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## NEW CHALLENGES OF QUALITY OF THE MARKET OF HEALTH-RESORT AND TOURIST SERVICES: CASE STUDY OF KRASNODAR KRAI (RUSSIA)

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**Abstract:** *The goal of this research consists in the identification of new challenges of quality of the market of health-resort and tourist services of the Krasnodar Krai. This research presents an analysis of the tourism market of the Krasnodar Krai based on the data from regional statistics for 2012-2016. The methods of statistical analysis, graphical interpretation of data, expert estimations, and content analysis have been used. It has been found that the market of health-resort and tourist services of the Krasnodar Krai, which is an established well-structured economic system with a substantial potential for development and competitiveness, will soon be faced with a number of challenges, where the key challenges are flashpacker activity and the growth of globalized competition in the age of economic globalization of modern Russia. In order to overcome them, one should adequately interpret the factors influencing the performance of this market in the region with a focus on indicative indicators defined by the “Concept of Development of Health-Resort and Tourist Complex in the Krasnodar Krai until 2030”. The authors have identified competitive strengths of resorts in the Krasnodar Krai which can and should serve as the basis for the strategy of development of the market of health-resort and tourist services of Krasnodar Krai (Russia).*

**Keywords:** *Market of health-resort and tourist services, Tourist product, Domestic tourism, Inbound tourism, Krasnodar Krai, Modern Russia*

### 1. Introduction

One of the most important features of the modern stage of development of economic systems consists in their postindustrial orientation. This determines the target qualitative characteristics of economic growth associated with the prevalence of the service sector and reliance on small and medium business. Hence, retail enterprises that constitute the basis of the service sector and are mainly represented by small and

medium-sized business entities become the most popular and promising object of economic analysis.

Krasnodar Krai (Russia) has sufficient material and technical base, unique natural and recreational, historical and cultural resources for the competitive development of the market of health-resort and tourist services. The krai is the largest recreational region of all constituent entities of the Russian Federation which are most frequently visited by the tourists.

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Over 16 years (2000-2016), the number of tourists on vacation in the Krasnodar Krai increased has by a factor of 3.29; this being said, the tourist traffic flow has increased by 32.7% (by 3.9 million people) for 2014-2016 alone. There is a considerable increase in the tourist traffic flow in the formal sector (+ 86.3% for 2011-2016). In 2016, the tourist traffic flow to the resorts of the krai amounted to 15.8 million people (an increase of over 6% as compared to 2015).

Health-resort and tourist complex plays one of the key roles in the region's economy, providing it with the leading positions in the Russian tourism market as an important seaside balneological and health resort and recreation center.

In 2016, balneotherapy and mudtherapy services in the Krasnodar Krai were provided in 188 health-resort and tourist organizations, in which 143 balnearies, 134 mud treatment departments and rooms, and 60 pump-rooms with mineral water were active.

The region has over 500 km of seaside of the Black Sea and the Sea of Azov. The krai contains 18 health zones, 3 of which have the status of federal significance – Sochi, Gelendzhik and Anapa.

In 2016, the market of health-resort and tourist complex of the Krasnodar Krai was the most fast-moving sector of regional economics. In particular, with the growth rate of the gross regional tourist product of the krai for this period - 101 % (as compared to 2015), the growth rate of the scope of services of health-resort and tourist complex amounted to 108.5 %. It is the best indicator among all sectors of the krai. For example, the growth rate in agriculture amounted to 106.1 %, in retail trade - 100 %, in construction sector - 93.8 %.

Against the backdrop of a slump in outbound tourist traffic flow in 2015-2016 caused by a change in the economic situation due to the imposition of economic sanctions against the Russian Federation and the closure of a number of popular beach holiday destinations, domestic resorts and tourist

resort areas have become increasingly popular among Russians. The Krasnodar Krai turned out to be the undisputed leader in this situation, since, according to Federal Tourism Agency, it hosted at least one-third of the 33-million traffic flow of domestic travelers in 2015. 2016 showed record numbers as well. Krasnodar Krai hosted 15.8 million visitors, 6 million of which visited Sochi. This being said, the share of tourists visiting the region during the winter season increased by 8% in 2017.

