

**REPUBLIC OF CROATIA**  
**MINISTRY OF TOURISM**

**STRATEGY REPORT**

**“CROATIAN TOURISM DEVELOPMENT  
BY 2010”**

**FINAL VERSION**

**18 SEPTEMBER 2003**

## ***Executive summary***

Traditionally, Croatia is a tourism oriented country. The growth in tourism turnover in recent years confirms that Croatia is on the path towards making tourism an active generator of its economic development. In order to increase the economic benefits of tourism, it is essential to adopt and implement a tourism strategy focussed on sustainable development. Its orientation should be towards such forms of tourism which will create added value to all those who engage in the tourism trade.

The correct positioning on a dynamic and competitive tourism market is conditional on monitoring modern trends which serve to identify demand, new market potentials, areas of possible investment, and infrastructural requirements.

In recent years, on the demand side of the market, there has been a growing trend of tourists seeking specific types of tourism. Historical heritage, natural beauty and pleasant climate make up the framework which, together with the development of high quality accommodation, the rich supply of activities and entertainment, and particularly good service, shall enable Croatia to attract the modern-day tourist.

Croatia boasts exceptionally diverse and preserved natural and cultural tourism potentials. This is a valuable asset that must be maintained and protected so that in the long term it may contribute to the development of tourism. Tourism needs to become one of the basic generators of development, even in those areas where it was grossly marginalized in the past.

The aim of this strategy is to create a framework designed for the development of high quality, modern, and innovative tourism supply that will increase the competitiveness of Croatian tourism in markets where there is demand and have capital waiting to be invested. Its ultimate goal is to put Croatia on the tourist map as one of the market leaders in the Mediterranean.

## **THE VISION OF CROATIAN TOURISM**

*Tourism significantly contributes  
to the economic growth of the Republic of Croatia and the prosperity of its citizens.  
It is based on a sustainable use of  
natural and cultural-historical potential,  
an active role in its preservation and development,  
and creating an environment attractive to investors.*

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## 1. INTRODUCTION

Tourism is one of the most important generators of economic development in the Republic of Croatia. Either directly or indirectly, it accounts for approximately 22% of the GDP (gross domestic product) <sup>1</sup>, and for over 40% of the total exports, which undoubtedly puts it among the key components of the national economy and foreign trade.

With unique natural wealth and cultural-historic heritage, Croatia has an exceptionally attractive tourism potential. This potential may be and must be more intensely valorized with a view to creating a more recognizable identity of the Croatian tourism supply, which would improve its competitiveness and facilitate its market positioning.

In the last decade, the structure of demand for Croatia has significantly changed. Parts of previously traditional emittive markets have completely disappeared, while young eastern European markets are still undeveloped and unable to sufficiently fill the gap that currently appears in the demand. Tourists, in general, have become more demanding, experienced, and thus more fastidious and difficult to please. The choice of destination for a summer vacation depends on a complex package of motifs and expectations. The only way that Croatia may reposition itself would be to adjust to the dynamics of development and the market's demands for quality, making sure that the scarce natural and cultural resources are preserved, as they are the corner-stone of its attractiveness.

Despite the legacy of the past which is encumbered by numerous shortcomings, (seasonality, quality and choice of service, low average spending, and substandard personnel) as well as the high cost of labour and capital, Croatia's position in the international tourism market is stable and progressively getting stronger. Since 1999, the number of guests<sup>2</sup> in Croatia has grown at an average annual rate of 20%, so that in 2002, it reached the pre-war number of 8.5M guests.

While still "new on the market" having come out of a war, Croatia needs to take advantage of this window of opportunity and position itself as a quality destination. However, at the same time this opportunity presents a danger: in the event that Croatia doesn't develop rapidly and if it does not achieve a desired quality of its supply, the total number of tourists and the positive financial effect which tourism might have on the overall economy will quickly begin to decrease rather than show the expected growth.

Croatia's development as a competitive tourism market will require coordination of the work of all participants, both public and private, and at all levels. All actors in the Croatian tourism industry that are rallied together around a clear common vision must work together and coordinate their activities in order to eliminate all obstacles that stand between them and the achievement of their strategic goals.

This strategy presents a vision of the **development of tourism in the entire territory of Croatia** by 2010, and identifies ten key strategic goals pivotal to the realization of this vision.

1. World Travel & Tourism Council, March 2003

2. National departments for statistics, this data may also be accessed on the Ministry of Tourism website: [www.mmtpr.hr](http://www.mmtpr.hr)

## 2. THE SIGNIFICANCE AND PROSPECTS OF TOURISM

### 2.1 Tourism – A World Scale Phenomenon

Tourism is undoubtedly the strongest global “industry” and for many countries a significant export product, as well as an employment generator. Tourism includes a wide combination of phenomena and relationships which occur during a tourist travel and in its realization; it influences not only the economical aspect of life, but its ecological, social and cultural facets as well. In structural analyses and long-term projections, tourism has been assessed as one of the most dynamic phenomena with an almost unfathomable significance for global economic development.

Despite the prevalent fluctuations in the world economy and a range of different events which continue to disrupt global stability, tourism has shown a fascinating resilience towards economic and social changes, which has been proven by the fact that thus far there have been no negative growth rates. As stated in reports presented by the WTO, total global tourism revenue for 2001 was an overwhelming 462B USD, accounting for an 8% share in global export. During that same period, fewer than 11% of all global capital investments were directed towards tourism. There were approximately 700M recorded international arrivals, with an annual growth rate of nearly 4%. It is envisaged that the number of arrivals and revenue from world tourism will double by 2010.

### 2.2 Tourism in Croatia

Traditionally, Croatia is a tourism oriented country. The growth in tourism traffic in recent years confirms that Croatia is on the path towards making tourism an active generator of its economic development. In order to increase the economic benefits of tourism, it is essential to adopt and implement a tourism strategy focussed on sustainable development. Its orientation should be towards such forms of tourism which will create added value to all those who engage in the tourism trade.

Registered tourist traffic in Croatia for 2002 amounted to nearly 8.3M visitors (foreign visitors made up almost 80%) who stayed in commercial accommodations and realized close to 44.7M overnights. Especially important for the Croatian economy is the revenue from foreign tourists, wherein statistics state that in the foreign BOP (balance of payments) for 2000, net revenue from foreign tourists covered approximately 53% of the foreign trade deficit.

In 2003, it is estimated that Croatian tourism will generate<sup>3</sup>:

Portion generated by tourism 2003		Expected growths
22.4% (\$5.369M USD)	GDP	4.7%
27.4% (\$294.059)	employment	3.7%
43.8% (\$5,106.7M USD)	total export	7.3%
11.1% (635M USD)	capital investments	4.5%

The World Tourism Organisation envisages that between the years 1995-2020, Croatia can expect to achieve a maximum annual growth rate of as much as 8.4%<sup>4</sup> in the number of foreign guest arrivals. This considerable growth is accounted for due to the extremely low numbers in 1995. However, the envisaged 4.3% growth in the number of overnights during the period between the years 2000-2010, has put Croatia in line with other states with the fastest growth of tourism traffic in the Mediterranean.

### 3. INTERNATIONAL TOURISM MARKET TRENDS

#### 3.1 Changes in the Supply Market

In the past decade, a new situation has emerged on the international tourist market.

Technological development and advances have brought changes to the market structure, as well as to the use of marketing, thus allowing for a concentration of service providers<sup>5</sup>. With pressure from ever growing competition, as well as the battle for market share, service providers have entered into vertical and horizontal integrations, which make them cost effective and competitive in terms of quality. Smaller market players have been forced to find their place in market niches.

