



Contents lists available at ScienceDirect

Journal of Destination Marketing & Management

journal homepage: www.elsevier.com/locate/jdmm

Segmenting the 'visiting friends and relatives' travel market to a large urban destination: The Case of Nizhni Novgorod, Russia



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ARTICLE INFO

Article history:

Received 1 April 2015

Received in revised form

10 September 2015

Accepted 11 September 2015

Available online 21 November 2015

Keywords:

Destination

Marketing

Nizhni Novgorod

Russia

Segmentation

Tourism

VFR

Urban destination

ABSTRACT

This study examines the heterogeneity of the 'visiting friends and relatives' (VFR) travel market with respect to a large urban destination in Russia, including trip planning, travel concerns, on-site destination experience, and post-travel behavior variables. Specifically, the study investigates whether place of residence, accommodation type, and VFR type can serve as segmentation bases for the city's destination management organization. It was found that place of residence and accommodation type best discriminate among VFR tourists. Marketing implications for improving destination experience and communications with tourist segments are discussed.

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1. Introduction

There is extensive literature accumulated to date on the 'visiting friends and/or relatives' (VFR) tourist market. The interest in this market has been driven by growing awareness that VFR travel consists of both domestic and international pleasure travelers (e.g. Braunlich & Nadkarni, 1995; Lehto, Morrison, & O'Leary, 2001). To a large degree, VFR tourism is driven by migration flows around the world (Jackson, 1990). Internationally, sources of the VFR market are former or actual subjects of colonial powers, immigrants, and those with temporary work visas: migrants visiting their country of origin and/or host visitors from their motherland (Seaton, 1996). Global liberalization of travel is another driver of VFR tourism: people travel more in general, and they also visit their friends and relatives more often. Growth in new trip patterns (e.g. the combination of business, leisure, and VFR travel in one trip) has been recognized as yet another source of VFR tourism. While the question of whether a VFR tourist can be induced by marketable actions is debatable, destinations turn toward the VFR market as it can compensate for seasonal variations in tourist

arrivals due to its relatively stable size throughout course of the year (Backer, 2012a; Seaton & Palmer, 1997). In addition, the VFR market is attractive to destinations as it has the highest rate of repeat visitors (Griffin, 2011), VFR tourists stay at the destination longer compared to leisure and business tourists, and a sizable share of them are purchasers of hotel nights (Braunlich & Nadkarni, 1995).

The majority of the studies to date focus on the relative magnitude of the VFR market, economic contributions of VFR tourists, and the heterogeneity of the VFR market (Lehto et al., 2001). Most of these studies have been conducted using data on visitor arrivals to developed English-speaking countries such as the UK, Australia, USA, Canada, and Ireland (Lehto et al., 2001; Min-En, 2006; Moscardo, Pearce, Morrison, Green & O'Leary, 2000; Morrison, Hsieh, & O'Leary, 1995; Morrison & O'Leary, 1995). The growth in arrivals to BRICS countries (Brazil, Russia, India, China, and South Africa) calls for investigation of the applicability of VFR findings to these growing destinations. Attention to BRICS countries by large tourism organizations such as the UNWTO and WTTC has largely been in terms of preparation of the tourism product for an international audience. However, much of this audience may have existing knowledge of the destination, particularly if they represent the VFR market. Moreover, tourism development in the BRICS countries tends to originate in large urban areas and then slowly extend to rural areas. This is mainly because one of the first reasons for

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travel in a destination is business travel, and secondly it is because the transportation network in developing countries tends to grow through the international airport. In the BRICS countries, much of the tourism arrivals has been dominated by commerce, manufacturing and transportation. Large cities in these countries are generally modest in their international leisure arrivals.

In Russia, the lack of international brand hotels outside the core three destinations of Moscow, St. Petersburg and Sochi is noticeable; because of this situation, the number of brand-name hotels is expected to double from 21,885 in October 2012 to 47,534 by 2018 (Danisewicz, 2013). A similar situation exists in China, where few international-quality brand hotels exist. This trend is also common to India and South Africa. In addition to hotel related issues, BRICS countries are also faced with infrastructure challenges to keep pace with economic development. For example, Brazil needs to improve its ground transport network in terms of quality of roads, ports, and railroads (Pop, 2014). Research suggests that the VFR share in total tourist arrivals to a destination is larger when a destination's development is more modest (Mais, 1996), as well as for places with high population density (Seaton, 1996). Therefore, large urban areas with modest tourism development have a greater challenge to capture a VFR tourist who will stay in commercial accommodations. This challenge translates into direct economic impact and thus needs to be a focus of the destination development agency.

