The Factors of Russia’s Low Competitiveness as a Medical Tourism Destination

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Abstract: This article is an attempt to analyze and summarize the main factors of Russia’s low competitiveness as an international medical tourism destination with a focus on some recent developments. Among the most critical factors emphasized the following: the deficiency in international reputation, insufficient promotion and information about medical and health facilities, infrastructural problems, the lack of government support and strategy, poor international credentials of Russian doctors and the absence of international accreditation of medical institutions, growing competition in the sector with new emerging reputable players and weakening interest in the Russian medical system on the part of neighboring countries.

Key words: Medical tourism · Medical travel · Health tourism · Healthcare providers · Competitiveness in tourism

INTRODUCTION

Although medical tourism is still contemplated in Russia as a very untypical type of travelling and very little attention is paid to that subject, especially in the sense of foreign visits to Russia, the situation in this sector in many relations is very indicative and telling about tourism to Russia on the whole. But in this particular segment of tourism some additional negative specific symptoms should be highlighted, which lead to a worse diagnosis in comparison to the industrial average. And this diagnosis may arguably be formulated as a severe lack of competitive advantages. What should be strongly emphasized is a remarkable lack of attention to that issue. There seems to be a widely-shared perception that it is a normal run of things that Russia presents almost no interest to foreign patients. That would be an understandable position unless two considerations. First, there are a number of successful stories of countries emerging as leading destinations for medical travel. Second, there is still some substantial potential and high standard treatments at a limited number of Russian institutions, Russian health providers, which are practically unknown to the world.

In the most common terms the current failure is service mismanagement in the widest sense. By which we understand the inability to identify, individualize and personalize the needs of foreign medical customers by using service technologies [1].

To resolve the definition dilemma of medical tourism it is necessary to make a reservation that for the purposes of this study “medical tourism” is referred to any tourist activity, which has a treatment or medical-improvement component in the form of procedures and involvements, irrespective which motive is dominant – travel or treatment itself.

In the main part of the article each factor of low competitiveness is given its separate section with a subtitle. The suggested list of factors and their analysis is in no way should be regarded as having a pretension to be comprehensive and explaining all aspects of Russia’s failure to become a noticeable player in medical tourism. The only claim of this study to be a meaningful attempt to cover a wide range issues related to the deficiencies of Russia as a destination and hopefully stimulate other studies, based on secondary and primary data. From already conducted similar studies in other countries it is worth highlighting the study of comparative competitive
advantages of Korea and India [2], where the authors compiled their list of the most critically important factors for medical tourism, across which they draw their comparisons: state support, infrastructure, the competence and qualification of medical professionals, entrepreneurship of mediators and middlemen in the industry and reputation. And another much focused study [3] highlighting the factors that have influence on the preferences of American patients in medical tourism choices reveals the following decisive considerations in the order of their significance to the respondents: medical facilities and services, local primary doctors’ recommendations, government policies and laws, hotel and food quality and general tourism supply.

**Insufficient Price Competitiveness:** Despite media typically form the inaccurate stereotype perception about medical tourism as a lengthy and expensive travelling, associated mainly with surgery, actual medical trips are not necessarily costly and they are usually related to quite soft medical interventions [4]. In fact, a substantial portion of medical tourism occurs to neighboring countries, with diasporas and relatives playing a very substantial role in decision-making; and it is often based on personal recommendations and to a lesser extent on the public channels of promotion, such as the internet.

Moreover, a recent study [5] of promotional materials (flyers, brochures, websites) Indian clinics, presented at the first exhibition of medical tourism in Canada in 2009 demonstrated that the emphasis of promotional messages and images of Indian medical industry was placed to a lesser extent on the relative cheapness of treatment, but on service standards, quality of medical supervision, technologies and qualification of personnel.

As in all other segments of the tourism market, in medical tourism the processes of segmentation and differentiation are under way. Western Europe and the United States are in quite strong positions, despite high costs of services, because their medical centers ensure the highest possible quality of both wider services and treatments themselves. For example, in Florida there is a special service for citizens of Arab countries (www.floridamedicaltourism.com).

But notwithstanding the above said, overall expenses of a health traveler is a tremendously important parameter which should be taken in account, specifically transportation expenditures and the costs of accommodation. And these very components of total outlays lead to and uncompetitive pricing which is an enormous burden for the whole viability of medical tourism to Russia. This is largely a reason of a very unfavorable mismatch between the price and quality of a typical treatment in Russia.

