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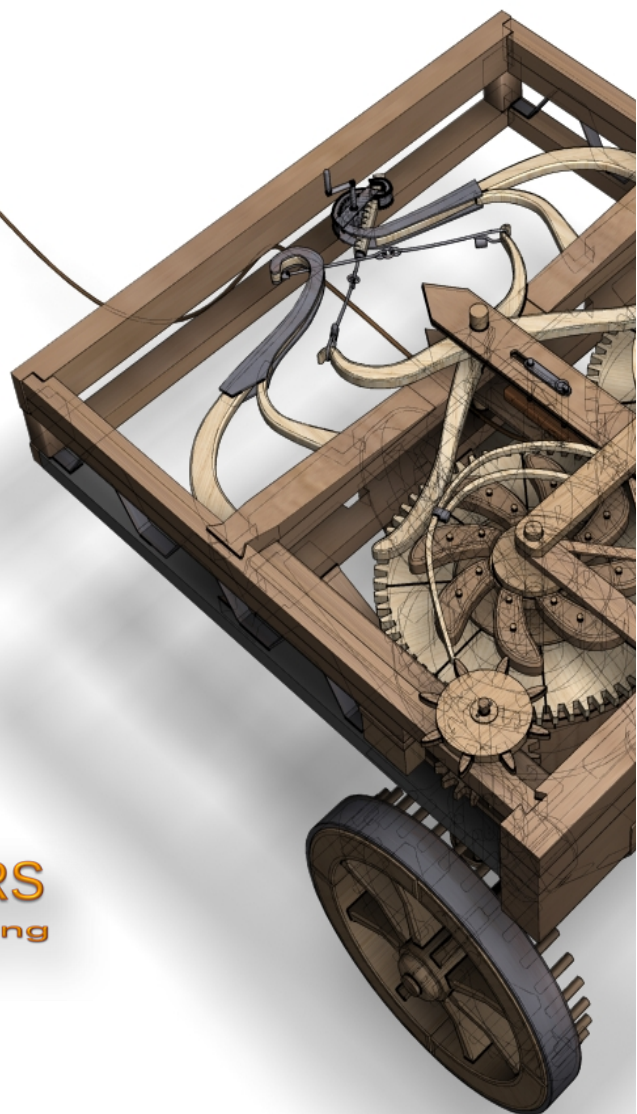
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## Method to Evaluate Consumption of Tourist Services in Regional Markets

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### Abstract:

*The paper aims at improvements of the toolkit designed for evaluation of the demand in tourism. The research focus includes a number of challenges that hamper the recreation and tourism development, solutions to which require a use of opportunities within the strategic approach to management. In the critical review, we have updated the specifics of the consumer demand and tourist product marketing. The authors summarized factors of regional tourism development, gave their grouping and description. They proposed the methodological approach to the estimation of a promising capacity in the regional tourism market. Piloting the approach as a model, they gave reasons for the conclusion that an increase in the purchasing demand for tourist services is one of the key factors of the external environment able to ensure a further growth in the tourism turnover. The authors have proved the hypothesis suggesting that the residents' demand for national and international tours has its particular flexibility leading to an increase in national tourism at the expense of reduced international tourist flows and vice versa. A further direction of research might deal with spatial interregional links to achieve the potential of the tourism market.*

**Keywords:** demand for tourist services; area marketing; strategic planning; regional tourism

**JEL Classification:** Z31; Z33; L83

### Introduction

The tourism demand is a dynamic mechanism with a wide content and complex structure. Stating its development goals, an enterprise in the service industry identifies opportunities to implement them based on its potential. A solution to the problem of the potential definition in tourism is a key challenge due to a need to adjust the management system to conditions of uncertainty (Kuzmin 2015, 380-389).

The consumer demand in tourism, unlike other sectors of economy, first and utmost relates to the regions where tourist flows appear. In the tourism as a single system, these regions are kind of 'destination investors', who



own tourist and recreational resources. They are a kind of an integrated tourist product with its own image and brand in the market of tourist offers (Lebedev 2015, 50-66).

