



# Development of Resort and Tourist Destinations in Caucasian Mineral Waters in the Context of Global and National Tendencies

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## ABSTRACT

The article describes key tendencies of the Russian tourist market development as an integral part of the global market. Special attention is paid to the Stavropol Krai tourism market, listed in the top 10 most tourism attractive regions of Russia and to the Caucasian Mineral Waters region, as the main region tourism destinations. The analysis of competitive advantages of resorts in Caucasian Mineral Waters relatively to the world's leading thermal spas reveals the regional resorts competitiveness by price. The comparative analysis indicated the high price competitiveness of services by Caucasian Mineral Waters resorts compared to foreign ones. However, even competitive regions may have very low flows of tourists because of the infrastructure inconsistency (full or partial) to the tourists' goals. The main obstacle, proved to inhibit turning the region with competitive natural and cultural characteristics into a full-fledged tourist destination, is the poor quality of accommodation, as well as the low level of development of the systematic infrastructure. Key infrastructure constraints hampering the further development of a tourist cluster in Caucasian Mineral Waters are disclosed, and recommendations for their mitigation are given.

**Keywords:** Caucasian Mineral Waters, destination, tourist infrastructure, competitiveness of tourist services

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## INTRODUCTION

In the modern world, the tourism industry development is considered to be a source for prosperity of some countries. Despite the quite dynamic development of inbound and domestic tourism in Russia in the past few years, the potential of regional tourism destinations is still underused, mostly due to infrastructural limitations and authorities' passivity regarding their elimination. Powers and responsibilities are not clearly delimited between subjects of the tourist market.

A significant contribution to the study of the tourist infrastructure's development has made by S.A. Bogolyubov and D.F. Vasylykha [1, 2], V.A. Lazarev [3], A.A. Kleiman and O.B. Evreinov [4], A.V. Kuchumov [5], M.Y. Sheresheva and E.E. Polyanskaya [6].

The development of the institutional environment of the tourist market represented in the works of A.N. Zakharov and A.A. Ignatiev [7], D.V. Kolpakidi [8], V.I. Kruzhalin and E.M. Kardashev [9], A.A. Fedulin, N.A. Platonov and O.I. Vapnyarka [10].

## RESEARCH METHODS

The following methods have been used in the study: logical generalization, scientific abstraction, and also system and structural analyses of the tourist cluster development in Caucasian Mineral Waters.

The existing theories of tourist infrastructure and market development are considered in this article.

## RESULTS AND DISCUSSIONS

In spite of recent shocks, tourism seems to be one of the most dynamically developing economy sectors. Thus, according to the World Tourism Organization (WTO), the number of international tourist arrivals increased globally from 25 million in 1950 to 278 million in 1980, 527 million in 1995 and 1133 million in 2014. Besides, earnings from international tourism worldwide grew from 2 billion U.S. dollars in 1950 to 104 billion U.S. dollars in 1980, 415 billion in 1995 to 1245 billion in 2014 [11]. According to the long-term forecast, an annual increase in international tourist arrivals worldwide will reach 3.3% and 1.8 billion in 2030. The market share is quickly increased in developing countries: from 30% in 1980 to 45% in 2014 and is expected to reach 57% by 2030, equivalent to one billion international tourist arrivals.

Russia with a modest share of the tourism market in Europe (regarding a vast territory of the country) is actively expanding its presence (Table 1).

Summarizing the results of 2015 with incomplete statistics, the growth of inbound tourism in Russia is estimated as 8%. In 2016, the growth of tourism is forecast by over 5%, primarily because of tourists from Asia (Federal Agency for Tourism, 2016).