**Russia’s Weakening Importance for Patients from the Commonwealth:** From the earlier described perspective of the importance of diasporas and migrant communities it may seem that the presence in the country and especially in Moscow large diasporas under the conditions of a relatively high level of standards of treatment in Russia in comparison to many countries of the Commonwealth of Independent States (CIS) secures Russia at least the place of a regional center for medical tourism. But in this traditional for Russia market there are a number of developments which are highly likely to lead to the shrinkage of Russia’s share if not to fall even in the absolute amount of revenues. First, this very niche of the CIS countries is too narrow in order to develop large-scale foreign-oriented strategies in medical tourism for Russia as the whole, especially given that the middle class in those countries is skimmed with the vast majority of population being beyond or on the brink of poverty. Second, similarities in approaches to treatment are widespread among Russia and the CIS – and that makes Russia a less preferable choice when it comes to all genuine variety of treatments for a particular illness. Third, Russia is also less attractive bearing in mind the significance of tourism and travel motives – be they dominant or minor. Fourth, the CIS-countries are surrounded by or in the close proximity to the most competitive players in the market, with the middleclass from Belarus and Ukraine becoming more European-oriented in their treatment choices and patients from Central Asia improving their awareness of treatment choices in the Asia-Pacific region. Firth, both Belarus and Ukraine are themselves quite ambitious in medical tourism [6] and, arguably, more competitive than Russia, especially in overall costs of treatment and services. But, arguably, the most influential factor of Russia’s declining significance is the process of leveling off the prices between Russian major cities and the rest of the world, even quite expensive European cities. Even seven years ago both treatments and accommodation at hospitals in Russia were more or less affordable. Now these constituents shifted upwards relative to international competitors.
Historical Lack of International Reputation and Marketing Promotion of the Russian Medicine: Russian medicine has historically been under the influence of negative reputational factors that prevented it from claiming a significant share of the international market. In Soviet times, despite the relatively high level of care, self-isolation of the country was a crucial obstacle. In the 1990s the painful transformational processes served as the main impediment. All that negative path dependence predetermined the present lack of international reputation where foreigners are not historically inclined to trust the Russian medicine. In the view of foreigners the Russians to a much lesser extent are associated with a medical theme than for instance China, India, Japan and Korea. And yet another negative image factor is that very unfortunately foreigners are not familiar with the Russian traditional medicine, despite its effectiveness.

Marketing efforts in the promotion of Russian medicine are almost inexistent. It is important to note that this is only in the second place a failure on the part of the business community, but in the first place - a complete lack of state policy on the export of medical services. For example, in Russia there are departments and government bodies, which are purposefully engaged in promoting the export of educational services, recruitment, Russian language, culture and international exchanges. Indirectly and remotely, these activities can be considered as having positive externalities for the development of inbound medical tourism as well. However, the emergence of a special state body which would target medical tourism seems very appropriate. Probably, such an organization should be established in the form of state-run corporation.

The Lack of Government Support: Government support is important not only in the field of marketing, but also for the so-called “path-creation” for an industry, the most critical elements for which are most comprehensively formulated by M. Porter [7, 8]. Specifically, the tourist industry, as a rule, is in need of significant interventions of the state in terms of regulation, infrastructure and institutional environment, as well as measures to create a favorable image [9]. And virtually nothing in this field has yet been done in Russia.

The remarkable lack of any meaningful strategy both on the part of state agencies and industrial bodies is depressing. That should be viewed against the very wide presence of state in medicine – not only in quite strict regulation of the industry but also in running state hospitals and clinics, some of which are state-of-the-art facilities.

Infrastructural Problems: The lack of infrastructure for the reception of foreign patients becomes one of the main obstacles. Under such an infrastructure primarily are implied specialized tour operators, travel agencies, who would act as the organizers of international patients’ arrivals and specialized organizations, which could be responsible for the accreditation of such specialized operators and agents. The mere existence of such infrastructure and accrediting organizations in the industry is an important factor for many medical travelers in their decision-making process with regards to treatment abroad, because that has a very powerful signal about the rigor of practices [10].

The lack of necessary infrastructural organizations is to some extent can be taken as the evidence of the lack of economies of scale which are needed for the commercial viability of these types of organization because of the insufficient number of foreign nationals who wish to undergo treatment in Russia. But unsatisfactory commercial viability of infrastructural organizations in medical tourism at the stage of industry’s emergence cannot be regarded as a valid criterion. In the medical tourism industry we have a typical market failure, when fundamental, long-term oriented and infrastructural components of an industry are initially underfunded by the private sector.