The aim of the methodology in the tourism market research is a clearer assessment pattern for the inner potential. That is why the research objectives include identification of forming and development factors in tourism markets, making a model of potential strategic management and drafted guidelines for the improved analysis of development in the regional tourism market. The paper highlights a number of challenges that hamper the recreation and tourism development and their solution requires the use of opportunities and mechanisms within the strategic approach to regional development management.

## 1. Literature review

### 1.1. Consumer demand and tourist product marketing

The review of literature has made it possible to justify a direct proportional relationship between the growth in tourist product consumption and higher living standards for the population (Ermachenko 2012, 53-60). However, this statement is primarily true for the assessment of the national tourism, while many other factors influence a genesis of international tourist flows. Authors pay particular attention to marketing communications and their impact on dynamics of the consumer demand for tourist products (McCabe 2009). In this way, Paramonova *et al.* (2017, 190-193) and Moutinho (2011) say that strategic refers to a need in identified opportunities to make parameters sufficient for the equilibrium development in tourism. Hall has a similar idea and believes that strategic planning refers to opportunities for integration with current plans for the tourist demand development based on a need of a regional economic environment (Hall 2008).

At the same time, the marketing component forms the concept of evaluation for the promising and real demand for tourist services, i.e. a possibility of promotion and effective marketing concepts when people are involved in planning of tourist product sales (Pei-Yu 2012, Horner *et al.* 2016, Croes 2000). The core of the tourism demand consists in features that entail a number of problems including higher elasticity and substitution, spatial and temporal apartness from consumption, poor orderliness, and high segmentation (Racajiska *et al.* 2010).

The tourism sustainability is a burning problem associated with a possibility to provide for future tourism in a territory (Modica 2015). These issues concern risk management, uncertainty measurement in the consumer behaviour and decision-making (Kuzmin 2016, 2577-2588). Guseva and Kuzmin believe that a solution is to monitor destination life cycles (Guseva and Kuzmin 2016, Kuzmin 2017, 107-114) and stakeholder participation. At the same time, tourism sustainability and development can have opposite goals. The peculiar opportunism of the tourism potential and business can have a negative impact on a recreation area. Tendencies towards business consolidation with the simultaneous reduced development life cycles and the higher uncertainty caused by various factors have caused problems of strategic management in tourism.

Dehez (2016) and Timothy (2002) pay attention to an opportunity to draft programs for the area development instead of paying attention to particular elements to promote a local tourist product. Protasova *et al.* (2011, 104-109) hold to the similar stance explaining the nature of infrastructure marketing as an integral part of place marketing in management of area development.

Researchers explore the demand for tourism and its products with the objective to ensure the quality of services rendered. Cooper (2008) and McCabe *et al.* (2011) among the other things identify the social factors. Aleksandrova (2016, 18-25) also highlights a level of social infrastructure as a key backbone indicator. Other researchers adhere to the clay-clay model for the demand formation. The econometric approach in the aspect of cointegration, vector auto regressions, the simulated change time parameter, the analysis of the data panel is available in detail in Song *et al.* (2008). Hsu *et al.* (2016, 413-433) refer to the tourist product as an industrial element. At the same time, generic characteristics of tourism may not mean a sufficient provision ratio for a destination.

### 1.2. Factors of regional tourism development

A definition of the tourism nature and its area differentiation is a basis of the macro-regional analysis. Kiseleva and Iskadzhyan (2017, 38-40) present the consumption of tourist goods at the global level with the volume, direction

and rhythm of tourist flows. It is the stability of tourist flows that allows us to set a value scale in the motivational structure of the tourism demand (Zieba 2016, 191-221). On the other hand, the consumption level depends on the offered tourist products as a value of the product in the consumer's view does not only depend on absolute attractiveness, but also on conditions for its consumption. That is, the consumption level depends on the development level in tourism as it reflects a quality and variety of the supply, as well as a development level of a certain area market.

