Tourist accommodation in new rural destinations: the problem of adequate pricing in the light of interregional comparison

Alojamiento turístico en nuevos destinos rurales: el problema de la fijación de precios adecuados a la luz de la comparación interregional

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ABSTRACT:
New rural tourist destinations require adequate accommodation pricing. This study focuses on two regions of the Russian South, namely the Rostov Region and the Stavropol Region. The prices in collective accommodation facilities in the rural areas of these regions are compared to those in the analogous European destinations of already well-developed rural tourism, namely Algarve (Portugal) and Limousin (France). It is established that the median prices calculated with the BigMac Index (indicator of purchasing power parity) in the studied Russian regions are comparable to those in the European regions. Such a situation is unfavourable for the development of new rural destinations in the Russian South. Price reduction by 1.6 times and some relevant administrative actions are recommended.

Keyword: Destination development, Hotel pricing,

RESUMEN:
Los nuevos destinos turísticos rurales requieren precios de alojamiento adecuados. Este estudio se centra en dos regiones del sur de Rusia, a saber, la región de Rostov y la región de Stavropol. Los precios de los alojamientos colectivos en las zonas rurales de estas regiones se comparan con los de los destinos europeos análogos de un turismo rural ya bien desarrollado, a saber, el Algarve (Portugal) y el Limousin (Francia). Se establece que los precios medianaos calculados con el índice BigMac (indicador de paridad de poder adquisitivo) en las regiones rusas estudiadas son comparables a los de las regiones europeas. Tal situación es desfavorable para el desarrollo de nuevos destinos rurales en el sur de Rusia. Se recomienda una reducción de 1,6 veces y algunas acciones administrativas relevantes.

Palabra clave: Desarrollo de destinos, Precios
1. Introduction

Rural tourism has grown rapidly on the international level since the beginning of the 21st century. Theoretical and practical issues relevant to this important type of tourism are presented in hundreds of works, including the recent articles by Eusebio et al. (2014), Hjalager (2014), Kumar and Sharma (2014), Neumeier & Pollermann (2014), Probstl-Haider et al. (2014), Carmichael & Ainley (2015), Baldacchino (2015), Lanfranchi et al. (2015), Panyik (2015), Streimikiene & Bilan (2015), Barbieri et al. (2016), Huang et al. (2016), Veeck et al. (2016), Hwang & Stewart (2017), and Rasoolimanesh et al. (2017). Rural tourism is a tourist activity linked directly to the rural life. This may include direct involvement in agriculture, living on farms and villages, passive viewing of the rural life, etc. These and other activities are often associated with ecological tourism. Some forms of rural tourism can be perceived as industrial tourism in the countryside environment. Rural tourism provides a lot of benefits to the local socio-economic development. For instance, it contributes to farm income, expansion and modernization of countryside infrastructure, creation of new jobs, rural place branding, etc. In many cases, this kind of tourism is stimulated specially by local governments as an approach of re-vitalization of the countryside with declining traditional farming and de-population because of people movement to urban areas. Rural tourism also permits to diversity the local, regional, or national tourism industry, which itself is important for the sustainable growth of the latter. All this evidence means rural tourism development is an important perspective for the majority of the countries, especially those possessing rich agricultural potential.

The present socio-economic development is marked by the processes of globalization and multipolarity strengthening (Arkhipov & Yeletzky, 2015; Wolff, 2015; Huebener et al., 2016), which also affect the industry of tourism and hospitality (Holowiecka & Grzelak-Kostuska, 2013; Antonescu & Stock, 2014; Ivanov & Ivanova, 2016; Niewiadomski, 2016). World tourist flows increase annually, and international tourism and relevant tourist impressions and expectations become more important than those country-restricted. In such specific conditions, development of new tourist destinations requires permanent reference to the global context.

Three reasons permits judging the regions of Russia as potentially very important rural tourist destinations, namely agriculture-oriented economy in the historical perspective, significant crop production and livestock, and dominance of rural environments on the territory of this country (all these matter despite that fact the portion of the present-day urban population exceeds 70%). Trukhachev (2016), Shumakova et al. (2016), and Wegren (2016) highlighted the both possibilities and the problems of the rural tourism development in Russian regions. Among the main problems is adequate pricing for tourist accommodation, which should meet the global standards to attract sufficient number of the both domestic and foreign tourists. The objective of the present paper is examination of prices in collective accommodation facilities (hotels, hostels, etc.) in two potentially important rural tourist destinations of the Russian South, namely the Rostov Region and the Stavropol Region. The adequacy of the pricing in the noted destinations in the global context is evaluated via interregional comparison with analogous European destinations.