**Table 1.** Top 10 European countries by international tourist arrivals

Destination	Number of international tourist profit, mln				Increment of international tourist profit, %			Market share, %
	2011	2012	2013	2014	12/11	13/12	14/13	
Europe	488.9	540.2	566.4	581.8	3.9	4.9	2.7	100
France	77.6	82.0	83.6	83.7	1.8	2.0	0.1	14.4
Spain	52.7	57.5	60.7	65.0	2.3	5.6	7.1	11.2
Italy	43.6	46.4	47.7	48.6	0.5	2.9	1.8	8.3
Turkey	31.4	35.7	37.8	39.8	3.0	5.9	5.3	6.8
Germany	26.9	30.4	31.5	33.0	7.3	3.7	4.6	5.7
Great Britain	28.3	29.2	31.0	32.6	-0.1	6.1	5.0	5.6
<b>Russian Federation</b>	<b>20.3</b>	<b>25.7</b>	<b>28.4</b>	<b>29.8</b>	<b>13.5</b>	<b>10.2</b>	<b>5.3</b>	<b>5.1</b>
Austria	22.0	24.1	24.8	25.3	4.9	2.7	1.9	4.3
Greece	15.0	15.5	17.9	22.0	-5.5	15.5	23.0	3.8
Poland	12.5	14.8	15.8	16.0	11.2	6.5	1.3	2.8

Source: UNWTO Tourism Highlights, Edition 2015 [11]

Moscow and St. Petersburg are considered to be most attractive for foreign tourists accounting for about 60% of total number of foreigners. In recent years significantly increased the foreign tourists' interest to the health resorts of Krasnodar Krai. The percent of foreigners, placed in the regional collective accommodation facilities, is increased from 2 to 6% in the all-Russian index [12].

According to the 2014 World Economic Forum (WEF) rating, Russia takes the 53<sup>rd</sup> place among 144 countries for tourism sector competitiveness (4<sup>th</sup> place for natural tourist resources of world importance, 9<sup>th</sup> place for tourist cultural attractions of world importance, 127<sup>th</sup> place for the tourism sector priority for the state, 83<sup>rd</sup> for state expenditure on tourism) (World Economic Forum: the global competitiveness ranking, 2014-2015). Switzerland, Singapore, USA, Finland and Germany lead the ranking.

The internal tourism was driven to development. Thus the geography of tourist arrivals is uneven (Table 2).

**Table 2.** Top 10 most attractive regions of Russia

Destination	Number of Russian citizens placed in collective accommodation facilities.				Increment, %			Market share, %
	2011	2012	2013	2014	12/11	13/12	14/13	
Russian Federation	29310	31798	32522	33799	8,5	2,3	3,9	100
Moscow	3147	3495	3547	3769	11,1	1,5	6,3	11,2
Krasnodar Krai	2370	2404	2463	3649	1,4	2,5	48,2	10,8
Moscow Region	1937	2129	2581	2448	9,9	21,2	-5,2	7,2
Saint Petersburg	1701	1757	1804	1940	3,3	2,7	7,5	5,7
Republic of Tatarstan	1038	1147	1272	1257	10,5	10,9	-1,2	3,7
Sverdlova Region	905	1065	1058	982	17,7	-0,7	-7,2	2,9
Tyumen Region	869	1076	1105	950	23,8	2,7	-14	2,8
Stavropol Krai	761	774	770	803	1,7	-0,5	4,3	2,4
Nizhny Novgorod Region	622	748	712	766	20,3	-4,8	7,6	2,3
Chelyabinsk Region	679	740	707	734	9,0	-4,5	3,8	2,2

Source: Federal Agency for Tourism, 2016 [12]. The number of Russian citizens placed in collective accommodation facilities.

So half the internal tourist flow accounts for 10 regions of Russia. The beach tourism (Krasnodar Krai) and cultural history tourism (Moscow, St.-Petersburg, Moscow Region, and Nizhny Novgorod region) are considered to be fastest-growing. Unfortunately, despite favourable conditions for tourism development for the last two years, any substantial growth of wellness tourism is not observed, confirmed by a poor growth in the number of tourists at the Stavropol Krai health resorts.

The tourist flow in the Stavropol Krai in 2015 made 1,299,103 people and grew by 6.6% compared to the same period in 2014. The main tourist flow in Stavropol Krai is accounted for Caucasian Mineral Waters (72%) (Table 3).

**Table 3.** Dynamics of the tourist traffic in Caucasian Mineral Waters, Stavropol Krai for 2013-2015

Year	2013	2014		2015	
	thous.people	thous.people	% to 2013	thous.people	% to 2014
Tourist flow	838 040	878 803	104,8	931 101	106

Source: Initial reports of the Ministry of Culture of the Stavropol Krai

Thus, the tourist flow dynamics in Caucasian Mineral Waters corresponds to regional trends and, in many respects, is forming them.