**The EURO and Internet** have made it easier to compare destinations and prices; they have reduced the time necessary to collect information and have allowed for simple **direct booking**.

**Standardization** on different levels of the price-service ratio is increasingly becoming more and more present in the hotel industry. The attractiveness of standardization from the buyer's perspective is based on a few advantages: effectiveness, the ability to calculate costs, comparability, predictability and control.

There are many diverse **strategies** which hotels offer to provide for a more specialised offer (all-inclusive, wellness, romantic holidays, club-style holidays, holidays for art or food lovers, specialised offers for singles, nudist, or various sports aficionados (tennis, golf, equestrian), day care/children's centers). The classic one-purpose hotel may soon be a thing of the past.

The **competitiveness in the global market of capital investments in tourism** is increasing by the day. As the flow of venture capital progressively moves to the global level, the competition between destinations in this field grows. The crucial factor is a **return on investment which may come as a result of** lower costs, more lenient regulations, available incentives, or other things. Investment into improved quality and reduced seasonality of the tourism product will result in a growth of return on investment, and consequently, an increase in the interest of investors, i.e. a shift in capital flow into the area of higher yields.

3. WTTC, *the Impact of Travel & Tourism on jobs and the economy*

4. World Tourism Organisation (WTO), *Tourism 2020 Vision*

5. WTO envisages that by 2010, 3 large airlines will have the biggest share of the market

#### 3.2 Changes in Market Demands

**More complex travel incentive packages.** In addition to the main incentives (swimming, rest & relaxation, culture, etc.), new incentive packages are turning up for travellers which include: extreme pleasures, outdoor activities, an increased need for adventure, emotions, sensuality, recreation, and health. In general, tourists would like to experience worlds which clearly differ from their everyday environment and ordinary circumstances.

**Greater expectations** of tourists are in part supported by the media and advanced telecommunications, by higher education levels, prior personal experiences, and knowledge. These same factors also have influence on the **quicker transfer of information** and the growing power of word-of-mouth marketing.

**Innovative offerings and settings**, on top of the basic standards, enable unique experiences, surprises and stimulation. Tourists benefit from an atmospheric or emotional added value (ambience, experience, entertainment, adventure, and contact with other guests).

**Changes in the needs** of potential tourists. With the increase in the standard of living, people have more and more disposable funds available and increasingly less free time, which are two basic preconditions for

their integration into the tourism flow. The results of these changes are the growing popularity of short trips and cruises.

As a response to the rate of the contemporary urban way of life, the demand for untouched, **ecologically clean areas** is increasing. Personal **safety** has become one of the main criteria, while a trend towards personal **healthcare** (wellness, fitness) has increased.

**Diversification of target groups.** Recently, a mere affiliation to a social and demographic group has proven to be too general to classify the tourism market, even though the trend of the ageing demographic group should not be overlooked. The market is becoming increasingly fragmented and broken into subgroups which are defined by life style, personal propensity, needs and living situation.

#### 4. CROATIAN TOURISM POTENTIAL

The most important tourism potential in Croatia is the Adriatic Sea. The unique characteristics of the seawater (crystal clear and clean) and coastline (length and indentation – approximately 1800 km. long, relatively sparsely inhabited coastline with over 1000 islands of which only 66 are inhabited) together with a mild climate, have long been recognized and used as the main comparative advantages of Croatian tourism.

The distinctly indented coastline, with an island archipelago second to none in the Mediterranean, and a host of picturesque sites boasting rich cultural and historical heritage offer the ideal preconditions for beach tourism (“sun and sea”), as well as exclusive nautical tourism. The coast also lends itself to tapping into untapped market niches in areas of sport, culture, adventure, etc. “TOMAS” study has revealed that the basic motif for coming to Croatia is for the sun and sea – for over 90% of guests<sup>6</sup>. It is important to mention that relatively few tourists come to Croatia because of its other attractions and offerings, such as culture or diving<sup>7</sup>, which confirms the necessity to define, shape and adequately promote these forms of tourism offer.

Some culturally renown landmarks, which have international recognition, have been only partly exploited as unique selling points, e.g. Dubrovnik (the Old Town), Pula (The Arena), Split (Diocletian Palace). They give Croatian tourism an identity which makes it stand out from its other Mediterranean competitors.

Continental Croatia, from a tourism point of view, still remains insufficiently and/or inefficiently utilized, even though there is no lack of potential tourist attractions there. For example, there are many towns which have a rich and interesting history and architecture; shrines; thermal water springs with healing properties; rivers; ski resorts with regional significance; old memorial and scenic roads; vineyard drives; national parks, and other protected areas. To provide for a more dynamic development of tourism in continental areas, it is necessary to put in place an adequate tourism infrastructure.

Tourism may become one of the basic drivers of development, especially in areas where it has so far been marginalized, providing that there exists a tourism potential. Every region must concentrate on the development of the tourism offerings which will have the greatest influence on increasing the gross domestic product and employment, which are attractive to investors, and in particular those which can utilize the uniqueness of the local potential.

6. Source: study TOMAS 2001, Institute for tourism.

7. According to studies TOMAS 2001, 8% of tourists come to Croatia for culture, and only 3% for diving



## 5. CROATIA'S PROSPECTS IN VIEW OF NEW DEVELOPMENTS IN TOURISM

Today, the tourism market is dynamic and extremely competitive. Survival in the market depends on monitoring modern trends, which serve to identify trends in demand, new market opportunities, areas of possible investment and infrastructural needs. Identification and implementation of long-term trends, tailoring supply and establishing cooperation among players at all levels are the necessary prerequisites that should be taken into account within the process of planning aimed at increasing competitiveness, achieving a more substantial market share and increasing benefits from tourism.

In recent analysis of market demand preferences, a few types of tourism are mentioned as being present on the market: ecotourism, cultural tourism, thematic tourism, adventure tourism, cruises and nautical tourism. In all of these areas, Croatia has much unused potential.

Since its paltry start as the *“ecologically and socially responsible way of travelling”* ecotourism has developed into an economically important product, *“travelling with a natural element”*. Thus far, ecotourism has created possibilities for development in inadequately developed tourism regions, as well as for the maintenance and funding of protected areas. In ecotourism we differentiate tourists according to two important segments: small groups with special interests in ecotourism who spend their whole vacation this way; and the large number of tourists who spend their vacation, for example, on the beach, but also take part in “short nature excursions”.

Croatian national parks, and the other protected areas that have great attractiveness, are a huge potential for ecotourism development, sustainable hunting tourism, rural tourism, year-round mountain holidays, as well as excursion tourism. The significant obstacles to development lies in the fact that the areas which have a special natural value are not yet organized or equipped to accept and offer a quality stay to a large number of guests. Development of a trekking infrastructure, a system of signposts, rest areas, and an adequate transportation system, would significantly improve the tourism potential of these areas. It is imperative to stress the preservation of nature, as well as the control of traffic through these protected areas.

Ecologically produced food is yet another component of tourism and ecology which has become an important factor in defining the tourism product and its differentiation in the market. Opportunities for the production of ecologically-grown food and its sale in catering facilities which offer their services to tourists must be further developed and used in light of the fact that the importance of this segment of the tourist supply is increasing.

**Cultural tourism** is more and more becoming a significant part of the supply. In the area of cultural tourism, it is necessary to identify market niches with special cultural interests. It is very often the case that during vacation the guests will visit an event or cultural monument.

As already mentioned, cultural offerings in Croatia are inadequately and inferiorly presented. Improving the identification of and signs pointing to cultural and historical monuments, placing information charts, adjusting the hours of operation of museums and castles, and creating an attractive presentation would significantly increase the quality of cultural tourism offerings. The organization of a wide spectrum of events and an imaginative presentation of cultural values would be conducive to the development of tourism geared towards different experiences on the basis of Croatia's cultural potential. One of the components of cultural and historical heritage, which may likely broaden tourism offerings, is traditional food and cuisine. The diversity of indigenous Croatian meals may be one of many components that will contribute to the development of gastro-tourism.

