The internationalization of the Meetings-, Incentives-, Conventions- and Exhibitions- (MICE) industry: Its influences on the actors in the tourism business activity

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Abstract

This article is aimed to analyze the link between internationalization and Meetings-, Incentives-, Conventions- and Exhibitions (MICE) industry which is refer to the destination development. A comprehensive review of the totality of the processes associated with the regional market of business tourism, allowed to develop a number of actual tools that make it possible to obtain important practical results. One of these tools is a so called public-private partnership (PPP), to strengthen the trust between government and business representatives on regional level. This article reveals the cooperation process between foreign private companies and the local government in organizing the development of the industry connected to MICE. This vision may help all parties connected to the MICE industry to achieve a new level of understanding of the business tourism destination as a result of internationalization processes.

Keywords: internationalization, MICE, meetings industry, business tourism, incentives, conventions, exhibitions, tourism business activity.

JEL Classification: F02, F47.

Introduction

The global tourism market is exposed to internationalization processes and as a result is forced to apply modern strategies, offering consumers innovative ways of tourism. The issue of internationalization of business processes, services
The internationalization of the Meetings-, Incentives-, Conventions-...

and technologies is not over in the scope of business travel. Due to increases in the flow of business travellers, a number of ongoing business activities has caused interest in the internationalization of business services and processes of business tourism in the context of globalization of the regional tourism market. The increased role of regional tourism in the socio-economic development of Russia and its regions, and a growing influence of internationalization on this process, led to the relevance of the theme of the article.

Internationalization of the firm from an entrepreneurial perspective has a close link to the actors in the tourism business activity [Andersson 2000]. Internationalization process of the firm plays a significant role for development and increasing foreign market commitments [Johanson, Vahlne 1977]. Competitive advantage creates sustainability and performance by these key elements: factor conditions; demand conditions such as firm strategy and structure and rivalry; related and supported industries [Porter 1985]. All these elements provide the region with conditions for tourist, economic and social development and contribute to local and regional economies, providing jobs and investment, including the recent construction and rehabilitation of venues, accommodation and infrastructure, that benefit not only local people but also visitors. Business tourism, seen as a strategic tourism segment, is positioned as an important leverage factor that can contribute to local development by attracting events, contributing to the extension of stay at destination, influencing the return of visitors and the promotion and strengthening of the region’s tourism image [Marques 2013; Marques, Santos 2016].

The main goal of this study is to justify the strategic orientations and effective operation of institutional arrangements of the Meetings-, Incentives-, Conventions- and Exhibitions (MICE) industry, due to the global transformational changes to enhance the internationalization of the actors in the tourism business activity.

The structure of this article is as follows: the first part is a description of the essence of the MICE industry, explaining this concept and its main components and elements. The next part shows the business tourism destination as a result of internationalization processes. The third section presents the cooperation of foreign private companies with the local government and MICE Industry. The last part discusses the characteristic trends of public-private partnership (PPP) as a significant tool of the cooperation process between foreign private companies and the local government, to strengthen the trust between government and business representatives on regional level.
1. Research method

The methodology used in this research was to do a systematic analysis of national and regional components of the tourist services market, in the course of which systematically contributing factors, as well as negative influences on the economic actors of the tourism business activity have been identified and described.

This article focuses on substantiating the role and place of a business tourism catalyst in the system of innovation infrastructure instruments and institutions. The article assumes that business tourism catalysts are the most optimal mechanism to search for and support promising innovative companies and projects such as Conventions & Visitors Bureaus (CVB), MICE tourism.

To describe real economic processes, the study used a situational analysis method making it possible to describe the current state of affairs, to understand existing problems and propose possible means to overcome these problems. In short, this method enabled us to study current phenomena in real conditions [Yin 2003]. System analysis methods offered the opportunity to identify the core characteristics of the innovation infrastructure instruments and institutions in a changing economic environment. The study was also based on evolutionary economics principles [Nelson, Winter 1982] which stress that further development is only maintained and achieved by institutions that have the largest set of favorable properties and aid the successful development of the economy and society.