The resorts of the Krasnodar Krai have been steadily keeping the lead in terms of popularity with domestic and foreign tourists in recent years. In the rating research that was conducted by the Information Communications Center "Reyting" together with the magazine "Otdykh v Rossii" based on an analysis of open sources and departmental statistics, in 2015, the Krasnodar Krai became the leader with 70.9 points, while in 2016 with 77,3 points it only yielded the pas to Moscow and St. Petersburg.

In the ranking of the level of development of health-resort and tourist complex, the Krasnodar Krai ranks fourth among the Russian leading regions after Moscow, St. Petersburg, and the Republic of Tatarstan.

At the same time, solving the problem of the integrated development of health-resort and tourism market of the Krasnodar Krai in the context of escalated competition with domestic and foreign resorts against the background of sagging consumer demand of Russians for tourist services requires the development of an absolutely new strategy for managing recreational and tourism sphere. This strategy should be based on the assessment of factors influencing the formation of an interest to visiting the Krasnodar Krai with the tourists, as well as adequate interpretation of indicators of dynamics of tourist traffic flow for the purpose of cautious evaluation of tourism development trends in the region. The goal of this research consists in the identification of new challenges of quality of the market of

health-resort and tourist services of the Krasnodar Krai.

## 2. Review of literature

Modern challenges of the markets of health-resort and tourist services are discussed in papers of such researchers as Can and Gozgor (2018), Gardiner and Scott (2018), Hung (2018), Liu (2018), Solarin (2018), Yusuf (2014), Jakulin & Čop (2017), Kuo et al. (2019), Kuo et al. (2018), Mejia et al. (2018), Vu et al. (2018), Warren et al. (2018), Warren et al. (2018), Yu et al. (2018), Zhou et al. (2019).

Amara (2017) emphasizes the importance of responsible marketing as a factor of competitiveness of suppliers in the market of health-resort and tourist services. The integration processes in the markets of health-resort and tourist services (by the example of Australia) are studied in the work Kourtzidis et al. (2018).

The necessity and high complexity of segmenting of the global market of health-resort and tourist services due to the specifics of consumer preferences in different countries are emphasized in the work Lin et al. (2019). The important role of state regulation in the modern markets of markets

of health-resort and tourist services is emphasized in the work María Martín-Martín et al. (2019).

Still, despite the high degree of elaboration of the problem under discussion, the challenges of the markets of health-resort and tourist services are specific for each particular market, which stipulates the need for empirical study in each region. The challenges of the market of health-resort and tourist services in Krasnodar Krai (Russia) are still understudied and require further scientific research. This article is to fill the determined gap in the system of the modern scientific economic knowledge and to determine new challenges of the market of health-resort and tourist services from the positions of the quality of provided services by the example of Krasnodar Krai (Russia).

## 3. Research methodology

This research presents an analysis of the tourism market of the Krasnodar Krai based on the data from regional statistics for 2012-2016. The methods of statistical analysis, graphical interpretation of data, expert estimations, and content analysis have been used. The initial data for the research are given in Tables 1-10.

**Table 1.** Arrivals of foreign citizens in the Krasnodar Krai and departures of Russian citizens abroad by purposes of travels<sup>1)</sup>

Purposes of travels	The number of arrivals of foreign citizens from non-CIS countries and CIS countries <sup>2)</sup>				
	2012	2013	2014	2015	2016
Total number of trips (including transit visits)	953,637	1,057,749	920,812	922,618	866,061
of them, by purposes of travels:					
Business travel	79,108	77,980	80,063	96,147	74,737
Tourist trip	32,107	48,688	46,009	31,994	17,655
Private journey	699,860	786,302	640,179	642,702	625,274
service staff <sup>3)</sup>	133,982	136,506	145,910	137,079	130,607

<sup>1)</sup> According to figures from the Border Administration of the Krasnodar Krai of the Federal Security Service of the Russian Federation.

<sup>2)</sup> Without considering arrivals in places of domicile.

<sup>3)</sup> Drivers of motor vehicles and crews of sea vessels, river vessels and aircrafts, railway transport teams.

Source: compiled by the authors based on materials from the Administration of the Federal State Statistics Service for Krasnodar Krai and the Republic of Adygea (2019).