**Thematic tourism** has become one of the most important catalysts of development. It is mainly based on the 3-E principle: **E**ntertainment, **E**xcitement, and **E**ducation, and therefore includes tourism offerings and contents which combine these three elements.

Croatia has enormous potential because of its cultural heritage and natural beauties which can be combined in a countless number of ways to tempt tourists seeking unique experiences.

**Adventure tourism** is a small market niche with the potential for growth. Given that today's tourist has access to virtually every corner of the planet, this segment – as stated by the World Tourism Organization – would now like to explore the altitudes of mountains, the cosmos, the Antarctic, and depths of the seas. An example of the attraction of this tourism niche is that more than 2 million passengers have participated in submarine cruise expeditions. Therefore, the WTO has envisaged special development opportunities for Sub-Aqua tourism. Croatia has the natural potential to develop many very diverse aspects of adventure tourism, such as white water rafting, canoeing, kayaking, paragliding, hot air balloon flights, free climbing, off-road racing, and many other activities.

Croatia also has the potential for **Religious Tourism**, which, until now, has been active in Međugorje and Marija Bistrica.

Package tours expressly offer what no other way of travelling can offer and that is the possibility of seeing a great deal in a short period of time. This would explain the large growth rate related to package tours and the prospect of expansion in this segment.

Owing to the length of the coast and the number of islands, the Croatian coast is the perfect setting for the intensive development of **nautical tourism**, as well as package tours. Fulfilling the needs of this demanding segment has the potential to become an important contribution to the whole of tourist traffic in Croatia. One of today's unexploited potentials is to make use of the rivers as a package tour selection.

**Wellness tourism**, one of the most significant trends in tourism today, can also find its place in Croatian tourism offerings. The sea air and thalassotherapy, as well as innumerable sources of healing thermal springs in the hinterland, require an adequate infrastructure in order to position themselves in the market as a quality tourism offering. One of the greatest advantages of such tourism is that it is a year-round business activity.

Corporate travel, conventions and incentive tourism, are becoming increasingly significant. This segment is exceptionally lucrative, and primarily takes place out of the summer peak season, which is enough reason to intensively promote its development in Croatia. Closely associated with convention tourism, but specific in terms of its dynamics and the image it generates, Croatia is also developing scientific tourism. Support given to institutions in their efforts to organise international scientific gatherings and research projects, would influence Croatia's development as a regional academic and scientific centre. This would attract an increasing number of foreign experts, scientists, professors and researchers. The necessary prerequisite for developing convention and scientific tourism is the construction of quality convention centres, both in Zagreb and Dubrovnik.

Today's tourists are more experienced and demanding than ever before. The tourist market is dynamic. Its supply and demand are mutually dependant and change accordingly. On the one hand, supply follows the changes in demand preferences. On the other hand, demand, which is accustomed to having its wishes and needs met, has seen a growth in expectations and they are becoming increasingly difficult to satisfy. To improve the tourism offerings, many destinations are raising the standards and in turn this increases the level of tourist expectations. The favourable **Value for Money ratio** is increasingly more implicit and no longer sufficient for a successful and good holiday. Tourists expect *Experience for Money*, in other words, *Emotion for Money*. All destinations which intend to maintain their market share are moving in this direction. Moreover, Croatia must also follow this direction should it hope to become a quality tourist destination and profit from tourism in the long term.

## HIGH PRIORITY ISSUES of TOURIST PRODUCTS BY REGIONS

### MAP

Zagreb / Central Croatia / Slavonia / Istria / Kvarner and mountains / Dalmatia Zadar / Dalmatia Šibenik / Dalmatia Split / Dalmatia Dubrovnik

Source: County Workshops, DEG Master plan, Croatian National Tourist Board

#### Zagreb

- Convention and incentive tourism
- Wellness tourism (including spas and accompanying outdoor activities)
- All-Inclusive

#### Central Croatia

- Wellness tourism (including spas and accompanying outdoor activities)
- Rural tourism
- Hunting, fishing

#### Slavonia

- Outdoor / nature activities
- Rural tourism

#### Istria

- Golf
- Rural tourism
- Cycling

#### Kvarner and mountains

- Outdoor activities
- Rural tourism
- Diving
- Hunting, fishing

#### Dalmatia Zadar

- Nautical tourism
- Diving
- Sports, cycling

#### Dalmatia Šibenik

- Nautical tourism
- Outdoor / nature activities
- Sports

#### Dalmatia Split

- Nautical tourism
- Diving

#### Dalmatia Dubrovnik

- Golf
- Outdoor / nature activities
- Convention and incentive tourism

Besides the above mentioned themes, in each region along the coast, the sun and sea continue to be the main motivation for tourists coming to those chosen destinations. Cruises and package tours are also becoming more and more significant. Except for urban environments, all regions possess high quality natural resources for the development of different forms of adventure tourism.

## 6. SWOT ANALYSIS OF CROATIAN TOURISM

Based on the analysis of the Croatian tourism potential, and the examination of basic world tourist trends, we have come up with the basic advantages, weaknesses, opportunities, and threats to the future development of Croatian tourism

### SWOT (Strengths, Weaknesses, Opportunities & Threats) analyses of Croatian tourism

<p><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>- Natural beauty of the Adriatic coast and islands, as well as tourism potential in the continental part (thermal springs, castles, protected areas, etc.)</li> <li>- Ecologically clean and natural surroundings.</li> <li>- The geographical position of Croatia allows for quick access to the main European emitive markets</li> <li>- Personal safety, in terms of both accommodation and destination</li> <li>- A rich, cultural and historical heritage with a few globally recognized and protected locations</li> <li>- Characteristic tourist loyalty towards Croatia</li> </ul>	<p><b><u>Weaknesses</u></b></p> <ul style="list-style-type: none"> <li>- The image of a lower quality summer tourist destination and the image of a country from the war-torn Balkans.</li> <li>- An incomplete process of hotel privatization</li> <li>- Lagging behind in terms of concepts and technology and a low average level of quality of accommodation facilities</li> <li>- An extremely small presence of international brands</li> <li>- An unsatisfactory choice of quality events and variety of services; insufficient hospitality and charm</li> <li>- An overall poor transit infrastructure and inadequate connections on all levels (i.e. airlines, etc.)</li> <li>- Low level of occupancy rates of facilities, highly pronounced seasonality and low average rates with respect to international competitors.</li> <li>- Liquidity problems and insolvency of a majority of tourist companies</li> <li>- Lack of professional management</li> </ul>
<p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>- Continuous growth in interest of emitive markets for Mediterranean destinations</li> <li>- Thanks to its natural potential and “access to the sea” position for other European countries, Croatia has all tendencies to attract a significant part of the demand for nautical tourism.</li> <li>- Availability of quality coastal area: due to the 10 year stagnation period, excessive development has never come about, and therefore, beautiful and unspoiled nature has been largely preserved.</li> <li>- Thanks to its geographical location, along with an adequate transit infrastructure, Croatia can increase its share of individual guests, and coach tours.</li> <li>- Ideal natural preconditions (a large number of thermal springs) for organizing quality offerings in wellness programs and events, and development of health and pleasure tourism</li> <li>- A newly constructed motorway which goes through rich protected natural areas, suitable for designing diverse offerings en route to the coast - tourist micro regions.</li> <li>- Restoration and promotion of old roads of great memorial and scenic values which will enrich Croatia’s tourist offerings.</li> <li>- Development of sustainable hunting tourism in the continental part of Croatia, in areas which have a rich range of animal species.</li> <li>- A large number of medieval castles which are an unexploited potential.</li> <li>- Possibility for the development of sport tourism with a special focus on golf.</li> <li>- Tourism can stimulate a faster growth of production and trade, by way of tourist companies selling Croatian products, especially if they are competitive both in price and quality, and thus contributing to the place-specific tourism supply.</li> <li>- Unpolluted soil suitable for cultivating organically grown food.</li> </ul>	<p><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>- Conflicting development options.</li> <li>- Non-stimulating macroeconomic framework</li> <li>- Environmental pollution (the Po River, potentially JANAF (Adriatic Pipeline))</li> <li>- Natural potential is jeopardized due to forest fires, owing to insufficient care of waste waters and unlicensed garbage dumps, uncontrolled hunting tourism, dynamite fishing, and sub aqua poaching.</li> <li>- Intensive development of international competition in the sense of new concepts, higher quality, and better performance of business operations.</li> <li>- Due to unfavourable demographics and total economic development in Western Europe, demand could stagnate at a high level.</li> <li>- Inefficiency of spatial plan implementation and bending of zoning regulations</li> <li>- Unplanned usage and speculative purchases of building land may appreciate building land prices which in turn may dissuade potential investors.</li> <li>- Possible lack of close cooperation at all political, administrative, economic and social levels.</li> <li>- Extra long privatization process may delay the start of the investment process.</li> </ul>

