in the country, state policy, infrastructure and available natural and cultural resources (Table1).

The analysis of the rating allows for the assessment of the competitiveness in the tourism and hospitality industry as well as finding bottlenecks. In 2017 the rating involved 136 nations with Spain in the first position and France, Germany, Japan, Great Britain, the USA, Australia, Italy, Canada and Switzerland in the top ten (Table 2).

According to The UNWTO assessment, the world market of tourism and hospitality has been expanding for many years and keeps to such sustainable growth despite the difficulties that are mainly linked to safety issues. Though, having considerable potential for sustainable economic development in terms of tourism and hospitality, Russia still falls behind many other nations.

Table 2. Russia's and other nation's rating according to the travel and tourism competitiveness index (in dynamics) in 2007-2017 (Boschert & Rosen, 2016)

Country	Rating by year and the number of rated countries							+/-2017 by 2007
	2007	2008	2009	2011	2013	2015	2017	
	124	130	133	139	140	141	136	
Russia	68	64	59	59	68	45	48	+20
Turkey	52	54	56	50	46	44	44	+ 8
Israel	32	35	36	46	58	72	61	- 29
Egypt	58	66	64	75	85	83	74	- 16

In fact, Russia shows either above the average or below the average performance according to all the 15 constituents of the Integrated Index, but the overall result allows to conclude that the available potential for sustainable tourism and hospitality development is not used adequately.

According to the competitiveness management methodology suggested by IMD-Lausanne, the basic features of national and regional competitiveness include the economic output, effectiveness of management, business efficiency and infrastructure facilities (Yakovenko). Other researchers introduce the notion of spatial and structural competitiveness of regional socio-economic system as a set of spatial, sectoral, industrial, factor, resource and structural characteristics of competitiveness (Miah et al., 2017).

Thus, on studying the theoretical background, we may conclude that competitive advantages, indeed, should be defined as an integrated whole of certain elements of external and internal environment of an individual actor that allow going into the lead and gaining benefits over other competing actors (Miah et al., 2017).

4. Discussion

Taking into consideration the peculiarities of the regional tourism and hospitality industry as well as the abovementioned concept of competitiveness, we suggest studying the specifics of its competitive advantages formation by outlining basic conditions responsible for grading the sources of competitive advantages, i.e. competitive advantages originating from the economic factors, geographic factors or demographic factors; competitive advantages originating from administrative measures; competitive advantages originating from the market infrastructure development and competitive advantages originating from institutional, informational and ecological background, etc.

Competitiveness of the regional tourism and hospitality industry in the long run shall be considered as preparedness of the region to create innovative, unique economical, organizational and technological conditions for the production and sales of a tourism and hospitality product, should the economic output be appropriate for the international competitive environment and good enough to compete against other tourism regions on the global map.

Through the adaptation of the Porter Diamond Theory of National Advantage based on the dynamic correlation between the four indices in regards to a tourism region, it is possible to single out the basic invariables defining the international competitiveness of the tourism regions, such as:

- factor terms;
- demand for tourism and hospitality resources in a tourism region;
- related sectors providing support for the tourism and hospitality industry;
- strategy of companies, their structure and competitiveness of the tourism and hospitality industry as a whole, etc.

Factor terms include human resources in relation to professional competencies, natural resources, investment capital, scientific and innovation principles of competitiveness improvement in tourism services and well-developed tourism infrastructure.

The above systematization suggests that external factors influence competitiveness of the mega- and macro-regions. This influence takes place primarily due to the effects of the socio-economic, demographic and international changes.

The external factors have serious impact on the tourism and hospitality industry and are marked by certain distinctive features. As for the internal factors affecting competitiveness of a tourism region (development of the accommodation facilities, transportation service, recreational facilities, performance of catering enterprises, retailing of tourism products and services, etc.), it is reasonable to take them into consideration when studying the factor effects at the level of a micro-region.

Modern international practice of tourism policy implementation shows tendencies towards generating an image of a country/region that is attractive for tourists and towards promotion of the national product while internalizing the diversity and uniqueness of its tourism and hospitality potential.

It is a known fact that unlike material production with its 4P marketing complex (product, promotion, place and price), service production is based on a 7P matrix (the above 4P are complemented with people, physical evidence and process).

Taking into consideration the rationalization offered above, we would like to suggest a dynamic 7P marketing mix model.

- Multifunctional nonlinear dependence between its elements; such a model can be described by applying the graph theory.
- The relative value of the 7P elements changes depending on the tourism business projects.
- The content of the 7P elements changes for different types of tourism.
- The principle of centrism is observed for the model: the basic element of the 7P marketing mix model is P1 (people).
- The principle of the stability triangle is applied: when carrying out the operative marketing planning, the links of each 7P element with at least three other elements shall be taken into account.

The analysis of the 7P tourism services marketing complex allows estimating the relative value of its elements, providing $\sum P_i = 1,0$.

The total value of the conventional 4P elements is calculated as follows:

$$\sum_{i=2}^5 P_i = 0,55 \quad (1)$$

The total value of the 3P elements attributable to the service segment is calculated according to the formula below:

$$\sum_{i=1}^{6,7} P_i = 45 \quad (2)$$

Table 3 shows the estimation of the relative value of the elements of the 7P tourism services marketing complex.

Table 3. Estimation of the relative value of the elements of the 7P tourism marketing complex

Pi	P1	P2	P3	P4	P5	P6	P7
value	0.25	0.20	0.15	0.10	0.10	0.08	0.12

Based on (Matyukhin & Kobzeva, 2006)

For instance, a comparatively high value of P1 in Table 3 is explained by the importance of the well-trained professionals engaged in the tourism performance of the actors.

Thus, the sustainable development of the tourism and hospitality industry can become a tool serving the implementation of innovative ideas, formation of competitive advantages, transformation of the old models into the new ones and management in general. For this reason, the three major factors shall be taken into account as such having an enormous impact on the formation of the strategy of the sustainable tourism and hospitality development.

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