**Table 2.** Departure of Russian citizens abroad by purposes of travels

	The number of departures of Russian citizens to non-CIS countries and CIS countries <sup>4)</sup>				
	2012	2013	2014	2015	2016
Total number of travels	3,957,402	4,059,716	3,808,773	4,119,681	4,465,952
by purposes of travels, including:					
Business travel	4,657	6,927	6,436	10,906	16,788
Tourist trip	120,978	170,184	156,876	158,138	79,070
Private journey	3,758,156	3,817,238	3,600,787	3,910,062	4,321,213
service staff <sup>3)</sup>	73,611	65,233	44,674	40,575	48,881

<sup>4)</sup> Without considering departures of citizens to places of domicile and members of the services.

Source: compiled by the authors based on materials from the Administration of the Federal State Statistics Service for Krasnodar Krai and the Republic of Adygea (2019).

**Table 3.** The number of tourist companies in the Krasnodar Krai

Indicators	2012	2013	2014	2015	2016
The number of travel companies (at the year-end) – total	395	400	408	385	518
were involved in, including:					
tour operator activities	15	20	11	11	23
travel agency activities	217	225	255	243	311
tour operator activities and travel agency activities	60	60	53	51	62
sightseeing activities	103	95	89	80	122
Average number of employees (including external part-timers and out-of-payroll employees), thousand people.	2.2	2.3	2.4	2.5	2.0

Source: compiled by the authors based on materials from the Administration of the Federal State Statistics Service for Krasnodar Krai and the Republic of Adygea (2019).

**Table 4.** Key performance indicators of travel companies

Indicators	2012	2013	2014	2015	2016
Total number of package tours sold to the public, thousand	<b>109.6</b>	<b>171.8</b>	<b>166.4</b>	<b>181.2</b>	<b>128.1</b>
including:					
within Russia	51.0	74.8	86.9	99.0	93.3
in foreign countries	58.5	97.0	79.5	82.2	34.8
Total cost of package tours sold to the public, million rubles	<b>4519.4</b>	<b>6636.1</b>	<b>7066.2</b>	<b>7348.6</b>	<b>6412.8</b>
including:					
within Russia	1208.4	1680.4	2248.9	2463.3	3644.1
in foreign countries	3310.9	4955.7	4817.3	4885.3	2768.7
Average cost of one package tour, thousand rubles	<b>41.2</b>	<b>38.6</b>	<b>42.5</b>	<b>40.6</b>	<b>50.0</b>
including:					
within Russia	23.7	22.5	25.9	24.9	39.1
in foreign countries	56.6	51.1	60.6	59.4	79.5

Source: compiled by the authors based on materials from the Administration of the Federal State Statistics Service for Krasnodar Krai and the Republic of Adygea (2019).

**Table 5.** Dynamics of key performance indicators of travel companies in 2012-2016 (as compared to the previous year; in per cent)

Indicators	Growth rate 2013/2012	Growth rate 2014/2013	Growth rate 2015/2014	Growth rate 2016/2015	Growth rate 2016/2012
Total number of package tours sold to the public, thousand	<b>156.8</b>	<b>96.8</b>	<b>108.9</b>	<b>70.7</b>	<b>116.9</b>
including:					
within Russia	146.7	116.2	113.9	94.2	182.9
in foreign countries	165.8	81.9	103.3	42.3	59.5
Total cost of package tours sold to the public, million rubles	<b>146.8</b>	<b>106.5</b>	<b>103.9</b>	<b>87.2</b>	<b>141.9</b>
including:					
within Russia	139.1	133.8	109.5	147.9	301.6
in foreign countries	149.7	97.2	101.4	56.6	83.6
Average cost of one package tour, thousand rubles	<b>93.7</b>	<b>110.1</b>	<b>95.5</b>	<b>123.1</b>	<b>121.4</b>
including:					
within Russia	94.9	115.1	96.1	157.0	164.9
in foreign countries	90.3	118.6	98.0	133.8	140.5

Source: Compiled by the authors based on materials from the Ministry of Resorts, Tourism, and Olympic Heritage of the Krasnodar Krai (2019b)