## 7. PRINCIPLES OF SUSTAINABLE DEVELOPMENT

### 7.1 Sustainable Development in Tourism

The aim of this strategy is to create a framework for the development of a quality tourism offering and competitiveness of the Croatian tourism market. The sustainable development of tourism fulfills the prerequisite for balance, both in the short and long term, thus creating value for all market participants. To achieve the set aims, protagonists from local to national levels, must behave in accordance with the principles of sustainable development.

In order to achieve this goal and provide for long-term sustainable developments in tourism, it is necessary to:

- Understand, recognize, and satisfy all the tourists' needs. Should their expectations not be met, they will share their negative experiences with everybody in their midst and this could considerably damage the image of the destination;
- Ensure the prerequisites for the profitability of businesses on the market. The creation of a positive business environment ensures the conditions for the arrival of new investors and therefore, the further development of tourism;
- Invest in employee education and training at all levels of tourism due to the extremely personal contact with guests, as well as the need for educated management;
- Insist on protection and renewal of natural wealth as it is a primary resource of Croatian tourism;
- Respect cultural values and diversities of the locations and residents, i.e. destinations and their inhabitants who directly profit from the development of tourism. Their approach towards tourism and tourists is vital for the impression a country leaves, it influences guests' contentment, that is the totality of benefits from tourism;
- To provide for a continuous active role of the state; by way of infrastructural development, amendment of legislative regulations, etc., the state considerably influences the tourist potential and in turn, reaps major long-term benefits as a result of tourist development.

Finding a balance in the mutual relationship of the different participants in the tourism market, and fulfillment of their needs and goals can create a stable and long term sustainable tourism development.

In view of global ecological, social, and economic challenges, the international community in Rio adopted Agenda 21, which determines the framework of sustainable development. The World Tourism Organization has adapted its postulates to tourism:

"Sustainable tourism development meets the needs of present tourists and host regions while protecting and enhancing development opportunity for the future. It is envisaged as leading to the management of all resources in such a way that the economic, social and aesthetic needs of all those involved in tourism can be fulfilled."

## 7.2 Millennium Vision

In 1996, the WTTC published, "Millennium Vision", a document which emphasizes the huge potential of tourism to stimulate the prosperity of the national economy, by way of opening a number of employment opportunities. The mentioned aims would be best achieved through a public-private initiative and partnership based on:

- Tourism as a strategic and developmental priority, with a positive influence on the intensity of economic activities, an increase in employment, infrastructural modernization, namely encouraging investments and exports;
- Making efforts to form an open and competitive market through liberalization of regulations in activities related to tourism and encouraging programs to finance projects;
- Emphasizing sustainable development, for which essential cooperation is required on national, regional and local levels, the implementation of spatial and ecological standards, and the existence of clear-cut strategies;
- Eliminating developmental barriers by adjusting legal regulations, alleviating tax burdens, and investing into education.

## 8. VISION AND STRATEGIC GOALS OF CROATIAN TOURISM BY 2010

### 8.1 Vision of Croatian Tourism by 2010

Tourism significantly contributes to the Republic of Croatia's economic growth and the prosperity of its populace, based on the sustainable use of natural, cultural and historical potentials and actively participating in their preservation and development, therefore forming an environment attractive to investors.

### 8.2 Strategic Goals of Croatian Tourism by 2010

1. The organization of ownership conditions and the completion of hotel privatization.
2. Croatia's competitiveness on the international market of investment capital.
3. Establishing a developmental spatial plan for Croatian tourism for the purpose of preserving attractive natural resources – as an initial step for the development and support of the sustainable development of tourism.
4. Continuous protection, implementation and respect of high ecological standards, and long-term sustainable valorisation of tourism potential.
5. Education of all management and other staff in tourism.
6. Construction of transport infrastructure and the optimal organization of transportation to service tourism and to increase the quality of supporting facilities for traffic routes and terminals.
7. Development of an integral and integrated offer in a tourist destination.
8. Increasing the level of quality of all accommodation facilities, **primary and secondary**, and adapting categorisation criteria to international quality standards.
9. Entrance of recognized international hotel "brands" on the Croatian market.
10. A more efficient distribution and use of modern trends in communication and marketing.

### 8.3 Time-frame for the Realization of Strategic Goals for Croatian Tourism

Continuous processes:

- Continuous protection, implementation and respect of high ecological standards, and long-term sustainable valorisation of tourist potentials;
- Education of all management and other staff in tourism
- A more efficient distribution and use of modern trends in communication and marketing.
- Development of an integral and integrated offer in a tourist destination.
- Increasing the level of quality of all accommodation facilities, **primary and secondary**, and adapting categorisation criteria to international quality standards.
- Support the production of organic food and its sale via the tourism infrastructure

2003-2004

- The organization of ownership conditions and the completion of hotel privatization.

2003-2005

- Establishing a developmental spatial plan for Croatian tourism for the purpose of preserving attractive natural resources – as an initial step for the development and support of the sustainable development of tourism.
- Entrance of recognized international hotel “brands” on the Croatian market.

2004-2006

- Croatia’s competitiveness on the international market of investment capital.

2003-2008

- Construction of transport infrastructure and the optimal organization of transportation to service tourism and to increase the quality of supporting facilities for traffic routes and terminals.

### Time scale of realization of strategic goals of Croatian tourism

The organization of ownership conditions and the completion of hotel privatization.							
Croatia’s competitiveness on the international market of investment capital.							
Establishing a developmental spatial plan for Croatian tourism.							
Continuous protection, implementation and respect of high ecological standards, and long-term sustainable assessment of tourist potentials.							
Education of all management and other staff in tourism.							
Construction of transport infrastructure and the optimal organization of transportation to service tourism.							
Development of an integral and integrated offer in a tourist destination.							
Increasing the level of quality of all accommodation facilities, <b>primary and secondary</b> , and adapting categorisation criteria to international quality standards.							
Entrance of recognized international hotel “brands” on the Croatian market.							
A more effective distribution and use of modern trends in communication and marketing.							
2003	2004	2005	2006	2007	2008	2009	2010



## 9. STRATEGIC GOALS OF DEVELOPMENT OF CROATIAN TOURISM BY 2010 AND IMPLEMENTATION MEASURES

### 9.1 The organization of ownership conditions and the completion of hotel privatization.

There are a large number of issues pending in the area of property ownership. The speed of dealing with these issues will have a huge impact on the interest of developers and investors to enter the Croatian tourism market with their projects. In the long-run, a solution to these issues will lead to the total qualitative transformation, which is the only possible base of a very ambitious development vision and strategic development aims. The solution to the privatization of the remainder of the hotel portfolio, whose majority owner is still the state, is an unquestionable priority since the restructuring of this segment of tourism offerings mostly contributes to a better positioning of Croatia on the tourism market.

