

2013-2018 Altai Krai-Russia Silk Road Action Plan

Strategy Challenge Management Report: Group 2

The “*My Altai Krai*” strategy focuses on five objectives:

- 1 Increase in awareness of Altai Krai as a premier Silk Road destination
- 2 Integrate and manage existing supply to facilitate safe and seamless travel
- 3 Create effective distribution of existing supply
- 4 Support investments to develop the region
- 5 Educate and train the local workforce

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The „2013-2018 Altai Krai Silk Road Action Plan“ is concerned with reaching UNWTO Silk Road Objectives with integration of Millennium goals, such as poverty and unemployment reduction, through facilitation of tourism in the Altai Krai region of Russia. A public private tourism cooperative, branded as “*My Altai Krai*”, effectively integrates local service providers while creating the necessary frameworks to increase the awareness of Altai Krai as a premier Silk Road nature and health destination.

CHAPTER 1: CREATE A TOURISM COOPERATIVE

WHAT – *My Altai Krai* concentrates on five main objectives; (1) increase awareness of the area; (2) integrate and manage existing supply to facilitate safe and seamless travel; (3) create effective distribution; (4) facilitate investment to develop the region; (5) educate and train the local workforce. These goals are integrated in the implementation plan and will be explained in detail in the following chapters, please refer to *Appendix 2* for a Balanced scorecard.

This cooperative creates incremental demand and also feeds off of the Siberian Coin and the Sky Blue Katun consumers which stay on average 7 days (Fedotkin, 2008). *My Altai Krai* targets both the aforementioned guests as well as Russia’s middle age population which is increasingly seeking nature and health tourism (Euromonitor, 2010). Moreover, this is the largest segment and has the greatest economic power (Euromonitor, 2011). The secondary target market is family travelers between Barnaul and Biysk.

WHY – Cooperatives are growing in importance in Russia and offer benefits in line with the UNWTO Silk Road objectives as the “role of cooperatives is clearly seen in improving living conditions of population, and in particular in fighting poverty and promoting employment of women and youth” (International Labor Organization, 2009). Furthermore, *My Altai Krai* sustainably generates positive societal effects as it creates additional demand. The increase in arrivals has positive socio-cultural impacts that trickle down to all levels of society as it is a direct and indirect source of employment for the local communities (Stynes, 1997).

Revenues are forecasted to increase by approximately 12.5% per year for the cooperative members after product launch. A well-branded tourism cooperative is the most cost effective and low risk solution to meet the following needs in the region.

HOW – In order to create the most effective cooperative for Altai Krai three main components are required; a brand, an office, and a website. An office will provide a physical location for service-contact either via phone or personally for all stakeholders. The brand will create an identity and be the face of the Silk Road experience in Altai Krai. Please refer to *Appendix 1* for a tourism cooperative SWOT analysis.

STAKEHOLDERS - The cooperative is responsible for managing relations between different stakeholders. The main stakeholders include: the local community, the local investors, regional entrepreneurs involved directly and indirectly, managers and employees of the cooperative, the tourists, the government as well as the UNWTO. The two main investors, the UNWTO and the local government, benefit from this cooperative model as this project has a greater direct and induced impact on the local community. The increase in tourism demand resulting from the aforementioned project will lead to indirect and induced revenues; these revenues will initiate the catalysis of education, promotion of tourism and overall quality of life.

METRICS TO MEASURE PERFORMANCE – Number of arrivals, length of stay, average daily rate and occupancy of tourism due to the cooperatives as well as spending per tourist, spending per activity, and customer origins.

CHAPTER 2: INCREASING AWARENESS OF THE REGION

WHAT – Raise awareness of the Altai Krai region as an attractive tourism destination on the Silk Road by uniting the region’s activities and lodging facilities under one platform.

WHY – Altai Krai offers the Silk Road traveler bountiful nature, adventures in natural sceneries, historical landmarks and many sanatoriums; it is perceived as ecologically pure (Altai Region, 2011). Thus, it is ideally marketable as a sustainable nature and health destination. Moreover, the region only attracted 1 million tourists in 2010 which is forecasted to increase to 3 million by 2025 (Altai Region, 2011). Currently, 80% of tourists are visiting family and friends leaving much space for increase of tourism and depicting the lack of awareness of Altai Krai as a tourist destination among Russian nationals (Altai Region, 2011).