2. Theoretical background

2.1. Meetings-, Incentives-, Conventions- and Exhibitions- (MICE) Industry – the scope of the notion and key elements

Business tourism creates a relationship link between culture and business. International business programs in the framework of MICE-events influence the development of the historical and cultural tourism, which in turn increases the attractiveness of the tourist areas of a particular region. The concept of MICE or MI (Meetings Industry) was introduced in 2006 in accordance with a decision carried out by the International Congress & Convention Association (ICCA), the Meeting Professionals International (MPI), the Reeds Travel Exhibitions and the World Tourism Organization (UNWTO) in an attempt to standardize concepts and create a stronger image of the sector [Swarbrooke, Horner 2001; Weber, Chon 2002; Davidson, Cope 2003; UNWTO 2006; Rogers 2008].
The MICE industry is one of the key drivers of tourism destination development and an important generator of income, employment and (foreign) investment. Besides economic benefits, the MICE industry delivers opportunities for knowledge sharing, networking and capacity building, making it an important driver for intellectual development and regional cooperation.

By the authors Marques and Santos, [2016] the Destination Management Organizations (DMO), and more specifically the Conventions & Visitors Bureaus (CVB), play a key role in the supply structure associated with the territory and in the management, planning and development of tourism destinations, especially those which want to assert themselves as a successful business tourism destination.

The MICE industry – a service industry combining trade, transportation, finance, and travel – has been active mainly in Europe and America. It has long been recognized as a sector that draws lucrative direct and indirect revenue for host destinations. As a consequence of all these major characteristics, the number of destinations connecting to this young and dynamic industry is extremely increasing. With the massive development boom that is currently underway throughout Asia, come challenges as well as opportunities. New convention and exhibition facilities, hotels, casinos, integrated resorts and themed entertainment precincts are being developed throughout the region. This development of new products, combined with the world’s increasing focus on economic engagement in Asia, means that the entire region will enjoy strong growth in its conventions and meetings market.

The aim of this research is to explore and analyze the MICE industry development in the globalised world and identify its impact on the internationalization process as a main trend of the multinational economy system in the beginning of the XXI century. Today, countries all over the world are putting effort in developing the MICE industry as a means to improve the national economic development. The Russian MICE business is growing and developing according to the current world trends of the sector’s development.

By the way, it’s important to demystify the idea that seems to be commonplace that business tourism only refers to major urban centers with very large venues, accommodation and infrastructure. The study “A Modern History of International Association Meetings”, presented by the International Congress and Convention Association [www 1], analyses the evolution of associative meetings over half a century (1963-2012). The data shows that of the 54,844 meetings registered by ICCA between 2008 and 2012, about 34.8% hosted between 50 and 149 participants, about 21.5% hosted between 150 and 249 participants and about 23.5% hosted between 250 and 499 participants. This means
that the vast majority of the registered meetings (79.8%) hosted fewer than 500 participants. The study also shows that the average number of meetings held annually has increased about 10% per year, which means that the number of meetings doubles every 10 years. It is also noted that the percentage of increase in the number of meetings (50%) is significantly higher than the percentage of reduction in the number of participants (20%). We are thus witnessing a clear trend in reducing the number of participants in associative meetings over the past few decades and, at the same time, a continued increase in the number of meetings held.

The main trends of the world economy – internationalization and globalization – are rapidly flowing over all services sectors. That is why in this article we aim to analyze the definition of internationalization, its impacts on the MICE segment in the business travel industry. In the contemporary conditions of the world economy, it shows that internationalization trend of service market in the business travel industry will continue to grow and deepen.

2.2. **Business tourism destination as a result of internationalization processes**

Internationalization of enterprises has attracted the attention of the scientific community in the twentieth century. Issues connected to business communications, continuous interaction between the participants of business and the increasing role of business contacts both at the national as well as on global level, formed a new tendency in the tourism industry. In this case, special importance is given to the study of the formation of and developments in the business travel market, the evolution of its origin; to define the leaders of the world market, the main actors and the stakeholders’ influence. One of the key, but quite poorly studied issues related to this segment, is the impact of business travel on the socio-economic development of individual regions and groups of regions around the world. At the same time, the institutional and theoretical basis for the integration of the Russian regions’ development of the business tourism market is new and it demands reveal. The need for identifying regional segments of the domestic MICE-industry as a factor of business internationalization activity has led to the relevance of this study.

Vector of the world economy at the present stage was transformed in the direction of expanding and enhancing the impact of internationalization of business tourism in the service market. In many countries, there is an increase in production of tourism services and in their share in the GDP, as a result the
number of people employed in the services sector is increasing every year, which is supported by the growing number of national and international companies involved in the tourism services sector.