Speed and efficiency in the process of privatization are of key importance for the improvement of the quality of accommodation facilities, as this will provide an incentive for the arrival of private investors and their know-how. In order to increase the attractiveness of facilities which are in the process of privatization, prior to sale it would be necessary to carry out a limited restructuring of tourism companies and improve marketing efforts to attract investors. In the process of privatization itself, it is necessary to offer an advantage to investors which are capable and ready to take over the development of the accommodation and other offerings according to the national strategy of development of tourism and destination interests. Also, international experience<sup>8</sup> indicates a few criteria which are of vital importance to the improvement of the effect of privatization:

- Prior to privatization, all outstanding debts must be isolated when possible and companies should be restructured in order to appear most attractive to the potential investor.
- In addition to a public tender, negotiation conditions of a sale with (only) the most respected global companies must be possible through direct negotiations. A list of the most respected companies with which direct negotiations may be had, must be defined in advance, prior to the announcement of a public tender.
- A decision to sell to an investor and the reasons for this decision must be completely transparent and well communicated to the public.
- It is necessary to invest in a quality promotion for investors, with the aim to attract quality investors and reputable global companies.

<sup>8</sup> According to the study "Privatization - Principles and Practice", International Finance Corporation, World Bank

While choosing an investor it is necessary to take into consideration two basic and high priority criteria:

- Plans in compliance with the strategy of tourism development. The investor must commit that he will develop his facilities in accordance with the spatial plan of development for Croatian tourism, as well as any regional plans. The investor must respect the demands for quality, environmental protection, protection of historical heritage sites and prove that he is financially reliable and has at his disposal enough "know-how" and experience to carry out the proposed development.
- Implementation guarantees. The investor must present sufficient and suitable guarantees that will enable the establishment of efficient controls to satisfy the privatization terms. The stated guarantees must include the investor's commitment to invest within a specified time period and in accordance with the investment plan.

### 9.2 Croatia's competitiveness on the international market of investment capital.

The current tourism situation in Croatia obviously demands an influx of fresh capital. Foreign investment into tourism, not only directly contributes to the development of tourism offerings but also has a significantly positive indirect influence on the other economic areas which otherwise would fail, or would emerge

considerably later. Aside from this, Croatia finds itself in the process of market transition and with an increase in the foreign-exchange cash flow from tourism, which represents a significant aspect of the country's monetary policy.

Croatia must very seriously understand the basic reasons for the lack of direct foreign investments in tourism, and this is an unacceptable rate of investment profitability. In order to achieve an appropriate climate for growth of direct capital investment into tourism, obstacles must be removed in order to reach the expected levels of return on investment.

There are well-defined steps and efforts which must be undertaken for the purpose of developing a competitive position on the international financial market. It has been proven<sup>9</sup> that a targeted incentive policy can have an influence on the growth of direct foreign investment in tourism. To that effect, the following measures have been proposed:

- To ensure a legal framework and secure investment for all investors, both local and foreign, and to set up an efficient and quality support system for direct investments in tourism.
- To completely equalize the legal status of local and foreign investors, and apply the same criteria in practice.
- To declare tourism and the attraction of foreign investments as a decision made at the highest political level, thus ensuring its implementation in practice, i.e. to intensify the financial, fiscal and organizational involvement of the government.

<sup>9</sup> Incentives Für Touristische Investitionen eine vergleichende Analyse, Bearing point, DEG, 2003

- Just like in the privatization process, it is necessary to provide for quality marketing aimed at potential investors.
- Enable tax breaks in tourism, as this has proven to have a major influence on the growth of foreign investment.
- Public-private partnerships need to be motivated and encouraged by the state. This method of investments into tourism has proven to be efficient in the long run, as it satisfies both private and state initiatives and has positive financial and ecological effects.
- Plans for incentives and subsidies must be in keeping with the existing spatial plans, as well as master plans, in order for investments to be consistent with planned tourism development at a certain destination. In addition to that, these plans must set out very clear and transparent conditions for those applying for the incentives and subsidies.
- Adequate presentation of incentives and positive factors are important to potential investors. Just like in the privatization process, marketing is an important component which encourages investment.
- The labour policy demands incentives in order to satisfy the needs for quality and reasonably priced labour, and at the same time make tourism an attractive employer to the young labour force.

### 9.3 Establishing a developmental spatial plan for Croatian tourism.

Quality planning of an area is one of the most important prerequisites for long-term and sustainable tourism development. Area, in a narrower and wider sense, is a basic premise for the arrival and stay of guests, and at the same time is an active factor upon which destination development relies. Construction of the tourism infrastructure is of a long-term nature, and thus the integral planning of area development is a basic condition of the successful long-term functioning of tourism destinations. Spatial plans are one of the basic documents for tourism development as they direct and determine the planning of all economic branches and activities which actively participate in the structuring of tourism offerings.

The main task of spatial planning is to balance between accommodation, transportation, communications, and other services, and in doing so, protect the attractive resources which tourism development is based on. Through efficiently managed spatial development we must increase the value and quality of the environment, provide for the rational use of the area for development, and develop a system to protect all of the biological diversities.

A definition of area usage for tourism needs to be defined on a national scale. The spatial plan for tourism development in Croatia provides guidelines for the development of a Spatial Organisation Plan (PUP) and Urban Development Master Plan (GUP). On the basis of specific natural and cultural characteristics of certain areas and locations, it is necessary to determine the type of tourism which shall optimally use all the available resources, and set up the conditions for construction that would be possible and acceptable with respect to the key area characteristics. During the construction of new facilities, it would be necessary to respect the traditional and indigenous style of development of the surrounding area, in order to preserve the harmony and visual identity of individual areas.

Development of Croatia's tourism depends on spatial plans as the key implementation documents which give tourism the role as a developmental stronghold and determining factor in the overall economic development, and they guarantee a more responsible and efficient management of resources in tourism destinations.

Basic steps for adequate area usage:

- To pass, in the shortest possible time frame, a spatial plan for Croatian tourism development. The plan should take into account not only the physical aspects, but also the qualitative and logistic aspects of development in tourism destinations.
- Develop master plans - strategic documents for locally targeted tourism development for all tourism regions which need to be in line with a nation-wide strategy for tourism development.  
Master plan should contain:
  - Identification and valorization of existing tourist resources;
  - A description of local themes and characteristics of tourist products which need to be developed (e.g. Nautical Tourism, rural, etc.);
  - A description of necessary tourism infrastructure, accommodation, logistics, distribution, and key principles for the pricing policy and strategic marketing;
  - An action plan for master plan implementation, including sources of program financing, the necessary local organizational structure, processes, and required work staff.
- An efficient exchange of know-how between individual regions, cooperation between regional tourist associations, and support of the implementation of the regional master plans at the national level.

#### 9.4 Protection of the existing value of an area and improving the environment.

Natural resources are still the main motivational factor for the arrival and stay of tourists in Croatia. Sustainable utilization, protection and development of natural resources are the "*conditio sine qua non*" of the long-term development of Croatian tourism.