2. Material and method

The Rostov Region (population – 4.2 mln, territory – 101*103 km2, biggest city and administrative centre – Rostov-na-Donu) and the Stavropol Region (population – 2.8 mln, territory – 66*103 km2, biggest city and administrative centre – Stavropol) are typical for the Russian South (Fig. 1), which is the most important agricultural territory of the country. These seem to be ideal destinations for rural tourism development, although the latter is only in the beginning phase now. The analogous European territories are the historical regions of Algarve...
Agriculture plays an important role in the economy of both regions. In Algarve and the Stavropol Region, tourist flows are large, but concentrated in relatively restricted recreation zones (coasts of the Atlantic Ocean in the former and mineral water resorts in the latter). Limousin and the Rostov Region possess a lot of tourist attractions, although these regions are not tourist destinations of extraordinary importance. Development of rural tourism in Portugal is analyzed in the works of Silva & Leal (2015), Jesus and Franco (2016), and Soares da Silva et al. (2016). Algarve is an important rural tourism destination (Agapito et al., 2012)). This kind of tourism is also developed well in France and considered by Clout (2006), Mollard et al. (2006), and Cawley et al. (2007). Limousin has also become an important rural tourism destination (e.g., Touchart, 2001).

The working hypothesis of the present study is as follows. In the modern globalized world, the prices for tourist accommodation in less developed destinations should be lower to those in the analogous, but better developed destinations in order to facilitate tourist arrivals to the former. However, the "simple" comparison of prices in hotels and other collective accommodation facilities is not enough. What is cheap and what is expensive depends much on the price relatively to what may be called "the cost of living" in a given country. If the living (and, consequently, tourism activity) is cheaper in one country than in the other, the same service offered at the same price in the same currency is more expensive in the former than in the latter. This factor should be considered properly in the interregional comparisons. A helpful theoretical idea is the purchasing power parity. This was formulated a century ago by Cassel (1918), and then developed and discussed critically by numerous researchers, including Balassa (1964), Pakko & Polard (1996), Rogoff (1996), Hyrina & Serletis (2010), Ackland et al. (2013), Selmi & Hachicha (2015), and Bahmani-Oskooee et al. (2016). This idea is used chiefly for various macroeconomic analyses and, first of all, GDP comparisons. Although rare specialists
have implemented the purchasing power parity in tourism research (Agiomirgianakis et al., 2014; Athanasopoulos et al., 2014), this idea can be employed for the purposes of this study. The data for the present study have been collected with the popular on-line resource "Booking.com", which presents the actual information on accommodation option across the globe. The analysis was held in mid-December of 2016. All accommodation options for the Rostov Region, the Stavropol Region, Algarve, and Limousin were analyzed for the date of February 2, 2017. As this paper aims at the rural tourist destinations, the only collective accommodation facilities located in places (towns, villages) with the population of less than 50000 are considered. The accommodation price is understood as the lowest offered price per 1 stay (night) for one person in a given facility. The prices are established for 21 facilities in the Rostov Region, 9 facilities in the Stavropol Region, 125 facilities in Algarve, and 138 facilities in Limousin. Different number of facilities reflects different development of tourism in the rural areas of the compared regions. The collected information (name and category of hotel, location, and price), i.e., the raw data employed for the analysis, seems to be of some commercial value, and it is not provided in this paper.

The methodology comprises two approaches. First, the collected information is proceeded statistically to determine the median price for each regional rural destination. Indeed, differences in the category of collective accommodation facilities influence on the results. However, the ratios between hotels of the different categories within each region themselves are important to judge the given destination more or less expensive, and, thus, the noted influence does not complicate the comparison of the median price. Anyway, the distribution of the collective accommodation facilities by the price categories is also evaluated. Second, the median price is converted to the currencies used in the compared destinations (rouble in the Russian regions and euro in the Portuguese and French regions). To consider the factor of the cost of living, the purchasing power parity is measured with the well-known BigMac Index, the value of which are published regularly (since the 1980s) by the "Economist" magazine. It is preferred to the other indicators because, first of all, the availability of very "fresh" values established in mid-2016 and, thus, relevant to the prices analyzed in the present paper. The currency exchange rates (including those calculated with the BigMac Index) are given in Table 1. The results from the application of the both approaches described above can be compared for further discussion of the adequacy of pricing in the selected rural destinations.