A national tourist market is a unit of the macro-regional analysis. The macro-regional analysis assumes a definition of their place and role in global tourism. The formation of global geospatial structures in the tourism market is a partial manifestation of the acting general mechanism of spatial differentiation, its polarization in accordance with opportunities for participation in global processes. Thus, the main stages in the macro-regional analysis methodology for the tourism market are:

- (1) Identification of general trends and regional features in the tourism process through the consumption dynamics;
- (2) Identification of development directions for specific sub-markets and features in a formation of their area structure and geospatial organization;
- (3) Identification of area imbalances and macro-regional differences in the tourism development.

An important objective of tourism is a structural analysis of the factors that influence its development. Summarized results of the tourism development show that it makes sense to include the factors described in Table 1 in the main components of strategic management. In the context of the tourism development, two sets of risk factors are the most significant, *i.e.* socio-political and natural.

Table 1. Description of factors for strategic management systems in tourism

Management system factors	Description
Favourable geographic position location near to networks and highways	A natural and climatic zone in tourism loses somewhat in a price of the product, tourist services and the turnover due to the insufficient development of transport routes and communications causing higher transaction costs (Dubrovsky <i>et al.</i> 2016, 389-412) and a total cost of a tour.
Availability of new tourist products and attractions	Available unique natural resources, historical monuments and new tourist products are a basis for competitive advantages that ensure the attraction of educational tourists.
Competitive infrastructure	Convenience and comfort can provide a competitive advantage as part of the system to decide on tour options
Social infrastructure	Social infrastructure generates a sense of safety in tourists and ensures their confidence in a high status of their tour
Favourable environment developed by the body of services	Expansion of a range of services in tourism and related services improves the amenities and travelling and increases the investment attractiveness of national tourism.
Minimal administrative barriers	Available administrative barriers (from visa processing to check-in at tourist accommodations) are also obstacles for the tourism development.
Political and socio-economic status	When choosing a destination, the tourist prefers products of those countries that have a stable political and economic state

The literature review made it possible to identify main problems in strategic management. Firstly, in the long term, travel companies have to change an initial development plan as the uncertainty inherent in innovative projects in tourism is high. Secondly, approaches to the evaluation of investment projects when we make the tourism development strategy do not make it possible to measure in the accurate way the influence on the national economy growth. Third, the positive effect of the tourism development is only observable at certain scales of the tourist activity development.

## 2. Materials and methods

The data on a level and structure of cash incomes that residents have, a structure of the final consumption in households, a composition and structure of expenditures for final consumption, including expenditures for service payment (Tyan 2010, 255-258) are the most challenging in the aspect of the characteristics that the demand for tourist services has. Parameters of the tourist balance are a canonical tool to measure the tourist potential for a region/destination. However, approaches and models based on 'social physics' are increasingly present. Researchers do not only calculate quantitative indices of the extrapolation analysis, but also consider factors of the tourist crowd involvement in consumption of tourist resources in a region.

Tourist resources are one of the key concepts when we identify areas of priority development in tourism and at the same time a source of innovative upgrades. This question has its comprehensive development in the literature. However, so far we have not had a single, generally accepted classification of the resources. The most common approach to the classification of recreation and tourist resources is their division into two main groups: natural and historical-cultural.

In calculations of the tourist service market capacity, one should also take into account such features as the integrity of the tourist product, natural and business seasonal fluctuations in consumption, the high substitutability of tourist services, and that people mostly directly arrange their holidays without travel companies.

*The first way* involves the calculation of the income amount from sales of services by every seller in the tourist market for a certain period in accordance with Eq. 1:

$$V = \sum_{i=1}^n V_i, \quad (1)$$

where  $V$  – is a total market capacity;  $V_i$  – is a sale volume of each  $i$ -th travel company;  $n$  – is a total number of enterprises in tourism.

To calculate properly the capacity, it is important to fix product, time and spatial features of the market in question. It is necessary to identify correctly the features of a reviewed service and a period, for which the market capacity is estimated (usually a calendar year) as well as geographic boundaries of the evaluated market.

To find the tourism market capacity in the average region for the last two years, it is necessary to calculate cash receipts from core activities of tour operators and travel agents. Enterprise statistical reporting is a main source of information for this. The methodology for drawing up a reporting format assumes that we include revenues from sold tours to end-users into the section of financial results. It is necessary to avoid double counting for incomes of the tourism industry and ensure relevance of statistical data.