**Table 6.** Distribution of tourist product turnover and the average cost of one package tour by types of tourism

Types of tourism	Tourist product turnover (total cost of package tours), million rubles			Average cost of 1 package tour, thousand rubles		
	2015	2016	Growth rate 2016/2015,%	2015	2016	Growth rate 2016/2015,%
Total	7,348.6	6,412.8	87.2	40.6	50.0	123.1
including:						
domestic tourism (tours in Russia sold to Russian citizens)	2,352.6	3,612.2	<b>153.5</b>	24.1	39.2	<b>162.6</b>
inbound tourism (tours in Russia sold to foreign citizens)	110.7	32,0	<b>28.9</b>	71.9	30.2	<b>42.0</b>
outbound tourism (tours in foreign countries sold to Russian citizens)	4,885.3	2,768.7	<b>56.6</b>	59.4	79.5	<b>133.8</b>

Source: Compiled by the authors based on materials from the Ministry of Resorts, Tourism, and Olympic Heritage of the Krasnodar Krai (2019b)

**Table 7.** average prices for one vacation trip to foreign countries (yearly average; rubles)

Indicators	2012	2013	2014	2015	2016
Vacation trip to Spain 8 days (7 nights), per trip	30,978	36,954	41,029	54,902	61,817
Circular tour to France 8 days (7 nights), per trip	36,345	39,230	48,454	72,991	74,918
Circular bus tour through the cities of Europe - 8 days (7 nights), per trip	20,883	22,178	27,491	32,383	36,381
Circular tour to Germany 8 days (7 nights), per trip	45,253	41,861	42,996	49,753	58,462

Source: Compiled by the authors based on materials from the Ministry of Resorts, Tourism, and Olympic Heritage of the Krasnodar Krai (2019b)

**Table 8.** Distribution of tourist product turnover and the number of tourists by types of tourism

Types of tourism	Tourist product turnover (total cost of package tours), million rubles		The number of tourists served, thousand people		In per cent of the total:			
	2015	2016	2015	2016	2015		2016	
					Tourist product turnover	The number of tourists	Tourist product turnover	The number of tourists
Total	7,348.6	6,412.8	371.4	373.7	100	100	100	100
including:								
domestic tourism (tours in Russia sold to Russian citizens)	2,352.6	3,612.2	196.1	294.0	32.0	52.8	56.3	78.7
inbound tourism (tours in Russia sold to foreign citizens)	110.7	32.0	1.5	1.5	1.5	0.4	0.5	0.4
outbound tourism (tours in foreign countries sold to Russian citizens)	4,885.3	2,768.7	173.8	78.2	66.5	46.8	43.2	20.9

Source: compiled by the authors based on materials from the Administration of the Federal State Statistics Service for Krasnodar Krai and the Republic of Adygea (2019).

**Table 9.** The number of tourists served by travel companies

Indicator	2012	2013	2014	2015	2016
The number of tourists served – total, people	227,869	303,631	347,520	371,431	373,707
per employee	104	134	146	149	188
The number of one-day sightseeing visitors, thousand people	837.5	791.8	946.1	836.9	770.0
The number of tourists sent to tours abroad – total, people	142,287	197,620	183,190	173,775	78,219
in per cent	100	100	100	100	100

**Table 9.** The number of tourists served by travel companies (continued)

Indicator	2012	2013	2014	2015	2016
Of which as a percentage of the total:					
Turkey	36.6	33.0	37.8	29.6	12.0
Greece	1.7	4.5	6.3	6.1	16.2
Egypt	17.0	13.4	7.6	6.0	2.3
Italy	4.9	3.3	2.8	2.0	4.5
Spain	5.2	4.4	3.1	2.3	3.0
Czech Republic	3.5	2.6	2.6	1.7	3.4
Cyprus	0.8	6.3	1.9	2.5	12.7
France	1.8	1.1	0.9	0.8	0.8
UAE	5.2	5.9	4.8	5.9	6.7
Thailand	2.7	4.4	3.8	3.0	13.2
Tunisia	0.3	1.7	2.2	3.0	11.8
Israel	0.8	5.6	0.4	0.2	0.4
The number of tourists sent to tours in Russia – total, people	85,329	105,646	162,093	196,156	295,488

Source: compiled by the authors based on materials from the Administration of the Federal State Statistics Service for Krasnodar Krai and the Republic of Adygea (2019).