Altai Krai has very little online presence with lack of English information on supply (extreme sports, sanatoriums, monuments, etc). Additionally, there are very few hotels that are present on

online tour operators making the region virtually unknown to international travelers. For this reason the domestic Russian market will be initially targeted followed by international guests.

HOW – Awareness is increased through marketing and promotion of the region and the activities it offers. An information rich website needs to be developed featuring but not limited to, itineraries, travel information, booking possibilities, and links member websites. Search optimization, cookies, and social media integration allows for greater online marketing efficiency. Please refer to *Appendix 4* for Website illustration. This online portal is the main means of promotion while partnerships with travel agents cater to a more traditional tourist. The office in Barnaul promotes the region locally and is responsible for offline marketing.

METRICS –Number of inbound tourists, number of searches on search engines, number of *My Altai Krai* page visits, number of inquiries (electronic or calls), customer awareness surveys.s

OBJECTIVES – *My Altai Krai* will develop awareness through online and offline marketing and promotion which will increase tourism to the Altai Krai region; influx of travelers will have positive impacts on the community as the cooperative model distributes the wealth created by tourism (International Labor Organization, 2009).

CHAPTER 3: INTEGRATING AND MANAGING EXISTING SUPPLY

WHAT – The Silk Road Action Plan is divided into 2 phases, please refer to the Implementation Plan in *Appendix 3* for more information. The main activity of phase 1 is the consolidation of existing supply which consists of accommodation, activity providers (extreme sports), and transportation companies.

Consumer confidence and tangibility of the region as a tourist destination are increased by integrating all supply through the *My Altai Krai* brand and also implementing a lodging rating system. The rating system includes the following standards: availability of warm water and electricity; cleanliness; comfort; access to restaurant; level of service; private/ shared bathrooms. A rating system is also established for the Altai Krai activities. In the second phase, an enhancement of the existing supply is planned in order to target international travelers. All members are equipped with simple computers, providing e-mail as well as Internet access. This facilitates communication between the members and the cooperative and improves effectiveness.

WHY- The Altai Krai region currently offers a wide variety of hospitality services and products scattered throughout the region (Altai Region official site, 2011). The integration of all offers would increase synergies and economies of scope, communication and availability of knowledge between the different members to increase the overall product (Verma, 2008). The consumer expenditure for packaged vacation increased by 80% between 2005 and 2008 (Euromonitor, 2008) while the demand for integrated travel platforms, like OTAs, had increased by 41% in Russia between 2010 and 2011 (TravelDailyNews, 2011). Similar cooperatives were successful in Asia and have increased the region's tourism significantly (Verma, 2008). Rating systems increase consumer confidence and make the regions' products and services more comparable (Federer, 2011).

How – All activity, transportation and hospitality suppliers are offered a membership which entails no fixed costs. Instead the members are charged 8% of their room sales done through the cooperative. All lodging and activity providers are rated, according to the points mentioned above and are listed to standardize the offer. *My Altai Krai* bundles packages, using the supply of its members.

METRICS – Number of signed contracts, number of integrated hotels and activities, number of locations (villages) integrated, projects realized, number of contracts lost and surveys.

OBJECTIVES – Increase the value of all products, increase communication, establish and support communication of best practices for cooperative members and standardize the offer.

CHAPTER 4: EFFECTIVE DISTRIBUTION OF SUPPLY

WHAT – Create effective and efficient distribution channels to promote otherwise hidden service providers in Altai Krai to Russian and eventually international consumers.

How – Develop strong network of travel agents and OTA partnerships. In phase 2 (refer to Appendix 3) a SMS reservation system for accommodation and lodging partners is developed.

WHY – As less than half of the Russian population use the Internet (Internet World Stats, 2012) strong traditional distribution channels and partnerships are developed. Development of a website in Russian prepares to meet future demands of the growing number of Internet users

(NMTW, 2012). IT usage is low therefore internal distribution needs to be made with low technological usage; for this reason reservations among stakeholders is done via telephone with inexpensive and simple SMS technology (Altai Region official site, 2011). This is essential as the cooperative largely targets domestic tourists.