The basis for *the second approach* to calculations of the tourism market capacity is a calculation of an amount of money that people have living within an administrative territorial unit and spend for tourist services:

$$V = M_r \pm D_p, \quad (2)$$

where  $M_r$  – is money spent by the population of the given region to purchase tourist goods and services,  $D_p$  – is a cross-sectional demand of the population from another region to buy tourist goods and services.

Main difficulties when we calculate the market capacity by this method relate to a (in)correct measurement of the population incomes and that part of incomes that people spend for tourist services. So far, in discussions we have referred to the actual market capacity. In the tourism management practice, there is often the task to measure *the prospective market capacity*. The prospective market capacity is the highest possible volume of sales in the situation where all the potential consumers purchase tourist products and services proceeding from the maximum possible level of their consumption. Calculating the prospective market capacity, we deal with a market segment where an enterprise and its competitors work at home and abroad, offering a similar product in a region. This indicator is key to measure a degree of the consumer focus (Seaton and Bennett 1996).

We can find the prospective market capacity by different methods. It is common to combine the extrapolation or the expert evaluation method using (as the dispositive norm) the hypothesis that the prospective tourism market



in the countries with transformational economies is made by no more than 10% of the total population. Then it is possible to measure the prospective capacity of the regional tourist market in value terms according to Eq. 3:

$$V_{prospect} = (P_{nat} \times 0,1PS_r \times \overline{Tp_{nat}}) + (P_{outb} \times 0,1PS_r \times \overline{Tp_{outb}}) + \left( \frac{V_{inb}}{V_{outb} + V_{nat}} \times 0,1PS_r \times \overline{Tp_{inb}} \right), \quad (3)$$

where  $V_{prospect}$  – is a prospective capacity of the regional tourist market;  $P_{nat}$ ,  $P_{outb}$  – is a proportion of national or outbound tourists in the total number of resident tourists serviced by enterprises in the region;  $PS_r$  – is a population size in the region;  $\overline{Tp_{nat}}$ ,  $\overline{Tp_{outb}}$ ,  $\overline{Tp_{inb}}$  – is an average price of a national, outbound and inbound tour, respectively;  $V_{inb}$ ,  $V_{outb}$ ,  $V_{nat}$  – is an actual number of national, inbound or outbound tourists, respectively, served by enterprises in the region.

The abovementioned equation provides that, with an increased number of tourists to a theoretically acceptable level, there will be maintained actual ratio between the number of resident travellers and the number of inbound non-resident tourists. It is clear that to use Eq. 3, it is necessary to calculate the average cost of national, outbound and inbound tours. To do this, we need to explore a quantitative structure of the regional tourism market.

With known capacity values for actual and prospective markets, it is possible to find the market saturation exponent:

$$S_m = \frac{V}{V_{prospect}} \times 100\%, \quad (4)$$

where  $S_m$  – is a saturation exponent for the regional tourism market.

The market saturation exponent describes a possibility of travel companies to expand sales owing to consumers who live in the region. Based on this, it is possible to assume that with the saturation level of about 80-90% the market becomes unpromising for any new tourism activity (Costa *et al.* 2013).

A reliable calculation of the actual market capacity makes it possible to find a real share owned by a separate business entity. In the abstract, this share is calculated as a ratio between service sale volumes in a particular enterprise and the total market capacity:

$$Nm = \frac{V_i}{V}, \quad (5)$$

where  $Nm$  – is a market share of the  $i$ -th travel company in value terms;  $V_i$  is an amount of tourist services rendered for the year by the  $i$ -th enterprise.

### 3. Results

To solve the tasks set in the research we performed a comparative analysis and evaluated the potential capacity of the tourist market in the model region. As an example, we used the model region formed according to average indicators among the subjects of the Russian Federation for 2015-2016. The high tourist potential of Russia depends on the availability of significant, diverse and unique natural reserves. See the calculation based on integrated values for the tourism market capacity in the average region in Table 2.