Realizing the urgency of identifying the reasons of increasing income from the service sector in the GDP of developed countries at the present stage of the world economy development, we consider it appropriate to consult authoritative economists who have devoted their studies to the service sector and international trade in the service market in particular. For example, Christopher Lovelock, a widely recognized expert in the field of services, control theory and service organizations, says: the development of services includes: government policies, social changes, business trends, development of information technology, globalization and the internationalization of service organizations [Lovelock 2010].

The rapid globalization of the world economy has increased the chances for the services market abroad both in developed countries and in emerging economies in recent decades. The effect of this is that services are becoming a driving force as well as the fastest growing sector in the international trade [e.g. Grönroos 1998; Javalgi, White 2002]. This fact attracts researchers to follow the changes taking place in the industry.

Despite this growing importance, the internationalization within the services sector remains an elusive and largely invisible business area [Javalgi, Martin, Young 2006]. An important contribution to the study of the problems was brought by Western economists such as [Nordstrom 1991; Andersson 2000; McDougall, Oviatt 2005]. Their researches focus on the construction of theoretical models and strategies of internationalization of companies. The study questions the transformation of domestic firms in multinational companies/corporations.

The internationalization of the firm is an area of great research interest [Bilkey, Tesar 1977; Johanson, Vahlne 1977, 1990; Luostarinen 1979; Cavusgil 1980]. One of the most important models in this field is the so called Uppsala Model, which was developed by Johanson and Vahlne [1977, 1990]. The model explains internationalization as a process of increasing experiential knowledge [Penrose 1959; Eriksson 1997]. The discussion is focused on development over time, and the main theme is the firms’ behavior when it comes to different establishment sequences according to markets and entry modes. Markets are entered with successively greater psychic distance.

Psychic distance is defined as the factors preventing or disturbing the flow of information between companies and markets. Examples of such factors are differences in language, culture, political systems, level of education, level of industrial development, etc. [Johanson, Wiedersheim-Paul 1975]. The firm’s international behavior in a single market is a consequence of a successively
greater commitment and is described as follows. At the beginning there are no regular export activities, then export takes place via independent representatives, later through sales subsidiaries and finally a manufacturing subsidiary is established [Johanson, Wiedersheim-Paul 1975].

The Uppsala internationalization model and other process models have been criticized for being deterministic [Reid 1981; Turnbull 1987; Melin 1992]. If the companies are developed in accordance with the models, individuals will have no strategic choices. In this study, however, top management and entrepreneurs are regarded as important for the suppliers’ international strategies [Andersson 2000]. In the 1990s the entrepreneurs’ importance for international business was highlighted by many researchers.

Some researchers such as Welch and Luostarinen [1988] proposed the following interpretation of the concept, according to which the internationalization of the business activity of the enterprise is a ‘process of increasing involvement in international activities of the company’.

Firms enter into foreign markets for several reasons. According to Root [1994], manufacturing firms and services firms enter foreign markets because home markets are stagnating or foreign markets are growing faster, some follow their domestic customers who are going international, some firms may go abroad in search of a greater sales volume or in order to reduce costs, thereby they strengthen their competitiveness at home as well as at foreign markets. This understanding of the internationalization of business enterprise has received the prevalence and relevance to the works of Western scholars.

The author formulated her own definition, where the internationalization of the business services in business travel is defined as an ‘integration process of the regional and national business services in business tourism infrastructure into a single global economic space, the expansion of territorial organization of business tourism opportunities beyond the national economy’.

The following global tendencies demonstrate the relevance of the definition mentioned above:

- Emergence of international hotel chains in the national market (Hyatt, Novotel, Hilton, Sheraton, Marriott, etc.).
- International Congress Halls, World Trade Centers, CVB (Convention Bureaus), International airports, Transportation hubs (actors of the tourism business activity).
- Strengthening the processes of internationalization and integration of national and regional business processes and services.

Its dynamics depends on the content of activities, it is critical from the standpoint of the development of a modern economy based on knowledge, and national competitiveness. Porter [1990] provides illuminating insights into how
nations can improve competitive advantage in an age of globalization. There are four main determinants of national competitive advantage: factor conditions; demand conditions such as firm strategy and structure and rivalry; related and supported industries. However, in order to have positive results, the individual companies, the company leaders and the national governments need to work together.