METRICS – Number of complaints or mistakes in bookings, number of partnerships with travel agents, number of bookings online, number of bookings via telephone, annual budget and breakeven point (revenues brought in vs. cost of distribution)

OBJECTIVES – Integrated distribution will allow a simpler booking experience allowing for increases in tourism in remote areas. Awareness of unknown attraction and lodging providers is made possible due to the partnerships leading to tourism in rural and remote areas that would not be possible without the convergent effects of the cooperative.

CHAPTER 5: EDUCATION & TRAINING OF WORK FORCE

WHAT - Continual training is needed for the cooperative members, the cooperative employees, state employees in charge of promoting tourism in the Altai Krai region and micro-finance organizations in the local area.

How - The local government needs to support the development of educational program for it to be a success. Phase 1 and 2 commences in year 1 and 3 respectively. Retraining programs are scheduled on a bi-annual basis. For the individual members, training programs are conducted on a monthly basis in year 1 which includes training on service standards, methods of communication, and IT. Phase 2 is designed to prepare stakeholders for the international marketing campaign. These programs focus largely on cultural-awareness, internationally conscious service standards, language and IT.

WHY - Service training will maintain brand image and a minimum level of quality, ensuring repeat customers. Communication training improves communication channels between the cooperative members allowing for efficiency and sharing of best practices. Training on cultural-awareness, international service standards and language lessons will help create more value for non-Russian tourists. Training increases productivity, know-how and empower employees as they have the tools to perform well on the workplace (Euromonitor, 2009).

METRICS - Number of certifications, employee turnover, employee satisfaction survey, number of training hours, training attendance, end of training evaluations.

OBJECTIVES - Foster an adequate set of skills, enhance visitor experiences increase standard of living, reduce crime, happier customers because of better service, reduce employee turnover, increase employee satisfaction.

CHAPTER 6: FACILITATING INVESTMENTS

WHAT – Micro-loans are used to finance the stakeholders. *My Altai Krai* is a Public-Private partnership (PPP) and investors own the company, profits are evenly distributed. Investments are needed for advertising, basic training, marketing and promotion as well as refurbishing the existing supply to minimum standards. The PPP is a strategic alliance where the government develops the infrastructure while the cooperative members develop the touristic supply and promote it.

WHY - The cooperative model allows for shared financial impacts on the local economy and allows the members to remain independent and responsible. It also has positive externalities on the local economy (Lohlein & Wehrheim, 2003) and requires a low initial investment. This model creates an investor-friendly environment. It should be backed by the local government which will make it safer through the PPP and lower the fear of payment defaults and corruption. (LLP, 2008). Micro-loans not only preserve the financial independence of the cooperative members but also allow for funding as banks normally do not finance entrepreneurs in rural Russia (Letson, 2007).

HOW – The cooperative will help the members to estimate the costs of the refurbishments needed and help them through the process micro-loan approval. The Altai Krai government is already developing PPPs and promoting micro-loans (LLP, 2008) thus, the existing institutions help in the development the cooperative.

METRICS – The evolution of the amount of money lent using micro-loans in Altai Krai, pay-back period for each cooperative member, the proportion of loans granted relative to those rejected, and the number of defaulted payments.

OBJECTIVES – Financial independence from credit institution and sustainability is of utmost importance. Unnecessary pressures from private investors are avoided while the local population become more responsible concerning the loans.

CHAPTER 7: CAPACITY BUILDING

The cooperative as a Public Private Partnership makes financing for small, local supply operators available which does not only increase tourism supply, but also promote sustainable, local entrepreneurship. Jobs will be created directly as well as indirectly (Stynes, 1997), offering employment opportunities to locals, especially women and uneducated young adults (UNWTO, 2011). On the job and language training is provided to the future workforce to build abilities and improve job performance (UNWTO, 2011). The cooperative creates a network linking all the stakeholders together, enabling communication and shared knowledge (Verma, 2008). Development of the infrastructure benefits the local community in terms of transport, while at the same time increasing the local awareness of the region's natural heritage.

CHAPTER 8: RISK ANALYSIS

Risk 1: The Siberian Coin and Sky Blue Katun projects are stopped → the cooperative and its stakeholders will experience less demand due to the absence of the additional attraction in the south of Altai Krai – nevertheless, all members still benefit from *My Altai Krai* with its features as mentioned above.