The ecological aspect of tourism is based on the preservation of natural resources. All who partake in the tourism industry should be educated about the aspects, importance, and application of ecological tourism principles. Such a concept of tourism development strives toward an optimal economic effect, with minimal degradation to the living environment.

Respecting ecological standards is increasingly becoming a trend in the tourist demand. The return to nature, a healthy diet, along with the usage of natural materials is a global movement which is even reflected in tourism. If, on the one hand, there is environmental preservation as a condition of tourism development, and on the other, a significant part of tourist demand which wants and expects an ecological component in tourism offerings, then we are talking about a tourism-ecological balance. Therefore, ecology becomes a trend and a necessity. In this way, not only is the preservation of existing, traditionally utilized natural attractions made possible, but also, there is a more intensive tourism valorization of protected natural areas and environmentally sound production as an added value of tourism offerings.

Activity in the sense of preserving the total ecological balance and development of increasingly popular ecotourism as a specific form of holiday, has a strong foothold in sustainable development, as one of the basic points of reference of both Croatian and global tourism.

Activity examples in environmental protection:

- Placing important natural areas under an adequate degree of protection, which demands a change in the legal approach by way of higher ecological standards and their strict enforcement.
- On a national scale, it is necessary to encourage the implementation of “Blue Flag” standards, so that the costs necessary for equipping beachfronts to the desired standards are partly subsidized.
- Inclusion of Ecology in the tourist school curricula.
- Cash incentives and motivating programs for ecological tourism projects.

#### 9.5 Education of all management and other staff employed in tourism.

People are the key success factor in tourism. Overall guest satisfaction with tourism offerings depends directly on the quality of service which tourism employees extend, while success in business is dependant on how the business is managed. One of the high priority strategic goals is the increased participation of a highly educated labour force in tourism, by way of insisting on the continued education of personnel at all levels, in order to keep in step with contemporary global tourism technology and trends.

This problem must be approached from all levels. The education system for the tourism employee must be planned and coordinated on a national scale, because without the support of educational and scientific institutions, local authorities and investments in education, positive effects will not take hold. Getting an education requires careful planning and must accommodate the needs of each employment position in the hotel and catering business. It is explicitly important that the structure of the education is conceptualized so that it includes contemporary disciplines, knowledge and skills, and also that practical education accounts for a large portion of the curriculum.

It is necessary to encourage the tourism industry to always strive for a better education of its staff, by way of:

- Investing in the further education of employees;
- Employing young, professionally educated personnel, who will continue being trained on the job;
- Practical tutorials for high school, college, and university;
- Making tourism a compulsory part of the curriculum in higher elementary school classes.

At a local level, it is necessary to organize and finance the education of tourism employees by engaging local self-management, tourism companies, and professional associations in that effort. The important task of coordinating this effort should be borne by tourism companies, with the aim to make optimal use of the available resources.

## 9.6 Construction of transit infrastructures.

Tourism destination experiences begin when crossing a national border; whether the guest is travelling by land, air or sea. Quality roads and various tourism offerings on the way to a final destination can transform the trip to one's final destination into a positive experience. Increasing the quality of transit infrastructures will result in a greater number of sightseers and tourists, who also become potential consumers of all services and facilities which are found along the highway in the direction in which they're travelling. Besides making one's journey faster and more comfortable, a modern and quality road infrastructure also offers the possibility to regions that passengers are passing through to present all their offerings and considerably increase their income from tourism. National parks, nature parks, and areas where highway routes pass through get a new chance for valorization of their natural and cultural potentials because of the road infrastructure development.

It is of the utmost importance to coordinate all infrastructural development projects with the existing spatial plans, so that the basic tourism resource – the natural environment, doesn't become overstrained and endangered.

It is necessary to raise the quality level of the country's total transit infrastructure so as to allow consistent quality offerings. Should Croatia wish to use the comparative advantage of its favourable geographic position and relative proximity to main European emitive markets, it is necessary to ensure a fast, efficient and safe transport of guests both to their destinations, and within them.

### **A. Road infrastructure**

*Development of a quality primary road network and reconstruction of secondary roads with adequate support infrastructure.*

With respect to the high standards of traffic in the majority of main emitive markets, Croatia needs to strive towards the level of road and transport infrastructure quality to which tourists have become accustomed and which they simply expect. Development of a quality road infrastructure reduces the dependence on tourists coming by air (in particular charter flights) in a considerable number of tourist destinations, as destinations become more interesting (more accessible) to coach groups and individual guests. This, in turn, increases the potential for the better use of accommodation capacities in the off peak season. An additional benefit is the fact that such a way of transport is less susceptible to suffering from international crises caused by terrorism scares.

Main objectives:

- To complete the construction of a quality motorway network between the tourists' arrival and destination points on the continent and along the coast;
- To build a secondary road network connecting airports and ports with tourism destinations;
- To construct a quality road infrastructure such as parking lots, rest areas, road service zones, etc. Planning of any additional facilities must respect the spatial plans which define the capacity of the particular areas.
- Protection, revitalization, sign-posting, and recording of old roads (memorial, panoramic) onto tourist maps. Through adequate presentation and promotion, such roads shall enrich tourism offerings and enable tourism development in regions through which tourists are travelling.

### **B. Transport by sea**

*Better connections between the mainland and islands, coordination with air transport and assurance of quick and secure transport to the islands, development of river transportation.*

Due to the extreme coastal indentation and the large number of islands, the trip to one's final destination often includes transport by ship. To ensure a quick and comfortable transport of guests, it is necessary to:

- More efficiently organize the connections between the mainland and the islands, as well as island to island service, which would facilitate access to island destinations and thus make them more appealing;
- Construct or renew the ports which are in the vicinity of airports, in order to increase the radius of the area that it would be possible to reach within two hours of aircraft arrival.
- Adapt seaports for docking of cruise ships.

Rivers have thus far been neglected by tourists, but they do not lack potential. In order to make them usable by the tourist industry, it would be necessary to:

- Clean and fix up the river-beds and develop supporting utilities: piers and small ports to allow dockage of tourist ships and boats; Nautical Tourism ports. Utilize them for both passenger and cargo transport (Sava, Danube, and Drava rivers).
- Enable the rivers for tourism usage (excursions, rafting, cruising)

### **C. Air transport**

*Infrastructural improvement to existing airports, opening of airspace and an efficient connection between the airports and surrounding tourist destinations.*

- Connect tourism destinations with emitive markets by way of direct flights. Setting up air transport in cooperation with efficient sea transportation to islands would have multiple benefits. Guests may be transported by way of a rapid ship line in less than two hours after aircraft arrival to a majority of island destinations, which would be acceptable to demanding guests. The most demanding guests may always be transported to the island by way of hydroplane service. Through the efficient management of air transport, combined with quick connections with final destinations, Croatia could attract more tourists from distant markets that normally travel by air. Those tourists arriving via air transport tend to spend twice as much at their destinations than tourists who arrive by other means of transportation<sup>10</sup>.
- Opening of airspace would in many ways benefit Croatian tourism: the customer service quality would increase, costs would decrease due to increased competition, and the number of arrivals of guest from more remote areas would increase.
- Infrastructural investment into existing airports. Existing airports are well located along the coastline and their current capacity is sufficient for the envisaged scheduled tourist arrivals by plane, even during the high season<sup>11</sup>. Island airport development is unacceptable as this would have a negative influence on the environment, and it would not achieve a desirable yield on investment as the capacities are likely to be underused.

### **D. Rail traffic**

*Modernization of rail infrastructure and promotion of use of this form of transport.*

The role of rail traffic in tourist transportation in Croatia is currently insignificant. However, as per the finalizing plans of rail infrastructure modernization, this mode of transportation of tourists will surely gain importance, because it is known to have a lower impact on environmental pollution than road transport.