According to Porter’s approach to globalization, we formulate an idea of the PPP that allows to strengthen trust between the government and business representatives on the regional level. PPPs may be seen as a cooperative alliance between the public and private sectors, in different areas of intervention which are traditionally inherent to the public sector, but without embracing a complete privatization process [Linder 1999]. The underlying premise of PPPs is to benefit all parties involved, through alignment of their resources and goals. PPPs are becoming more common because governments realize these agreements may have many tangible and immediate benefits, and the private sector is granted access to new markets and opportunities. According to Kim, Kim and Lee [2005], PPPs are essentially partnerships between public sector organizations and private sector and corporate investors, for the purpose of conception, planning, funding, construction and supply of infrastructural equipment or exploration of services. ECLAC [2007] adds that PPPs are characterized by the sharing of risks, investment, resources, responsibility and rewards.

Some authors, such as Goymen [2000], Marques and Santos [2016] consider that the creation of an organizational structure (CVB) using the common interests of stakeholders can be seen as an example of PPP on the regional level. Consequently, the existence of a CVB is required to promote cooperation between stakeholders and to pressure local, regional and national authorities in order to develop harmonized policies, appropriate branding, and marketing strategies in the particular territory.

Under the conditions of the principles of management in the tourism industry there is a qualitative restructuring and diversification of business: expanding the scope of tourist services. There is a tendency for the synergy of functional and influence tourism and other businesses. The challenge is to expand and strengthen national tourism market. In this regard, it is important to develop business tourism as a socio-economic factor of innovative development.

3. Research findings

Cooperation of foreign private companies and the local government connected to MICE is presented in this part at as a key factor of the concept of internationalization of this paper. The concept of ‘Business tourism’, ‘MICE’, and
‘MICE-technologies’ is increasingly common in the travel packages offered by major tour operators and event-companies. Following the recommendation of ICCA, most experts use the term ‘MI meeting industry’ as a general notion, the term ‘MICE’ is also used.

The structure of the business tourism market (see Figure 1) is a comprehensive and multi-directional range of services for organizing various events business focus. In this case, we tried to do the segmentation of the business tourism sector by combining two kinds of activity: industry meetings (Meetings Industry/MICE) and corporate travelers’ industry (Travel Industry).

**Figure 1. Business tourism structure**

According to the Figure 1, there are two different elements which organized by concrete structure. Business travel is divided by two industries and they activities are the most important elements for the development and further implementation of these categories. Two sectors can be described and estimated according to such characteristics as aim of the global MICE-industry; innovativeness of MICE-industry; business cooperation as a key factor of MICE-industry.

Issues to influence the facts that determine the trends in the global business tourism market, are relevant to the modern tourist segment of the world economy, each factor deserves special observation and research. One of these factors of the modern world tourism market is the internationalization of tourism business activity. In Russia, it is particularly important to design and launch specific government programs that would aim at comprehensive and practical development and promotion of the industry. Here, considerable efforts have been made by the government, business, non-governmental organizations and their clear and concrete understanding of the importance of addressing this problem.
promoting the development of business tourism, given its place in the economy and the nature of the industry as an important component of the Russian tourism industry, should be the responsibility of the government and the business community.

The MICE industry as a conceptual category of tourist industry is closely linked with tourism and hospitality industry. It is an integral part of the tourism industry, providing a significant positive impact on the investment attractiveness and development of regional areas of the national economy, concerning to the context of international economical relationship. The MICE industry plays a significant role in the development of business, cultural and scientific relations between regions and countries. In addition, MICE – is one of the resources for integrating and developing companies through business education and participation in trade fairs and congresses. Business tourism development is one of the most important keys of the business tourism actors’ success.

The MICE industry is a driver of economic, social and cultural development worldwide, as it:

− creates added value for tourism and enhances the tourism economy, mainly in the low season (i.e. business events’ visitors are not only among the most lucrative tourist segments but they can extend their stay and/or return with family and friends / festivals and promotional events as showcase of excellence in the creative industries…);
− creates jobs and retrain workforce (multiplicative effect of tourism industry);
− increases trade through the promotion of international collaboration and the support of business and professional networks;
− attracts investments by promoting the profile of hosting cities/regions provides opportunity for destinations’ regeneration, expansion and growth (i.e. infrastructure and services development);
− spreads knowledge and enhances innovation and creativity.