Russia is quickly increasing its inbound tourism (UNWTO, 2013). Between January and September 2014, approximately 20% of international tourists came from the former Soviet republics (Goscomstat, 2015, preliminary data). There is a sizable Russian population in countries such as Germany, France, and the USA, and this results in another source of VFR tourism to Russia. The rise of the Russian middle class boosts travel in general, including domestic VFR travel. However, the need to diversify Russia's tourism offerings beyond traditional centers of Moscow and St. Petersburg has been recognized by the Russian government in a series of tourism initiatives, including announcing 11 Russian cities as host to the 2018 FIFA World Cup. This event will likely increase the visibility of Russia as a tourist destination globally. Among the 11 cities, Nizhni Novgorod (Nizhni), the fifth largest urban center in Russia (1.3 million people), has been chosen as a host city. Nizhni is situated at the union of the Volga and the Oka rivers; it is a stopover for international and domestic cruises along the Volga River on the route from Moscow to Astrakhan, where the Volga discharges into the Caspian Sea. There are numerous tourist attractions in Nizhni, with the Kremlin fortress epitomizing the city's historic, architectural, and cultural heritage. The area surrounding Nizhni is known for its natural beauty; while the region boasts a number of places of cultural and historic significance like, for example, the Boldino estate, where the great Russian poet Alexander Pushkin created some of his best works. Centers of religious pilgrimage such as Makariev and Serafimo-Diveyevsky Monasteries are also located in the region (Avrilev & Efimova, 2011). In addition, Nizhni is a commercial and transportation hub, a large manufacturing center, and a home to several institutions of higher education as well as a number of research facilities.

While Nizhni is a multifunctional city (Page, 1995) with diverse resources to meet tourist needs, presently the city is not realizing its potential with respect to the number of tourist arrivals (Kuf-tiryov, 2011). In 2014, approximately 420,000 tourists visited Nizhni (preliminary data by Ksenia Vaculina, Director of Tourism Municipal Committee). International arrivals to the Nizhni Novgorod region (approx. 85,000 in 2014) are less than 1% of all international arrivals to Russia. It has been estimated that VFR tourists make about 40% of all arrivals to Nizhni Novgorod (both domestic and international), which makes the VFR segment larger than both the business (35%) and leisure (25%) segments. The

Ministry of Support and Development of Small Business, Consumer Market, and Services of the Nizhni Novgorod Region (<http://en.tourismnn.ru>), which is charged with development of the tourism industry in the area, wants to use the remaining few years before the World Cup to increase destination visibility and awareness. The city has already conducted an audit of their tourism and hospitality inventory, identifying prospective tourism clusters, attracting investments, and engaging in brand development as well as creating a unified promotional and communication strategy.

Identifying tourist segments that have a tendency to be more or less 'satisfied' in their evaluations of travel experiences to urban destination and, consequently, more/less likely to revisit that destination and recommend it to others can aid destination management organizations (DMOs) in more effective destination marketing and management. For the cities with a sizable share of VFR arrivals, understanding this segment is particularly important. Negative destination perceptions and destination-related travel concerns may deter visitations for both international and domestic tourists (Sönmez & Graefe, 1998a, 1998b). Alleviating those concerns, and thus building a more positive destination image, is one of the DMO's tasks. If a particular well-identified tourist segment has a propensity to worry more than other segments about visiting the destination, then communications may be specifically crafted to address the matter. Similarly, tourists' experiences with various destination features (e.g. hotels, restaurants, attractions, traffic) are routinely communicated by tourists, and this word-of-mouth has been recognized as a powerful factor in influencing destination perceptions and intention to visit of potential tourists (e.g., Kozak, 2001; Qu, Kim, & Im, 2011).

This study is set in the context of Nizhni Novgorod, Russia: a large urban destination with moderate tourism development and one of the host cities to the 2018 FIFA World Cup. As tourists arrivals to Nizhni are likely to increase in the coming years, the present study investigates its VFR tourist market and compares several ways to segment it. Specifically, the study examines the VFR market from the perspective of its heterogeneity according to such dimensions as place of residence, distance traveled, accommodation type used at destination, and whether a tourist is visiting friends or visiting relatives. In order to assist the DMO with marketing communications with various VFR segments, the benefits of a particular segmentation approach are examined with respect to the three stages of travel: before, during, and after the trip. The *before-the-trip* stage includes trip planning variables such as information search, mode of transportation, party size and composition, as well as travel-related concerns. The *during-the-trip* stage (on-site experience) includes variables related to destination performance and spending behavior. At the *after-the-trip* stage, the behavior variables of intention to revisit and willingness to recommend the city as a leisure travel destination were examined. The segments were also compared based on their demographic characteristics. It is hoped that the study will have relevance in other destination contexts as well, specifically for large urban destinations in BRICS countries, which have been under-represented in the VFR literature.

2. Literature review

Market segmentation aims to identify homogeneous groups in the heterogeneous market, that is, one characterized by divergent demand; it 'tends to produce depth of market position in the segments that are effectively defined and penetrated' (Smith, 1956, p. 5–6). Segmenting the market enables DMOs to access, communicate to, and serve large enough groups of tourists with particular needs, and thus more effectively compete with a smaller set

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