**Table 10.** Dynamics in the number of tourists served by travel companies (as compared to the previous year; in per cent)

Indicator	Growth rate 2013/2012	Growth rate 2014/2013	Growth rate 2015/2014	Growth rate 2016/2015	Growth rate 2016/2012
The number of tourists served – total, people	133.3	114.5	106.9	100.6	164.0
per employee	128.8	122.4	102.1	126.2	180.8
The number of one-day sightseeing visitors, thousand people	94.5	119.5	88.5	92.0	91.9
The number of tourists sent to tours abroad – total, people	138.9	92.7	94.9	45.0	54.9
The number of tourists sent to tours in Russia – total, people	123.8	153.4	121.0	150.6	346.3

Source: Compiled by the authors based on materials from the Ministry of Resorts, Tourism, and Olympic Heritage of the Krasnodar Krai (2019b)

#### 4. Results

Against the backdrop of a slump in outbound tourist traffic flow in 2015-2016 caused by a change in the economic situation due to the imposition of economic sanctions against the Russian Federation and the closure of a number of popular beach holiday destinations, domestic resorts and tourist resort areas have become increasingly popular among Russians. The Krasnodar Krai turned out to be the undisputed leader in this

situation, since, according to Federal Tourism Agency, it hosted at least one-third of the 33-million traffic flow of domestic travelers in 2015. 2016 showed record numbers as well. Krasnodar Krai hosted 15.8 million visitors, 6 million of which visited Sochi. This being said, the share of tourists visiting the region during the winter season increased by 8% in 2017.

The resorts of the Krasnodar Krai have been steadily keeping the lead in terms of popularity with domestic and foreign tourists

in recent years. In the rating research that was conducted by the Information Communications Center “Reyting” together with the magazine “Otdykh v Rossii” based on an analysis of open sources and departmental statistics, in 2015, the Krasnodar Krai became the leader with 70.9 points, while in 2016 with 77,3 points it only yielded the pas to Moscow and St. Petersburg. In the ranking of the level of development of health-resort and tourist complex, the Krasnodar Krai ranks fourth among the Russian leading regions after Moscow, St. Petersburg, and the Republic of Tatarstan. At the same time, solving the problem of the integrated development of health-resort and tourism market of the Krasnodar Krai in the context of escalated competition with domestic and foreign resorts against the background of sagging consumer demand of Russians for tourist services requires the development of an absolutely new strategy for managing recreational and tourism sphere, as is pointed out in papers of Toporov and Savelieva (2015), Savelieva (2015).

The performance of travel companies in the Krasnodar Krai in 2012-2013 was characterized by incremental dynamics. Thus, the growth rate of the number of arrivals in the Krasnodar Krai (inbound tourism) in 2013 was 110.9 as compared to 2012.

The highest growth rate of the number of arrivals of foreign citizens was demonstrated by arrivals for travel - 151.6%, private journeys - 112.3%, a decrease by 1.42% could be observed in business travels. Since 2014, the situation in the tourism market was characterized by the decline in the growth rate of outbound tourist traffic flows and the growth of domestic tourism, which was due to a fall in the ruble, economic sanctions against Russia, and exacerbated foreign policy problems. This trend persisted in 2015-2016 as well. In 2016, the number of arrivals of foreign citizens in Krasnodar Krai decreased by 6.1%; this had the most significant impact on those who arrived for travel, the slump rate was 44.8% here, and

slump rate for business travels was 22.3%. In 2016, measures were taken to reduce the number of travels of Russian citizens on tourist trips to Turkey and Egypt. In the review period for 2012-2016, departures of Russian citizens to non-CIS countries and CIS countries were characterized by incremental dynamics, except for year 2014, when there was a decrease in the total number of travels by 6.18%, including duty travels - by 7.0%, tourist travels - by 7.8%; the number of private journeys has reduced by 5.67%, while service staff departures decreased by 31.5%.

In 2016, the growth rate of the total number of overseas travels of Russians amounted to 108.4%; in addition, departures on business travels amounted to 153.9%, service staff departures amounted to 120.4% and private travels amounted to 110.5% demonstrated the highest growth rate. At the same time, departures of Russians on tourist trips demonstrated a 50% slump. In 2016, a significant increase in the number of travel companies could be observed, which amounted to 134.5%; furthermore, the growth rate of companies involved in tour operator activities in 2016 as compared to 2015 amounted to 209%, as compared to the growth rate of companies involved in travel agency activities at a level of 127.9%. High growth rate was demonstrated by the sightseeing activities; thus, in 2016, the rate of the increase in volumes of sightseeing activities amounted to 152.5% as compared to 2015.