The author determined that the increase in the number of events is relevant to increase in implemented business projects and profit growth business entities of tourist destinations (see Table 1).

Every year countries and cities around the world are forcing for the top positions and rankings, according to the number of conformed major meetings. The MICE-related events affect innovative processes for the economy and society and produces new technologies development at regional and national levels. That is why the MICE industry can be the catalyst of the rapid development of modern business and communication infrastructure.

Marques and Santos [2016] noted, that the areas with lower population density and lower supply of services and facilities have positioned themselves in this segment in order to attract a larger number of visitors and boost tourism,
especially at the level of accommodation facilities situated in non-urban areas that have been able to adapt to the demands of this segment and contribute to meetings conducted in quieter places.

### Table 1. Top countries and cities meetings rankings in 2014-2015

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<td>Brazil</td>
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<td>China</td>
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Source: [www 1].

Rostov-on-Don city is a one of the leader of the South of Russia in the development of MICE-industry. More than 50% of arrivals are connected with business and MICE-events. In comparison with other Russian cities, such as Sochi, Kazan, Ekaterinburg, Vladivostok which are the leader in their territories, Rostov-on-Don is one of the fastest developing region, having recognized the potential of this industry to bring economic, social and intellectual benefits. With ever more exhibition grounds (Vertol Expo), accommodation units (Sheraton, Hyatt, Mercure) and entertainment facilities, airport hub being constructed throughout the region, Rostov-on-Don and Rostov Land is strongly positioning itself as a leader in the Russian Federation in the sector of MICE. This situation is especially developing because of The 2018 FIFA World Cup which will held in Russia in 2018. One of the cities is Rostov-on-Don. This event is attracting a big amount of tourists who will bring investments to the region.
One of the world leaders of the MICE industry is no doubt, Asia. With the massive development boom that is currently underway throughout Asia come both challenges and opportunities. New convention and exhibition facilities, hotels, casinos, integrated resorts and themed entertainment precincts are being developed throughout the region. This development of new products, combined with the world’s increasing focus on economic engagement in Asia, means that the entire region will enjoy strong growth in its conventions and meetings market. At the same time, the explosive growth of product means that there is an increased challenge in Asian destinations to ensure that they attract adequate levels of future business to sustain the health of all the hotels and venues that constitute their own facility inventories. To be successful, there can be no doubt that every destination will be seeking increases in tourism while also diversifying their markets so that every possible source of new business is fully developed. One of the key areas for this diversification will be the business events market – meetings, incentives, conventions and exhibitions. Governments throughout Asia have awoken to the fact that hosting these kinds of meetings is a vital form of global engagement – both economic and intellectual. They are adding MICE development to their economic policy statements because they see MICE as key to their economic development strategies. Throughout this process, the action of specialized organizational structures such as the CVBs proves to be of great strategic importance. Gunn [1972] was the first person to conceptualize a tourism system. In his simple early model, he noted that attractions drive tourism. The Figure 2 presents the structural steps CVB creation and implementation in the region Rostov Land. In particular this structure can be implemented in each region for the business tourism development and investment performance.

According to the survey of governmental and business authorities of the Russian region – Rostov Land, which was made by the Regional Chamber of Commerce of Rostov Land and business tourism organizations of Rostov-on-Don, since 2014, the majority of tourists visited the region are business tourists. In the frame of the Governmental program of tourism development, the business tourism is one of the significant element for investment development and brand creation of the region in Rostov Land.

As we mentioned above that CVB plays a significant role in the attraction of tourists and promotion for territories, and based on the potential of resources and possibilities, the structure of creation and implementation of CVB in the region is presented above (see the picture).

Thereby, contributing to the growth of the regional economy and prosperity of the region and its individual cities is a consequence of the functioning of the business travel industry.
**Figure 2.** The structural steps CVB creation and implementation in the region

- **Aims and roles of CVB creating in the region**
- **Market research of MICE potential in the region**
- **Identifying the priorities of CVB for MICE development in the region**
- **Evaluating the effectiveness of the chosen strategy implementation**

**Positive result:**
- Preparing the constituent documents, organizational management structure by the Regional Chamber of Commerce.
- Forming the CVB membership.