Table 2. Potential capacity of the tourism market for the model region

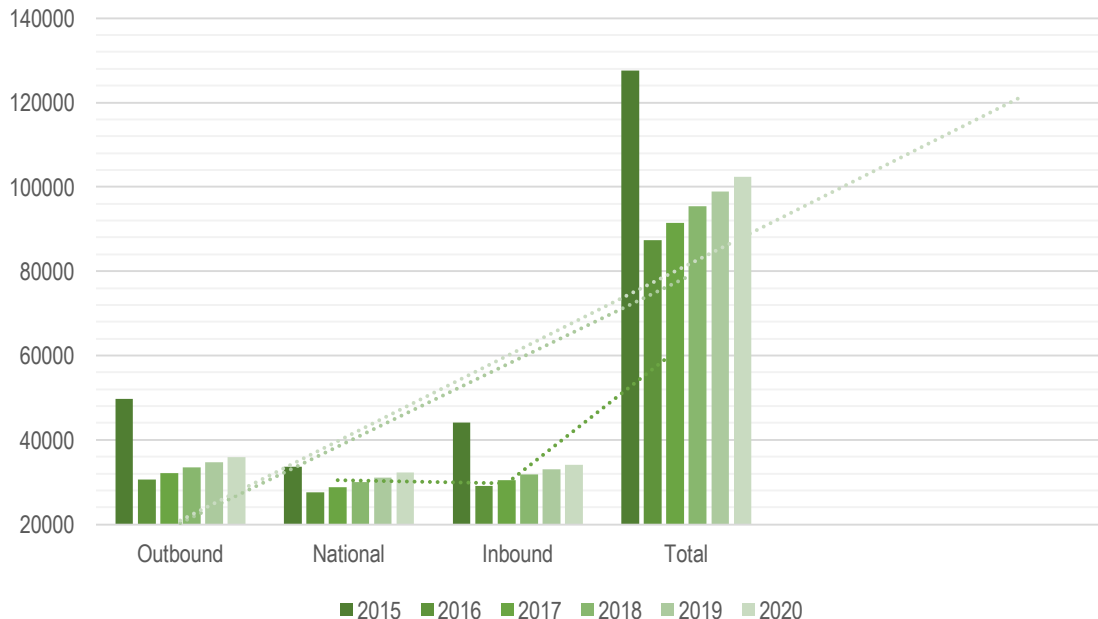
Indicators	International tourism	National tourism	Inbound tourism	Total
1. Number of tourists (persons)				
2015	49,734	33,745	44,119	127,598
2016	30,696	27,557	29,183	87,436
2. Specific gravity				
2015	0.60	0.40	X	X
2016	0.53	0.47	X	X
3. Ratio of numbers of inbound tourists to outbound and national tourists				
2015	X	X	0.53	X
2016	X	X	0.50	X
4. Revenues of travel companies (thousand roubles)				
2015	72,865	32,418	24,089	129,372
2016	77,926	36,234	23,160	137,320
5. Average tour cost (RUR)				
2015	1,465	961	546	X
2016	2,539	1,315	794	X
6. Population in the region (thousand people)				
2015	X	X	X	2,391
7. Potential capacity of the regional tourist market (thousand roubles)				
2015	X	X	X	371,252
2016	X	X	X	564,342

Table 2 demonstrates the trend towards a decrease by 40.1 thousand people or 31.5% of the total number of tourists served by enterprises in the model region in 2016 compared to 2015. The corresponding indicator decreased by 25%. Crisis phenomena caused this with a weaker purchasing power. The capacity of the tourism market in the model region in 2016 amounted to RUR 137.3 million showing an increase by 6.1% compared to 2015. This figure is significantly inferior to the national value (+17%). A likely reason for this is a significant reduction in tourist flows. In the revenue structure of travel companies of the model region, there was a certain increase in revenues from outbound and national tourists with an isochronal reduction in incomes from the inbound tourism.

It is possible to describe a saturation of the tourism market in the model region as quite moderate, which implies a significant development potential for the industry due to an entry of new travel companies into the market and an increase in scopes of activities for existing companies. It is possible to explain a significant decrease in the saturation of the tourism market in the model region in 2016 as compared to 2015 with a general decrease in the tourist activity. The potential assessment allows forecasting the growth in the tourism demand in the medium term.