The dynamics of key performance indicators of travel companies in the Krasnodar Krai for the five-year period from 2012 till 2016 is presented in Table 4 and Table 5. The steady dynamics of the rate of growth in the number of package tours sold to the public could be observed from 2012 till 2015; thus, the growth rate in 2015 was 108.9% as compared to 2014. The number of travel companies in the Krasnodar Krai has increased over the last five years from 386 companies in 2015 to 518 companies in 2016. The sector of travel agency activities and sightseeing activities

experienced particularly brisk growth. In 2016, the slump in certain performance indicators of travel companies could be observed.

In 2016, as compared to 2015, there was a dramatic decline in the number of package tours sold to the public from 181.2 to 128.1 thousand pcs, the slump rate was 29.3%. A slump in volumes of package tours sold in value terms could be observed: from 7,348.6 to 6,412.8 million rubles. Furthermore, the percentage of a decrease in the number of travels within Russia amounted to 5.8%, whereas for foreign countries the slump rate was 57.7 %, according to the materials from the Administration of the Federal State Statistics Service for the Krasnodar Krai and the Republic of Adygea (2019). The above figures reflect a general downtrend in direct receipts from travel business caused by general economic factors.

It should be noted that there was a significant increase in the cost of package tours sold to the public in domestic tourism in 2016; the growth rate was 162.6% as compared to 2015. The average cost of a package tour in foreign countries has increased by as little as 133.8%. Furthermore, a slump of 43.4% in the turnover of the tourist product in foreign countries could be observed (See Table 6).

The average prices for tours to Europe are presented in Table 7. As a comparison, the average cost of one package tour in Russia in 2016 amounted to 39.1 thousand rubles, the growth rate amounted to 157.0% by 2015, in foreign countries 79,5 thousand rubles and the growth rate amounted to 133.8%. The demand for tours is in direct proportion to the income level of Russian citizens.

According to figures from tour operators, in 2016 in Sochi the average purchase size amounted to 39,850 rubles for a package tour for 1-3 persons. As a comparison, it amounted to 36,030 rubles in 2015. In 2017, there still persisted a sustained downtrend in terms of the average purchase size of a trip to Sochi; the average purchase size amounted to 35,500 rubles. One of the reasons for the decrease of

the average purchase size is the growth in demand for the segment of inexpensive recreation – unformal sector: mini-hotels, guest houses etc., as evidenced by statistics on the tourist traffic flow with a breakdown into formal and unformal market sectors in the Krasnodar Krai. The unformal sector is 1.5-2 times larger than the formal sector. Moreover, this trend is pronounced and has been actively developing since 2003, according to the materials from the Ministry of Resorts, Tourism, and Olympic Heritage of the Krasnodar Krai (2019b)

Another reason for the decrease in the average purchase size in travel agencies was the increased competition in the health-resort and tourism market of the Krasnodar Krai. This was due to the entry of major federal tour operators into the Sochi market in 2014, which offered the market a tourist product at a reasonable price. In circumstances where there was a growing competition in the tourism market, the issues of price competitiveness of the tourist product of resorts in the Krasnodar Krai are of paramount importance and require smart pricing policy and optimization of the cost of production of the tourist product and services from the market players. The dynamics of the provision of services to the tourists in travel companies of the krai is presented in Table 9 and Table 10.

In 2013, the growth rate of the outbound tourism amounted to 138.8% as compared to 2012; in the following years, first there was a gradual reduction of tourist traffic flows in the outbound tourism; thus, the slump rate was 7.3% in 2014, 5.1% in 2015, while in 2016 there was a 54.9% slump in the outbound tourist traffic flow which was due to the imposition of counter measures against Russia.

In 2012, the countries that had a commanding lead in terms of the outbound tourism were Turkey – 36.6% of the total number of tourists sent by travel companies of the Krasnodar Krai to tours abroad, Egypt - 17.0%. In 2016, the three leaders were as follows: Greece –

the growth rate of 16.2%, Thailand – 13.2%, Turkey – 12.0%.

In 2016, there was a trend of the growth in demand for domestic tourism and the slump in demand for tours abroad due to a number of objective reasons – the sanctions on the outbound tourism were still in place in that period, the currency rate was unfavorable, and there was a drop in real income and paying capacity of population.