### **E. Coordination of timetables of different transport means**

To ensure a fast and efficient passenger transport from their departure point to the tourist destination, which often requires at least two different means of transport, cooperation and mutual efforts in terms of harmonizing the timetables of main carriers is essential and would need to be coordinated at all levels.

<sup>10</sup> THOMAS 2001

<sup>11</sup> Detailed analyses which confirms that existing capacities are sufficient for the planned number of air arrivals by 2010 in the Master plan for tourism, DEG, October 2001.

## 9.7 Development of the integral and integrated offer of a tourist destination.

New recreational facilities have to be developed at destinations to match the quality and diversity of the existing accommodation. This would serve to enrich the tourism supply in the resort so that tourism would no longer have to rely heavily on the limited resources such as the “sun and sea”. Development of additional offerings at tourist destinations (both inside and outside of the accommodation facilities) is a necessary precondition to increase the usage of the accommodation facilities and increase the average tourist spending. To move away from the image of a “sun and sea” destination, it is necessary to motivate, initiate, and support the development of additional tourist offerings, which is based on the exploitation of the existing potential (museums, national parks, historical sites...) and the creation of new tourism offerings (amusement parks, water parks, marinas, golf courses...). Development and utilization of areas must be interrelated with the existing spatial plans, thus respecting the maximum capacity of a given area.

- The rich cultural potential of Croatia is inadequately included in tourism offerings. However, due to long-term preservation, assurances must be given for repairs, conservation or a similar form of renewal or planned maintenance of a cultural or historical asset to be carried out. Only then will it be possible to open it to the general public and actively include it as part of the tourism offerings, while paying attention to adequate opening times, professional personnel, advertising materials, etc.
- Croatia has natural potentials ideal for the development of nautical tourism. In the stage of its development, it is necessary to follow two directions: maximum utilization of facilities for berths in already existing small harbours and ports; construction of quality infrastructure for navigators in marinas and ports, and entertainment centers in their vicinity. Starting from specific infrastructural and logistic demands of the marina, as well as the needs and expectations of nautical guests, it is necessary to determine locations for new facilities and use locations which are less attractive for other types of tourism, while still meeting the requirements for the development of marinas or small harbours. The key factor to take into account during the decision-making process for the construction or expansion of marinas and small harbours, as well as other facilities in their vicinity, is their expected influence on the environment, in terms of its maximum protection.
- Golf is very popular and today almost an unavoidable part of a tourism offering. Croatia is not predisposed to be a leader in the “GOLF” market, but with respect to spatial conditions, golf certainly needs to be included as part of the tourist offerings in Croatia.
- Construction of a network of pathways and trails and other supplementary infrastructures in the national parks and protected areas; setting up a network of markings on the main traffic routes, as well as information boards featuring maps and useful information, will bring the numerous natural assets closer to the tourism demand, and provide long-term funds for their preservation.
- The world below the Adriatic Sea opens a large number of opportunities to make diving an attractive part of tourism offerings. The development of diving centres needs to be encouraged on the state level, together with strict regulations concerning the protection of the Adriatic offshore seabed. Also, provisions should be made for a complete accompanying infrastructure (including a sufficient number of ships with barometric-chambers and all accompanying facilities).
- Numerous thermal springs in the continental region of Croatia are already to some degree used as health resorts. The potential which the healing thermal waters offer is enormous. Construction of a suitable infrastructure, additional activity facilities and adequate positioning, by way of marketing efforts, shall result in the conditions necessary for year-round business and involvement of entire regions.

- The concept of Rural Tourism, which implies unique standards for authentic accommodation capacities, ecologically produced food, together with contemporary amenities, has a great market selling value. The development of Rural Tourism allows for an economically justified revitalization of old authentic architecture and invokes memories of traditional lifestyles. Along with an increase in the social well-being of the local populace, this concept is practical in all parts of Croatia and contributes to the preservation of cultural and historical heritage and natural potentials.

Each natural or cultural attraction is also a potential tourist attraction which could give an impetus to the development of tourism in some region. With quality marketing based on factual potential, and the creation of “stories” or “experiences” related to this potential, tourism may become one of the basic development drivers in all regions of Croatia, in as much as it is chosen as a strategic development factor. Every region needs to concentrate on the development of tourist offerings which will be based upon the specific qualities of that particular area and adequately employ production factors. With such a clear commitment, it is possible to have an optimum influence on the growth of gross domestic product and rate of employment, as well as to attract venture capital.

The system of tourism associations, with the Croatian National Tourist Board as the umbrella tourism organization, plays an important role in the development and advancement of tourism destination offerings.

The basic tasks of the system of tourism associations are upgrading the overall conditions for the development of tourism in destinations, designing a recognisable and appealing tourism ambience, integrating diverse elements and structuring tourism offerings at destinations, harmonising general and particular interests in the development of tourism offerings, promoting public awareness of the economic, cultural and social importance of tourism and the significance of environmental protection.

In addition to coordinating the functioning of the overall system, the Croatian National Tourist Board is responsible for creating and promoting the identity and reputation of Croatian tourism, and its promotion both nationally and internationally, as well as increasing the level of quality of the entire tourism offering in Croatia.

For the developmental process of tourism destination offerings to be successful, there must be participation of all corporate and private entities actively connected to that region. This joint effort includes the private service providers, small businesses, hoteliers, local tourism agencies, representatives of foreign agencies and tour operators, public companies, and municipal authorities. It can be said that all the residents of a tourism destination, through their labour and activity, play a role in the quality of tourism destination offerings.

#### 9.8 Increasing the level of quality of **basic and complementary** accommodation facilities.

The necessary prerequisite to increase the use of accommodation capacities (extending the season) and to increase the tourists' spending (in accommodation facilities and others) is to raise the quality of all accommodation facilities. The aim is to change the qualitative structure of hotel accommodation facilities, and at the same time, provide for an adequate qualitative change in the remaining types of **basic and complementary** accommodation facilities. Pending trends of supply and demand on the international tourism market, it is necessary to adjust quality standards of accommodation facilities.

In 2001, the average occupancy rate of the majority of hotel facilities in Croatia fell below profitability levels. Increasing the quality of accommodation facilities and expanding the offerings and services within the accommodation facilities is the only way to achieve greater facility usage, increased spending by the guest, as well as to attract investors. Priorities for these changes are:



- In the medium-term frame, increase the quality of existing **basic** accommodation facilities from a 3 to a 5 star rating, along with setting clear minimum standards for accommodation quality during reconstruction or construction of new objects.
- **Complementary** accommodation capacities, in particular camp sites and private accommodation, must also follow hotel destination offerings in terms of quality guidelines. In order to continuously improve the quality of the accommodation, different measures need to be put in place to provide incentives to the owners of private rooms and apartments.
- Camp sites, which significantly participate in the structure of available accommodation facilities, must follow trends and increase the general levels of their supply quality. They must observe the standards of quality and introduce international camping brands to follow the development of the entire destination.
- In order to optimally use the available space and prime locations, new hotel facilities need to emerge, firstly as a result of changing the use of existing neglected facilities or by constructing new objects in place of the unusable obsolete objects. Larger hotels may open by way of reconstructing existing holiday centres, existing buildings in coastal towns, and by restoring existing hotels currently not in use. Smaller hotels can open in existing buildings and villas which today are not part of the tourism offerings, as well as in facilities that are currently used as bed-and-breakfast or bed-only accommodation.

The level of quality of all tourism destination components must be approximately on the same level, and adjusted to market trends of supply and demand in the long term. Only the coexistence of all participants and common efforts inside certain destination areas may result in a prosperous and consistent offering and positive image of the destinations.