Let us show the tourism overall dynamics by types and on an annual basis (Figure 1). Given that the trend is directly dependent on the U.S. dollar exchange rate, to its pegging to the inflation and volatility, according to the Central Bank of Russia, it is necessary to make dependencies for several years ahead until 2020. As for the reliability of calculations, it is necessary to point out that to restore the flow, about 18 months are necessary and this defines the annual 0.23-0.27 growth taking into account the direct correlation.

Figure 1. Correlation dependencies for the tourism potential growth in the model region for 2015-2020



Thus, it is clear that a prospective number and a growth of tourism indicators is possible when we take into account the trend towards a relatively stable economic policy. Providing that there are upticks in the dollar rate rise, fluctuations are possible towards a decrease in the outbound tourism by 20-27%. Taking this forecast as a long-term plan, we should mention that there is an opportunity for reduced tourist flows. Thus, the inflation of 4.7% will cause 3.2% fall of income, the correlation coefficient will be 1.4. The review shows that the promising decrease in flows with the scheduled inflation rate will be about 30% and might recover as late as by 2021.

We provided evidences that the higher effective demand for tourist services is one of the key factors in the external environment able to ensure the further growth in the tourism turnover. The review of travel agencies' activities shows that tourist companies have a sufficient potential to make performance higher. The limited demand is a deterrent for their growth. Apparently, to achieve the best conditions for the growth in the national tourism in Russia, it is necessary to make additional efforts to increase the demand, bearing in mind that it is the low level of residents' personal income that is a deterrent in the tourism growth (Tyan 2010, 255-258).

Observations and assessments of the tourism status show that programs for the development of the inner (national) tourism must accompany the international tourism development. Almost every country is both a generator and a receptor of tourist flows. However, it is necessary to consider that the ratio of volumes between the outbound and inbound tourism depends on various factors and might be significantly different depending on a destination. A narrow tourism focus in the inner recreational potential leads to a prevailing export of tourist services over an import (Ovcharov 2008, 48-57). The residents' demand for the national and international tourism has a particular flexibility causing higher scopes of the inner tourism at the expense of reduced tourist flows abroad and vice versa. This trend is especially clear in time of crises (Tyan 2010, 255-258).