In 2017, the situation in the tourism market drastically changed as compared to 2016. Beach destinations and sightseeing tours in Russia showed the slump in demand in the end of summer season of, in particular, in the Krasnodar Krai - by 20%. The maintenance of demand in 2017 was due to the record low cost of tours – 15-20 % cheaper than in 2016. Furthermore, the profitability of tour operators and travel agencies fell by half. The outbound tourism market has grown significantly in almost all abroad destinations. The return of Turkey immediately gave an increment of growth of about 3 million tourists. According to preliminary estimates, about 3.8 million Russians had their vacation in Turkish resorts in 2017. Renewed air travel with Egypt will increase the outbound tourist traffic flow from the Russian Federation by another 1.5 - 2 million people a year. In 2018, experts predict an even greater decline of domestic tourism due to the financial insolvency of Russians; thus, according to figures from the All-Russian Public Opinion Research Center, only one percent of Russians plan to go off on a New Year's journey. According to the information from web portal "Rossiya 24" (2019), people plan to spend most of the money on food and gifts.

## 5. Discussions and conclusions

The above brief overview of the situation in the health-resort and tourist complex of the Krasnodar Krai is indicative of the dynamic development of the tourism market in the region, a significant contribution of the tourism sector to the economy of the krai, its

high economic and social significance.

In order to implement the state policy aimed at the integrated development of the recreational and tourism sphere in the Krasnodar Krai and to ensure favorable competitive conditions in the industry market, it is necessary to create conditions to ensure the competitiveness of organizations and services of health-resort and tourist complex of the Krasnodar Krai. The core of this work should be built upon the formation of conditions for the year-round functioning of enterprises and organizations of health-resort and tourist complex of the Krasnodar Krai along with ensuring the availability of health resort treatment and rest for broad segments of Russian and foreign population.

The underestimation of the influence of the price factor against the background of the decreased level of tourist mobility of population may lead to the fact that the tourist traffic flow to the Krasnodar Krai will begin to drastically decrease, both in general and in the context of certain tourist destinations. Its structure will change too due to a shift in priorities of tourists towards the choice of less expensive means of accommodation and the increase in flashpacker activity..

Regional statistical observations which are held by Krasnodarstat and Sochi State University on a yearly basis and make it possible to evaluate the scale of flashpacker activity, show that most tourists on vacation visit the resorts of the Krasnodar without any health-resort and tourist package tours, that is, they organize their vacation themselves. They actively employ the services of individual means of accommodation with a bedspace of less than 50 beds ("mini-hotels", private apartments and houses), as well as camp sites. A slight share of backpackers is accounted for the main Black Sea health resorts of the krai – Sochi, Anapa, Gelendzhik and Tuapse district. Although the popularity of the Azov coast, which has all the prerequisites for the gradual transformation into a full-fledged tourist destination, has been growing in recent years thanks to the development of

infrastructure of recreation places.

The number of backpackers who made use of services of individual means of accommodation in the resort zone of the Krasnodar Krai, including persons who received accommodation from their relatives and acquaintances, amounted to 9.3 million people in 2015 as compared to 5.8 million people in collective means of accommodation, including hotels, sanatoria, pensionates and other facilities with a bedspace of over 50 beds. At the same time, the number of backpackers in the Krasnodar Krai in general demonstrated a visible upward trend over 2010-2015. There is no doubt about the fact that this trend is due to reorientation of a large number of Russians to the domestic tourism due to bankruptcy of many Russian tour operators, imposition of anti-Russian sanctions, prohibition on foreign trips for certain categories of public officials, member of the services etc. along with a lack of affordable offers of package tours with accommodation on the basis of collective means of accommodation.

The opened access to Turkey in 2017, and presumably Egypt in 2018, as well as the increased affordability of other destinations of outbound tourism will also enhance the influence of the price factor on the competition in the market of health-resort and tourist services. This problem will be further exacerbated due to the vicinity of resorts of Abkhazia, where the bednight cost in 2016 was significantly lower (an average of 1,500 rubles as compared to 4,500 rubles in the Krasnodar Krai).

As can be seen from the above, the market of health-resort and tourist services of the Krasnodar Krai, which is an established well-structured economic system with a substantial potential for development and competitiveness, will soon be faced with a number of challenges. In order to overcome them, one should adequately interpret the factors influencing the performance of this market in the region with a focus on indicative indicators defined by the “Concept

of Development of Health-Resort and Tourist Complex in the Krasnodar Krai until 2030”.