Reasons of unpopularity of the sanatorium-resort vacation in Russia are primarily rooted in a low infrastructural development of health tourism.

In the scientific literature, the tourist infrastructure is considered from two perspectives:

- as a certain conglomerate of economic entities, united by a general assignment, fully or partially, to provide tourists with services [3];
- as an integrated system, which consists of attractors and attractions, and also of the totality of enterprises and institutions located in the region, organizing and serving tourists and providing functioning and development of tourist enterprises [5].

Thus, the tourism infrastructure includes attractors (attraction places considered as the ultimate goal of travels by tourists), transport for tourists to achieve the goals of travel, hospitality objects (accommodation – spa resorts, boarding houses, hotels, motels, campgrounds), food and beverage service for tourists, travel agencies – tour operators, and other facilities, functionally serving tourists, such as credit and financial institutions, trading-consumer enterprises, communication institutions, healthcare institution and others [2].

It should be noted that unlike other sectors of the economy, the infrastructure in tourism ensures the processes of production, distribution and consumption of the tourism product, directly determines its quality, quantity, value, cost characteristics, focusing on match (or mismatch) to the target criteria of the consumer.

The key element of the tourism infrastructure is collective accommodation facilities. The infrastructure of tourism and recreational complex in Stavropol Krai is based on 465 collective accommodations, including: 138 health retreats with a total capacity of 34.8 thousand and 327 hotels with a total capacity of more than 12.8 thousand places. Herewith, the number of accommodation facilities and bed capacity increased year by year. It should be noted that in Caucasian Mineral Waters such types of hotels, as camping and tourist bases are poorly developed.

The analysis of competitive advantages of the resort complex in Caucasian Mineral Waters relatively to the world's leading thermal spas indicates the competitiveness of Caucasian Mineral Waters resorts by price.

The price for accommodation, meals and treatment per person at the resort in Karlovy vary (Czech Republic), popular among high earning Russians, for 14 nights/15 days varies mainly from 700 to 1.250 euros, and a Moscow - Karlovy vary - Moscow ticket costs 30,000 roubles. Thus, the total cost of the tour varies from 81,000 to 122,000 roubles.

German resort Baden-Baden seems to expect elite consumers, offering the price for a person's stay in a standard 2-bed room, including breakfast, at 3 and 4 star spa-hotels from 1067 to 1687 euros. The treatment costs 1313 euro, a Moscow - Baden-Baden - Moscow ticket costs 17,000-19,000 roubles. Therefore, the total tour price ranges from 180,000 to 230,000.

As for import substitution, top resorts are of great interest for analysis, they are available for 33600 to 82600 roubles per person for 14 nights/15 days (See Table 4). Considering a Moscow - Mineralnye Vody - Moscow ticket of 9,500 roubles, the total cost of the tour ranges from 45500 to 92100 roubles.

The comparative analysis allows to speak about the high price competitiveness of services, offered by resorts in Caucasian Mineral Waters comparing to foreign analogues. However, even price competitive regions may have a very low flow of tourists because of the infrastructure inconsistency (fully or partially) to the tourists' purpose.

The main factor, preventing transformation of the territory with competitive natural and cultural characteristics into a full-fledged tourist destination is the poor quality of accommodation facilities.

Poor hospitality and insufficient service culture are observed in the area as well as the ignorance of the medical and hosting staff of foreign languages, poor animation at the resorts.

**Table 4.** The cost of vacation package in resorts in Caucasian Mineral Waters

Resort	City	Price per day, rouble	Price of 14 night/15 day tour, rouble
<b>High level</b>			
Rus'	Yessentuki	4800	67200
Dolina Narzanov		4169	58366
Istock		4800	67200
Rodnik	Piatigorsk	2400	33600
Piatigorskiy Narzan		3870	54180
Solnechniy	Kislovodsk	3560	49840
Plaza		5900	82600
Zarya		5280	73920
Villa Arnest		3900	54600

Vicktoria		2700	37800
Plaza	Zheleznovodvsk	3700	51800
Mashuks Aqua-Term		4100	57400
Dubovaya Rosha		4400	61600
Gornyi Vozduh		3600	50400

Source: It is compiled according to the official website of "Resort-Infotour" (<http://www.kurort-infotour.ru/> - date: 24.11.2015 [13])

With the low quality accommodation infrastructure, the systematic infrastructure is also expected to be developed. Ignoring of agglomeration processes at the municipal level leads to a random construction of the territory without taking into account the interests of neighbouring municipalities, underdeveloped transport-logistics and utilities infrastructure does not allow to accumulate resources for solving the growing environmental problems in the region.