<table>
<thead>
<tr>
<th>Currencies</th>
<th>Exchange rate</th>
<th>Date</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian rouble/US dollar</td>
<td>61,75</td>
<td>Dec 17, 2016</td>
<td>Central Bank of Russia</td>
</tr>
<tr>
<td>Russian rouble/Euro</td>
<td>64,48</td>
<td>Dec 17, 2016</td>
<td>Central Bank of Russia</td>
</tr>
<tr>
<td>Russian rouble/US dollar (PPP)</td>
<td>25,79</td>
<td>July, 2016</td>
<td>&quot;The Economist&quot; magazine (BigMac Index)</td>
</tr>
<tr>
<td>Euro(Portugal)/US dollar (PPP)</td>
<td>0,61</td>
<td>July, 2016</td>
<td>&quot;The Economist&quot; magazine (BigMac Index)</td>
</tr>
<tr>
<td>Euro(France)/US dollar (PPP)</td>
<td>0,81</td>
<td>July, 2016</td>
<td>&quot;The Economist&quot; magazine (BigMac Index)</td>
</tr>
</tbody>
</table>
3. Results

In the national currencies, the median price for accommodation in the studied Russian rural destinations is in 1.5–2 times lower than in the analogous European destinations (Table 2). This can be explained by the dominance of hotels of the "lower" categories in the Rostov Region and the Stavropol Region. The spectrum of accommodation options is much wider in Algarve and Limousin with regard to the presence of facilities of different price categories (Fig. 2). However, the very different cost of living should also matter, and this is fully confirmed when the purchasing power parity is considered (see below).

Table 2. Median price per stay (1 night) in collective accommodation facilities of selected rural destinations

<table>
<thead>
<tr>
<th>Median accommodation price</th>
<th>Rostov Region</th>
<th>Stavropol Region</th>
<th>Algarve</th>
<th>Limousin</th>
</tr>
</thead>
<tbody>
<tr>
<td>in Russian roubles</td>
<td>2200</td>
<td>1500</td>
<td>3023</td>
<td>3908</td>
</tr>
<tr>
<td>in US dollars</td>
<td>35,63</td>
<td>24,29</td>
<td>48,96</td>
<td>63,29</td>
</tr>
<tr>
<td>in euro</td>
<td>34,12</td>
<td>23,26</td>
<td>46,88</td>
<td>60,61</td>
</tr>
<tr>
<td>in US dollars (PPP)</td>
<td>85,30</td>
<td>58,16</td>
<td>76,85</td>
<td>74,83</td>
</tr>
</tbody>
</table>

Note: PPP - purchasing power parity
Source: Own construction based on information from booking.com and Table 1

Figure 2. Prices in collective accommodation facilities in the selected rural destinations
(A – Algarve, L – Limousin, R – Rostov Region, S – Stavropol Region)

Source: Own construction based on the information from booking.com and Table 1
Table 2 shows clearly that from the four compared rural destinations, the Rostov Region offers the most expensive accommodation and the Stavropol Region offers the cheapest one when the prices are calculated with the BigMac Index. However, the median prices in the both are generally comparable to those in Algarve and Limousin. This means that the accommodation in the selected Russian rural destinations is cheaper only apparently (when the factor of the cost of living is not considered). When the purchasing power parity of rouble is taken into account, it becomes clear that the actual prices for accommodation in the Rostov Region and the Stavropol Region are comparable to those in Algarve and Limousin or even higher.

The distribution of the prices in collective accommodation facilities in the selected destinations also changes when the purchasing power parity is considered (Fig. 3). Many hotels in the Rostov Region and the Stavropol Region are in the relatively higher price categories. For instance, the relative number of facilities with the price of 80–100 USD in much bigger in the Rostov Region than in Limousin, and the relative number of facilities with the price of 60–80 USD is bigger in the Stavropol Region than in Algarve. Moreover, the majority of hotels in the Rostov Region offer accommodation at the price of 80–100 USD, whereas the most common price in Limousin is 60–80 USD (and hotels of the same category are also numerous in Algarve).