Risk 2: The stakeholders refuse to invest/ the public sector refuses the partnership → The project cannot be completed and has to terminated, as it cannot be realized without the presence of financing and support from the government.

CHAPTER 9: CONCLUSION

My Altai Krai, the public private cooperative will best steer the Altai Krai region to meet the UNWTO Silk Road Strategy objectives. Sustainable tourism is developed in a way that encompasses all local actors enabling synergies while fulfilling the Strategy goals. Once successfully implemented the cooperative can function autonomously and be integrated into the greater Silk Road project and become a reference in terms of sustainable destination management.

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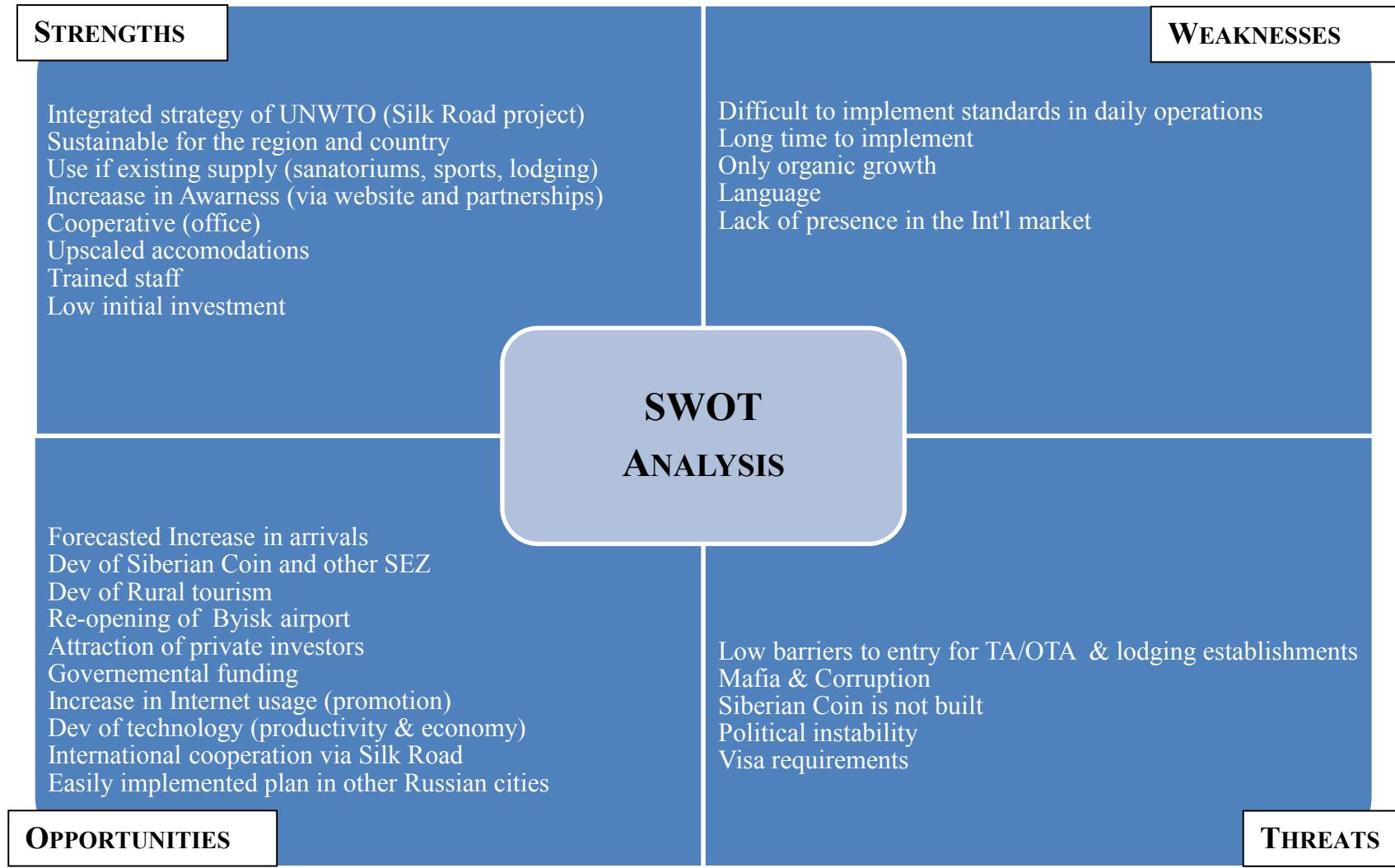
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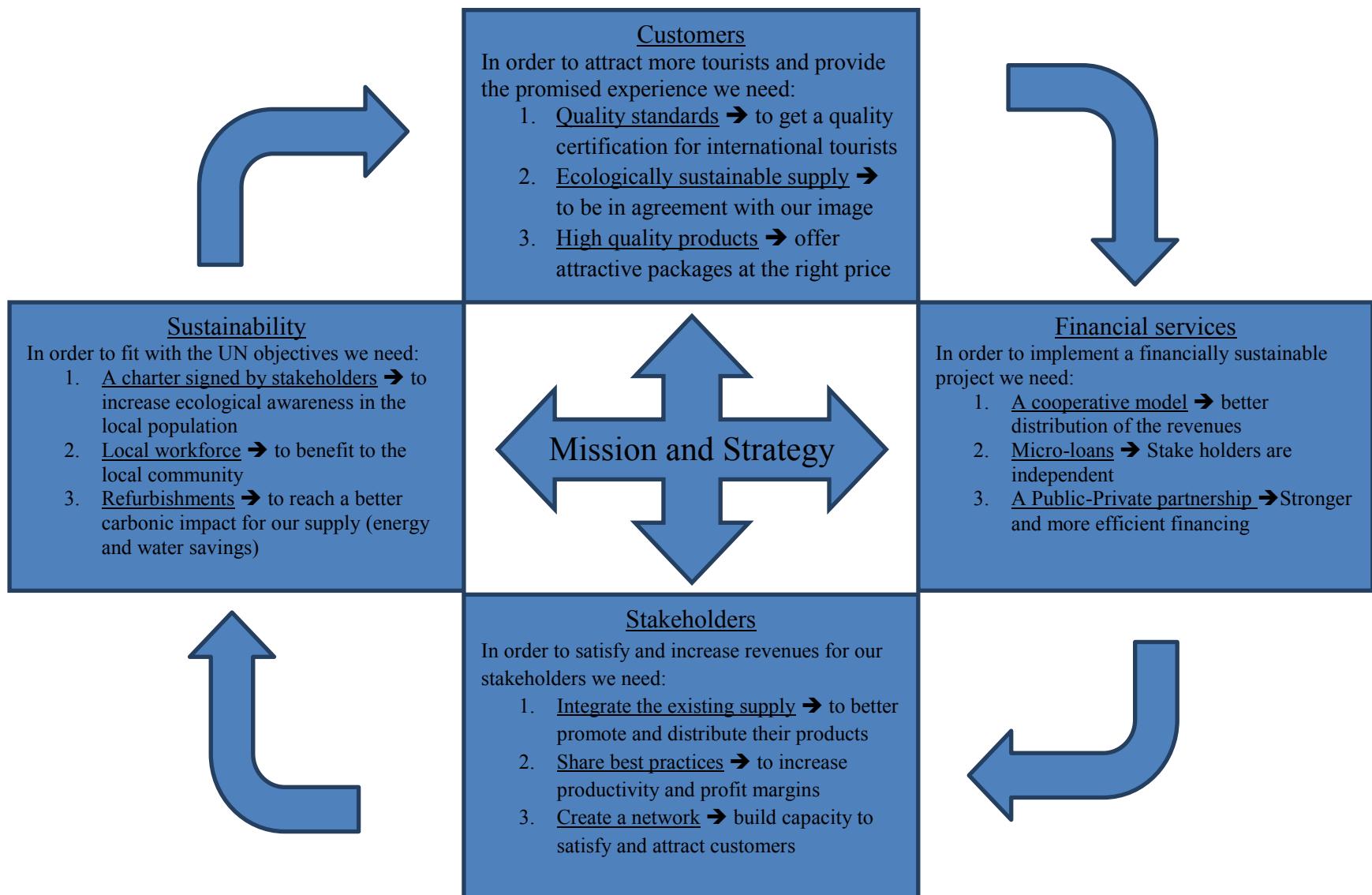
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APPENDIX 1 – TOURISM COOPERATIVE SWOT