In the broadest sense one of infrastructural problems is the excessive centralization of Russia, which, of course, is a colossal issue in all respects, going far beyond tourism. And the efforts of attracting inbound tourists, travelling with medical and recreational purposes, are particularly undermined by this problem. And in terms of the decentralization of medical facilities the situation is completely different in the leading medical tourism destinations. For example, of the 13 medical centers in Korea, which are partners of the operator of medical tourism in South Korea MJ Russko Co Ltd (mjrussko.com), only four are located in Seoul and despite the fact that a 20-million capital of Korea is home to around 40% of the population. That is just a typical illustration how evenly developed Russia’s competitors across their territories.

The Lack of International Credentials for Doctors and Foreign Accreditation of Health Facilities: It is particularly important to note that partly because of the presence of some isolationist sentiment in the medical industry there is a substantial lack of international credentials for doctors and international accreditations for medical institutions. If a medical facility in Moscow or St.
Petersburg provides a relatively high level of services and either globally accredited or has doctors with international credentials, because of the rarity of such medical providers its services are is disproportionately expensive.

Quite the opposite approach at the national level can be seen in such countries as Turkey, UAE, India, Jordan, Singapore and Thailand, highlighting the affiliations of their medical institutions with the Joint Commission International, the UK Trent Accreditation Scheme and a number of other authoritative bodies and institutions [11].

And from the standpoint of modern medical technologies Russia is also not among the leaders, lagging behind in applying the most advanced diagnostic tools based on tomography and critical technologies of surgical and radiosurgical interventions - multifunctional robotic manipulators systems. That also limits opportunities for higher international recognition, certification and accreditation of Russian health institutions and professionals.

Growing Competition in the Sector: South Korea’s Remarkable Rise: Increased competition in the segment of medical tourism, the formation of stable power and economies of scale from the traditional centers of medical tourism, the emergence of major new players mean that in the east Russia is surrounded not only by economic, but now also medical and "dragons" and "tigers". Based on current trends, the Republic of Korea can become a supreme nation in the standards of medical care, as it has already become a leading power in some high-tech industries, as well as in the scientific, technical and medical education.

It is noteworthy that even in the mid-1990s, Russia and South Korea started in the global economy, with almost the same position and now Korea could provide even more efficient treatment for quite a wide range of diseases than the United States, Western Europe, Hong Kong and Singapore. And a recent field study [12] demonstrates that Russian patients appreciate Korean remarkable achievements in medical services and hold a most favorable attitude towards medical tourism to Korea even in comparison to other major medical traveling nations.

At the same time Korean industry representatives are far from being complacent and believe that the information collected from hospitals and clinics in the country by the National Health Insurance System is underutilized in the information systems aiming to support tourism – and there is a need for more complete and detailed information to be provided to foreign patients by all medical institutions of the country [13].

According to the results of another study on the analysis of the problems of the Korean medical tourism industry, as its weaknesses Korean authors [14] mention: the lack of promotion and government support, lack of differentiation with respect to the other states competing in the industry, inadequate legal regulation. If that is the case even for Korea, what is the hope left for Russia in the global competition for medical tourists?

CONCLUSION

Russia’s weakness as a destination for medical tourism should be viewed with an utter discomfort in the context of the rising importance of the medical services industry for foreign patients as a sector of export services with high added value created with highly skilled jobs in a diversified economy, which has a remarkable multiplicative effect at all economic level. And also beyond and above economic considerations it should be regarded and appreciated as a knowledge-intensive sector, signaling about high standards of service and high technologies. And that industry demands a sophisticated, comprehensive and all-inclusive strategy to become really competitive on the global stage. The histories of success of a number of countries are in a very sharp contrast what has been going on in Russia for the last two decades, where so many opportunities have been miserably missed. The weaknesses of Russia as a medical tourism destination can be overcome. If they realized, researched, prioritized and if action is taken by the industrial and government bodies.

Findings: There is a wide range of reasons why Russia not only has failed to become an emerging player in attracting international patients, but which also suggest that the chances of improvement are vanishingly small in the absence of research and action.

The analysis of each of the factors, presented in the article, demonstrates either an aggravating picture, or, at the very best, overall neutral dynamics – and the same relates to at least short-term projections. Unless there are substantial both government and industrial policy shifts in attitudes and priorities, Russia will continue to remain a country vastly underperforming as a medical tourism destination relative to its true potential.

REFERENCES