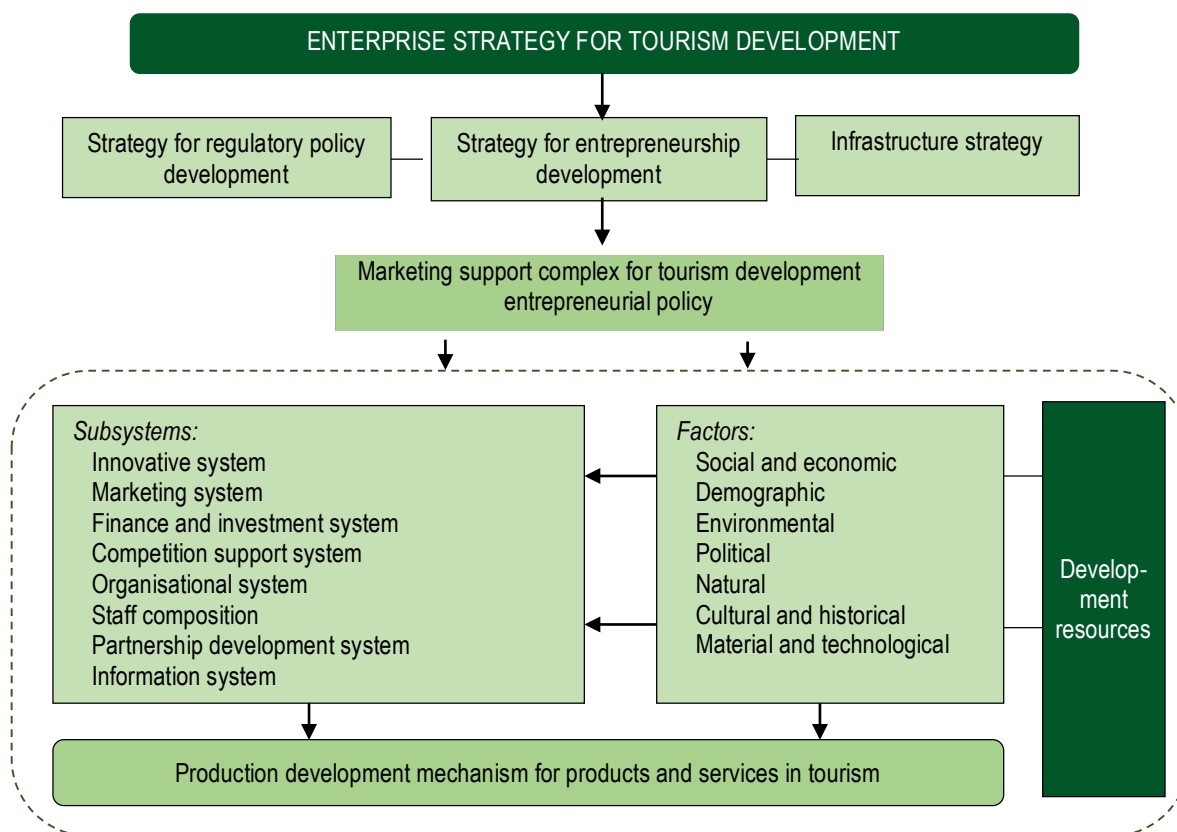
As shown in the real life, the national tourism contributes to the balanced development of economy owing to the redistributed national income, awareness of common interests that the government and the entrepreneurs share, the development of new types of tourism activities. Thus, the tourism development strategy should have three main strategic focuses: (1) ensured opportunity for the tourism industry to use necessary tourist resources, (2) ensured availability of tourist products and infrastructure, (3) ensured free movement of tourists caused by motives for the tourism development.

#### 4. Discussion

It is possible to achieve higher competitiveness in tourism by making the strategy for the tourism development policy based on the effective cooperation model (Evans *et al.* 2012, Kerr 2003, Moutinho 2011). The findings make it possible to produce a model for a relationship between the tourism development policy and the set of certain strategic management subsystems with an aim of the better-implemented inner potential in the tourism market.

When we develop the strategy for the regional tourism development, it makes sense to apply the resource-factor approach based on the model that includes two groups of factors that differentiate (transformational factors) and integrate (transaction factors) the subject of research. One of the important stages preceding its formation is an analysis of the regional tourism and recreational potential.

Figure 2. Model of tourism development strategic management in regional markets



It is clear from Figure 2 that the tourism development strategy is a complex that should include specific directions for the government policy development in tourism. They must put their main emphasis on the creation of consistent prerequisites to strengthen the infrastructure and improve a functional quality of tourist products. The strategy development for the tourism development policy should ensure forecasting and planning, the volume of tourist flows, resources of tourist areas, needs of the population and a regional economy. To improve the strategic planning system in the tourism development, it is necessary to create a strategic planning system for the development of tourist areas, for example, applying the cluster approach.

#### Conclusion

The article gives reasons for a need to apply the strategic approach to management in the tourism and recreation development at the regional level. The authors explore the development of a regional strategy for the tourism and recreation development, its role and importance to ensure the sustainable development in the regional economic

system. The authors have offered the methodology to evaluate a prospective capacity of the regional tourism market and the model of the potential implementation. They have stated that subjective factors influence a genesis of the consumer demand for tourist products.

The findings make it possible to conclude that in terms of globalization, certain scopes of tourism activities bring a positive effect on the tourism development. There are evidences that a higher effective demand for tourist services is one of the key factors in the external environment able to ensure a further growth in the tourism turnover. The reviewed activities of travel companies show that they have a sufficient potential for higher performance. It is possible to achieve higher competitiveness in tourism by making the cooperation-based strategy for the tourism development. The further research might have the formation of interregional spatial links as its focus with an aim to implement the potential of the tourism market.

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