APPENDIX 2 – BALANCED SCORECARD



APPENDIX 3 – IMPLEMENTATION TIMELINE AND KPIs

Mid-term evaluation of the project

1. Revenues of our co-operative members
2. Average length of stay / Average expenditure
3. Reason to travel (in Altai Krai)
4. Number of employee of our co-operative members
5. Energy consumption of the supply
6. Number of reservations going through the Barnaul office or the web site
7. Customers' comments from trip advisor and other web sites.
8. Carbon impact of the co-operative (all stakeholders)

Evaluation of the strategy

1. Employment rate (and gender equality) in AK
2. GDP (and contribution of tourism) in AK
3. Health/extreme sports expenditure in Russia
4. Ecological awareness (survey in Barnaul)
5. Use of internet in Russia
6. Amount of micro-loans in Altai Krai
7. Middle-class income per capita in Russia
8. Proportion of international tourists
9. Price of transportation in Russia

Year 1

Year 2

← Phase 1

Phase 2

Year 3

Year 4

Year 5

- Hire a project management team of three people to create the cooperative with government funds
- Contact the stakeholders
- Start administrative procedures for the Public-Private partnership and seek for private investors
- Seek strategic alliances with a Russian well established tour operator
- Make the stakeholders sign a charter for sustainability
- Train a team of travel agents from Altai region
- Create the packages/activities to sell

- Consolidate the stakeholders network by having them to work together
- Create the office in Barnaul with a call center
- Start a marketing campaign in Russia to promote the new brand
- Implement a reservation system through the supply
- Launch the Russian website and the booking engine
- Estimate the refurbishment costs to meet international tourists expectations
- Start a training programm in english for guides and travel agents.

- Find micro-loans to upgrade the supply of cooperative members
- Progressively upgrade the supply while meeting the sustainable standards of the initial charter
- Seek for alliances with international OTAs
- Launch an international marketing campaign
- Increase the number of cooperative members
- Increase the number of packages/activities to sell by developing extreme sports packages.
- Mid-term evaluation, look at KPIs
- Plan, do, check & act

- Implement a "sustainable Altai Krai" label through our cooperative members
- Start a loyalty programm for local health tourists
- Create a database of consumers characteristics (basic information, needs, habits and reason to travel), psychographic segmentation
- Develop new supply if needed for the product/packages

- Estimate the impact on the local economy by following relevant indicators
- Make the strategy evolve according to these indicators
- Seek for international partnerships to increase supply and demand (other Silk Road countries, Hospitality chains, etc)

APPENDIX 4 – MARKETING AND PROMOTION WEBSITE

[About Altai Krai](#)
[Who are we?](#)
[Accomodations](#)
[Activities](#)
[Packages](#)
[Contacts](#)

Altai Krai is located in the southeast of Western Siberia. The region lodges 12 cities. The territory's population surpasses 2.5 million people, representatives of more than 80 nationalities and ethnic groups inhabit Altai, with Russian people prevailing.



The territory presents quite a variety of landscapes — flat grassland steppes, wooded steppe and forests, and mountains. The climate is moderately continental, with warm summer and moderate-frost wintertime. Thousands of beautiful pure-water lakes and rivers are located in the Altai Krai. The lands of Altai embody a natural object of global value — the site where the Ob river, one of the largest on the planet, is formed.

Every year the number of tourist centers, camping sites, hotels in Altai Krai increases, new itineraries are worked out, mountain skiing slopes are opened, one can enjoy rafting on mountain rivers, horse-back riding, flights on paragliders, etc. 270 hotels and similar facilities can provide accommodation and rest for more than 25 thousand guests at a time.




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My Altai Krai is a cooperative integrating independent hotels and activity suppliers from Barnaul to the south east of the region. The area is known for its sanatories, outdoor activities, and special spiritual nurturing . All members of **My Altai Krai** have to obey to high quality standards to receive the brand certificate  in order to guarantee the desired guest experience. The office based at the Barnaul airport is the physical reference point of **My Altai Krai** in the region and functions as a tourist center.

OUR VISION : Altai Krai will become the leading sustainable nature and health based tourism destination in the Silk Road region known for its distinct and accessible natural and health attractions thanks to **My Altai Krai** tourism cooperative.



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