**Attracting funds for financing the CVB membership fees, budget subsidies**

**Establishment of CVB Constituent Assembly**

**Positive result:**
- Marketing activities for promotion CVB at the regional, national and global markets of MICE-industry

**Promotion of CVB:**
1. Forming the CVB membership.
2. Joining the Russian and international associations of business tourism organisations.
3. The participation of Regional Government as Supervisory Board in the activities of CVB.

**Recognition and promotion of Regional CVB in the international market MICE**

**Implementation of the strategy and indicated Mission of CVB**

**Monitoring the effectiveness of the CVB by representatives of the government and business authorities and members of CVB**
Conclusions

In the beginning of the article we declared the aim to find the link between the Internationalization and MICE industry.

Business tourism as an independent branch of the global economy is directly linked to the development of foreign economic relations, the desire to use the best practices of other countries in the creation of material and immaterial values, which enhances the quality and the number of international contacts. In this regard, the relevance of the issue of internationalization of the business travel segment comes to the fore, becoming one of the most important items on the global agenda. Creating an enabling environment for the participation of regional business in international economic relations, infrastructure upgrading of urban areas, attracting new investment to the region and companies, increased regional trade and increase in capacity of airports and hotels, and is an incentive factors in the internationalization of business tourism services in the context of the regional tourist market globalization.

Meanwhile, as a support of the development of corporate communication, cooperation between businesses structures in the formation of a platform of PPP on regional and national level, the players of the national market of business tourism are joining forces to promote MICE opportunities in Russia.

As we analyzed in this study the PPP in tourism sphere is a significant instrument of stabilization and economic development in Russian Federation. In this research paper described a definition of PPP and described its modern status in Russia. Described reasons for necessity of the development of this sphere of the economy. In this article is showing general tools and methods of classification of the regions according to the necessity in the governmental investments for the development. The main ways of the development of the PPP in the tourism sphere in Russia are described and analyzed by the author of this article. In this research paper you will also find successful examples of the creating PPP projects in Russia.

The leader of the national market MICE – Association of Business Tourism (ABT), has teamed up with the international organization – Association of Corporate Governing business trips, for the further development of the Russian market of business tourism. According to the ABT, such initiative involves the creation of a joint organization that will officially represent the interests of the largest international associations in the field of business tourism brand. New formats of cooperation will consolidate efforts to implement activities, training programs and exchange of experiences between professionals business-travel market.
It is expected that the role of business travel will continue to grow. According to foreign experts, by 2020 the number of international business visitors will increase almost three-fold – from 0.6 billion to 1.6 billion. The Russians economists’ estimations are that the Russian market of business travel and meetings industry until 2016, can take 1.3 million visitors. By research’s results Euromonitor International Today, Russia is ranked 6th in the world in the field of business tourism.

The practical implementation of the research findings and results of this paper is important for the business tourism development on the regional level. CVB implementation is a key tool in the supply structure associated with the territory and in the management, planning and development of tourism destinations, especially those which want to assert themselves as successful business tourism destination.

Conducting our research, we can conclude that the main tools for the business tourism development in the territory are: 1) better structuring and requalification of business tourism facilities (malls, hotels and restaurants), mainly with regard to improving the quality of service; 2) improving the efficiency of management of tourism activities and resources due to the presence of CVB (communication and promotion of business tourism product, the involvement of different agents, increasing the complementary tourism offer, qualification of human resources).

On the other hand, the main problems identified lead us to the lack of mobilization capacities, particularly in the absence of a joint effort, lack of political will/adequate policies and weak partnerships between the public and private sectors. We can find a similarity between the main measures to be developed to enhance business tourism in the region and the main difficulties pointed out. For all these factors that we have just discussed, the promotion of combined efforts of stakeholders in the structuring of business tourism and management of the territory as a tourism destination with potential in this particular segment would be of high importance. Therefore, the presence of a CVB is required to promote cooperation between stakeholders and to pressure local, regional and national authorities in order to develop concerted policies and adequate branding and marketing strategies in this particular geographical area.

It is important to continue on this path through future investigations that allow building a more solid and structured scientific knowledge around business tourism, especially regarding statistical data. The great heterogeneity associated with events in the meetings industry makes this a difficult task, albeit necessary.
References