The research has shown that the rest in health resorts of the Krasnodar Krai 93.2% is the main tourist product of travel companies of the Krasnodar Krai. Over 16 years (2000-2016), the number of tourists on vacation in the Krasnodar Krai increased has by a factor of 3.29; this being said, the tourist traffic flow has increased by 32.7% (by 3.9 million people) for 2014-2016 alone. There is a considerable increase in the tourist traffic flow in the formal sector (+ 86.3% for 2011-2016). In 2016, the tourist traffic flow to the resorts of the kraï amounted to 15.8 million people (an increase of over 6% as compared to 2015), as pointed out in the materials from the Ministry of Resorts, Tourism, and Olympic Heritage of the Krasnodar Krai (2019a).

The tourism sector exercises significant influence on key sectors of the economy: transport, trade, communications, construction and other industries. Currently, 3-4 foreign tourists provide one job in the economy of the country. The ratio between intraregional and interregional travels will change from 82:18 to 76:24 in 2020 (according to UNWTO Tourism Highlights, 2016 Edition). Hence, the upward trend in regional tourism is a significant factor of development of local tourist complexes, and in particular, seaside territories.

The authors have identified the following competitive strengths of resorts in the Krasnodar Krai, as pointed out in papers of Romanova et al. (2014) and Serdiukova et al. (2016):

- 1) Unique benefits of Sochi resort: famous sea resort and spa resort; unique humid temperate climate; it is the largest resort in Russia; it has a renovated seaport; new world-class hotels; well-developed infrastructure for recreation and entertainment; traditions of sanatorium therapy, renovated sanatoria; it is the capital of the XXII

Olympic Games and XI Winter Paralympic Games; it is the center of event and cultural tourism; a gambling zone is being created in the mountain cluster of Sochi resort.

- 2) Anapa resort – recreation for children.
- 3) Gelendzhik resort – reasonably priced family recreation.
- 4) Resorts of Novomikhaylovsky district – beach recreation, caravanning.

The following target audiences of the tourist product of resorts in the Krasnodar Krai have been identified:

- 1) Citizens of regions of Russia (70%).
- 2) Citizens of EEU countries, CIS countries and near-abroad countries (20%).
- 3) Citizens of other countries. The main promising destination markets of the countries are China, Iran, Turkey, Israel, Germany, etc. (10%).

The above analysis shows that the development of the tourism market of the Krasnodar Krai generally has incremental dynamics. For the review period from 2012 till 2016, there was a double increase in the volume of sales of all types of health-resort and tourist services; the volume of paid services provided to the public generally grew (from 13.22% to 15.35%) for all types of services without exception, too; the volume of tax proceeds from enterprises of health-resort and tourist complex of the Krasnodar Krai and their share for the five year period increased by 1.5 times.

In order to implement the state policy aimed at the integrated development of the recreational and tourism sphere in the Krasnodar Krai and to ensure favorable competitive conditions in the industry market,

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it is necessary to create conditions to ensure the competitiveness of organizations and services of health-resort and tourist complex of the Krasnodar Krai. The core of this work should be built upon the formation of conditions for the year-round functioning of enterprises and organizations of health-resort and tourist complex of the Krasnodar Krai along with ensuring the availability of health resort treatment and rest for broad segments of Russian and foreign population.

The underestimation of the influence of the price factor against the background of the decreased level of tourist mobility of population may lead to the fact that the tourist traffic flow to the Krasnodar Krai will begin to drastically decrease, both in general and in the context of certain tourist destinations. Its structure will change too due to a shift in priorities of tourists towards the choice of less expensive means of accommodation and the increase in flashpacker activity.

## 6. Research limitations and direction for further research

The performance of the health-resort and tourism market of the Krasnodar Krai is representative of the common economic problems and challenges which Russia was faced with in 2014-2016. The solution of the problem of improving competitiveness of the tourist product of resorts in the Krasnodar Krai is associated with maintaining a steady influx of tourists into the region, which can be achieved through a balanced pricing policy in the sphere of hospitality services with the maintenance of their proper quality. Its development was left outside the scope of this research and should be performed in future research papers.

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