A serious threat to the region ecological safety is the rapid increase in the number of vehicles in cities-resorts in Caucasian Mineral Waters and adjacent areas. Since 2005, this figure rose to 43%, and in 2014 reached almost 340,000 registered motor vehicles, excluding transit vehicles and private vehicles arriving for vacation. Due to this fact, concentration of pollutants in the atmosphere exceeds the maximum permissible up to 100 times.

Development of resorts in Caucasian Mineral Waters is inhibited by the underdeveloped entertainment industry, a small number of children's amusement parks and other leisure facilities; the tour operators' unwillingness to sell tour programs in foreign languages; the insufficient state control over the activity of guides, guides-interpreters and instructors-conductors.

Because of inadequate funding for reconstruction and maintenance, many touristic attractions are ruined and lag behind by quality comparable European resorts. Since objects of the public tourism infrastructure are considered to be the most important element of recreation in Caucasian Mineral Waters, the measures seem urgent to be taken for their immediate restoration.

The current legislation does not assign pump rooms in Caucasian Mineral Waters to the public entities' ownership, and not limit the circle of possible proprietors of pump rooms. Maintaining drinking pump rooms in good condition requires substantial financial resources. A major problem is the poor state of cultural heritage objects.

Infrastructural constraints include the lack of proper informing of potential tourists about the situation at resorts of the North Caucasus Federal district, the lack of sufficient centralized promotion of resorts of the Russian Federation, in particular, in Caucasian Mineral Waters.

A limiting factor in the resort development is lack of inter-municipal cooperation. Agglomeration processes cannot be ignored as the territory is illegally constructed without considering interests of neighbouring municipalities.

One of the reasons reducing the competitiveness of Caucasian Mineral Waters resorts is the lack of an integrated model of regional governance that separates rights, duties and responsibilities of the Federal and regional executive authorities and local self-government bodies, hinders the settlement of property, environmental and other issues of complex development of the Caucasian Mineral Waters region.

### CONCLUSION

The Caucasian Mineral Waters region seems to be perspective for development of the modern resort industry under the international level, for organization of recreation and treatment with mineral waters (hydrosulphuric, siliceous, bromine, etc.), therapeutic mud, bioclimatic resources, salt baths, etc. But currently the region potential is not used effectively. The infrastructural constraints in tourism and recreation in Caucasian Mineral Waters can be eliminated within the comprehensive work in several directions.

National standards of service in accommodation facilities, fixing responsibilities and setting an order for specific work execution for all staff categories, should be developed and adopted. Top-management of resorts and hotels have to pay special attention to service and hospitality issues through implementation of modern global standards for evaluation of the management and service effectiveness, systematic staff training, best practice principles.

At the federal level, more extensive advertising of Russian resorts should be done both within the country and abroad to increase the awareness of potential tourists and tourism industry subjects about its capabilities. The region tourist potential can be promoted by active use of the Internet resources as today people often just google for information about the region.

Many infrastructure constraints are caused by institutional traps due to lack of clear distribution of powers between the federal, regional, local authorities for Caucasian Mineral Waters development, and ineffective interaction between the authorities and business. The task can be partly solved by using a tool of public-private partnership in tourism through: 1) cooperation, involving an equal share of participation in profits, management, risk and decision-making; 2) attraction by the government of business as professional managing companies; 3) establishment of associations to achieve specific goals (e.g. promoting tourism destinations of Caucasian Mineral Waters); 4) concession (transfer of state ownership objects to commercial structures under concession agreements for temporary use (for example, transfer the national Park of Kislovodsk))

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