![Figure 3. Prices in collective accommodation facilities in the selected rural destinations](image)

Source: Own construction based on the information from booking.com and Table 1

### 4. Discussion

The results of the analysis convince that the rural tourist accommodation prices in the Rostov Region and the Stavropol Region are comparable (and even higher in the case of the former) than in the analogous destinations of Europe with regard to the relevant cost of living. In such a case, many tourists visiting the analyzed rural destinations may be dissatisfied. As known from the other countries, the local prices and the quality of accommodation play significant role in the rural tourist satisfaction (Frias-Jamilena et al., 2013; Grigaliunaite & Pileliene, 2014). The experienced Russian tourists by definition have a clear idea of the adequate pricing for accommodation. The foreign tourists may not be well aware of the cost of living in the Russian
regions, but being usually experienced they are able to realize this quickly upon arrival. The hotel prices may seem them low only at the first glance. The longer the tour, the better the tourist understanding of the local prices. It should be noted that the Russian tourists may be interested potentially in rural tourism because of the expected cheapness of this activity (e.g., relatively to the cost of travelling to the other countries), and the foreign tourists may also expect that their expenditures will be minimal. Probably, the only Russian tourists, for whom a visit to the given rural destination is the first tourism experience, will not be affected by the high prices because they do not have idea of which price is high and which price is low. However, the number of such tourists is very limited: significant orientation of the Russian tourists on recreation and outbound tourism and their interest in such activities as rural tourism only after all other "traditional" options of spending vacations were "probed" do not permit to expect a significant flow of inexperienced tourists to the rural areas of the Rostov Region and the Stavropol Region.

Generally, the present-day pricing in two analyzed rural destinations of Russia appears to be inadequate. It is a bit more suitable in the Stavropol Region, where the median price is lower (Table 2) and the proportion of hotels of the "lower" price categories is higher (Fig. 3). Tourist dissatisfaction from the pricing of the collective accommodation facilities in these Russian regions may be significant disadvantage for the rural tourism development there. It should be stressed that these territories have not become rural tourist destinations yet despite their potential. The situation is different in Algarve and Limousin, where rural tourism is common. The Rostov Region and the Stavropol Region are interested in attraction of tourist flows to their rural areas, and this requires, particularly, adequate prices in hotels, hostels, etc. These should be recognizable lower than in the analogous European destinations, and not only in US dollars or euros, but also with regard to the purchasing power parity. It is sensible to propose that the adequate median price in the regions of the Russian South should be by 1.5–2 times lower than in the discussed European destinations. If in the latter it is ~75 US dollars (purchasing power parity; see Table 2), it should be ~35–50 US dollars in the Russian South, which means ~900–1300 Russian roubles and not 1500–2200 Russian roubles as it is now (Table 2). Consequently, the actual prices in Russian roubles should be lowered by ~1.6 times. It cannot be excluded that this aim can be achieved together with the increase of the number of collective accommodation facilities in the Rostov Region and Stavropol Region. Presently, this number is significantly (by many times) lower than in Algarve and Limousin. Further competition of these facilities can lead to the better pricing in the rural destinations of the Russian South. Additionally, the regional governments can provide subsidies to hotels in the rural areas because further growth of rural tourism will bring a lot of benefits for these areas.

It should be added that modern tourism can facilitate solution of the global environmental problems. "Green" tourism integrated with "green" economy contributes to the sustainable socio-economic development. First, besides ecological tourism, rural tourism supports this "ecologization" providing appropriate basis for re-vitalization of the declining rural areas. Second, the traditional rural values are essentially environmental, and, thus, rural tourism serves for their active distribution in the modern society. Third, rural tourism facilitates consumption of "clean" food, "clean" energy, etc. However, it should be well understood that tourist flows to the rural areas are directed chiefly from the urban areas, and, thus, tourist expectations and impressions are based on the modern-style life in the globalized world. Particularly, they care much about accommodation quality. Three inferences follow from the above-said. First, the inadequate pricing in collective accommodation facilities in rural areas restricts tourism "greening" on the given territories. Second, attempts to improve this pricing should not lead to increase in environmental pressure from tourism activities. Third, tourists may judge about the pricing in the rural destinations with the same frame they judge about the pricing in all other destinations. These inferences highlight some important directions for further research.
5. Conclusion

The interregional comparison of the pricing of collective accommodation facilities in two potentially important rural destinations of the Russian South and the analogous European destinations implies that this pricing in the Rostov Region and the Stavropol Region is inadequate, and it limits further development of rural tourism in the noted regions. It is recommended to reduce the accommodation prices (in the national currency) by ~1.6 times. In addition to these general conclusions, the present study demonstrates the importance of consideration of the purchasing power parity in the modern tourism research, and, particularly, in examination of the destination perspectives in the global context.

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