#### 9.9 Entrance of international hotel “brands” on the Croatian market.

The presence of a hotel “brand” has a significant and positive influence on tourism, as it generates new demands, investments and “know-how”. When a hotel becomes part of a chain it significantly raises the level of its services, because the brand is a guarantee of a certain quality of service to the prospective guest. The presence of a flagship hotel in a destination also encourages other hotels to raise the quality of accommodation and other services, in order to compete in the market. As well, “brand” hotels positively contribute to the image of a destination, as they communicate its existence and quality to their guests worldwide.

Through incentives and the creation of a favourable legal framework, and putting in place stimulating conditions for investment in hotel real estate and management, the State shall encourage entry of at least two of the ten most distinguished international hotel “brands” onto the Croatian tourism market.

#### 9.10 A more efficient distribution and use of modern trends in communication and marketing.

##### ***Developing partnership with large tour operators***

Tour-operators are a very important distribution channel for bringing tourists into Croatia, and cooperation with them has significant advantages:

- An extended season, as tour-operators tend to buy up long term accommodation and thus promote and sell both pre and post season.
- Improved marketing and distribution as a result of significant tour-operators’ investment.
- Creating a positive image.

At the same time, tourism destinations, hotel and other companies, in line with their offerings and market position all need to seek an optimal ratio between the organized and individual tourism traffic in order to achieve the best utilisation of their capacities and most advantageous financial effects.

### ***Increase in effectiveness of direct sales***

Direct sales are an important distribution channel, which includes local tourist offices, the Internet, catalogue sales, and direct contact with accommodation facilities. Croatia needs to improve the effectiveness of direct sales by efficiently targeting higher quality segments of potential tourists who are arriving to Croatia for the first time.

Three key tools are:

- Catalogues of larger facilities, containing not only prices and location information, but also a description of the destination and its offerings, and aimed at a specific market segment.
- Catalogues featuring smaller facilities and private accommodation with specific offers for certain areas.
- Offers by way of the internet, with detailed and visually appealing information about accommodation facilities and tourism products, and with the option to make direct reservations.

A share of organized arrivals should be increased to extend the season, using efficient marketing and distribution. But in doing so, Croatia must maintain a high percentage of individual guests, and further encourage and develop a suitable direct sales mix (local tourist agencies, Internet, etc.).

**10. OVERVIEW OF MEASURES TO SOLVE EXISTING PROBLEMS, ELIMINATE OBSTACLES, AND ACHIEVE STRATEGIC OBJECTIVES**

<u>Measures</u>	<u>Body which needs to prepare and implement measures</u>
Insist on improving the appearance of the beaches	Ministry of the Sea, Tourism, Transport, & Development, Counties / Local governments & self administrations / Tourism associations
Allocation of beach concessions to entities committed to achieving Blue Flag standards	Ministry of the Sea, Tourism, Transport and Development / Counties
Assignment of beach concessions so that the interests of a destination are uniformly satisfied	Counties
Allocate funds for cultural tourism projects	Ministry of Culture / Ministry of the Sea, Tourism, Transport and Development
Channel resources for cultural tourism projects into professional initiatives	Individual offices of the local governments / Local tourism associations / Travel agencies / Cultural institutions
Create master plans for all nine tourism regions	Counties / County tourist associations
Ensure an efficient exchange of knowledge between counties about master plan development	Ministry of the Sea, Tourism, Transport and Development / Croatian National Tourist Board
Co-financing of three pilot projects (2 golf courses and one thermal centre)	Government of the Republic of Croatia
Establish a national awards system for quality of services	Croatian National Tourist Board / Croatian Association of Hoteliers and Restaurateurs / Croatian Chamber of Economy / Croatian Chamber of Trades and Crafts
Development and implementation of a tourist education system in line with global standards	Croatian Chamber of Trades and Crafts / Professional Associations / Ministry of Science, Education, and Sports / Ministry of the Sea, Tourism, Transport and Development
Encourage tourism companies to invest in continuous education of staff by way of subsidies and taxation laws	Ministry of Finance / Ministry of the Sea, Tourism, Transport and Development
Coordinate investment of private companies in the continuous education of staff	Croatian Chamber Of Economy / Croatian Association of Hoteliers and Restaurateurs / Croatian Chamber of Trades and Crafts
Establish system of incentives to help private bed owners to turn their part-time occupation into a profession	Ministry of Finance / Ministry of the Sea, Tourism, Transport and Development / Ministry of Economy, Labour, and Entrepreneurship / Croatian Chamber of Economy / Croatian Chamber Of Trades and Crafts
Continual advancement of accommodation facility standards	Ministry of the Sea, Tourism, Transport, and Development / Professional Hotelier and Camping Associations / Marine Association
Improvement of subsidy models for reappointment of existing buildings into small hotels	Ministry of the Sea, Tourism, Transport, and Development / Ministry of Economy, Labour, and Entrepreneurship
Subsidized reconstruction of traditional heritage homes and construction of new homes in a traditional style	Ministry of the Sea, Tourism, Transport, and Development / Ministry of Finance / Ministry Of Culture
Establish a model to subsidize vessel routes between seaports in the vicinity of airports and islands	Ministry of the Sea, Tourism, Transport, and Development
Build / complete the infrastructure of seaports close to airports (e.g. Divulje Seaport)	Ministry of the Sea, Tourism, Transport, and Development / Local Self Administrations / Counties / Local Governments
Ensure a good cooperation between ship and air carriers	Croatian Chamber of Economy
Put all important regions under some type of protection	Ministry of Environmental Protection, Physical Planning and Construction / Ministry of the Sea, Tourism, Transport and Development / Counties
More efficiency in implementation of regulations related to illegal construction	Ministry of Environmental Protection, Physical Planning and Construction

Achieve a national consensus concerning strategy of privatization of tourism facilities	Government of the Republic of Croatia / Ministry of the Sea, Tourism, Transport, and Development
In the privatization process, choose an investor that will guarantee the development of facilities in accordance with strategy	Croatian Privatization Fund / Ministry of the Sea, Tourism, Transport, and Development
Improve the transparency and efficiency of the process of hotel privatization	Ministry of Economy, Labour, and Entrepreneurship / Croatian Privatization Fund
Encourage the production and usage of eco foods	Ministry of Agriculture, Forestry, and Water Management / Ministry of the Sea, Tourism, Transport, and Development / Ministry of Economy, Labour, and Entrepreneurship
In the privatization process of tourism facilities, invest in a quality promotion for investors	Croatian Privatization Fund / Ministry of the Sea, Tourism, Transport, and Development
Regularly monitor implementation of the tourism strategy	Government of the Republic of Croatia
Development of particular types of tourism (wellness, hunting, excursion, rural, etc.)	Ministry of the Sea, Tourism, Transport, and Development / Croatian National Tourist Board / Croatian Chamber of Economy / Croatian Chamber of Trades and Crafts / Professional Hotelier and Travel Agency Associations
Development of offerings at destinations and destination management agencies	Local self administrations / Local Tourism Associations / Professional Hotelier and Travel Agency Associations, Croatian Chamber of Commerce / Croatian Chamber of Trades and Crafts
Ensure a tax status for tourism activities competitive with other destinations <b>CHECK ORIGINAL with author</b>	Ministry of Finance

## 11. CONCLUSION

The national strategy of tourism development is based on the preservation of exceptionally diverse natural and cultural wealth; on principles of sustainable development in the planning of a quality tourism offering; on adequate market positioning and promotion, as well as the cooperation of all individuals and professional institutions that directly and indirectly participate in tourism.

The consistent implementation of an adopted strategy will ensure the long-term growth of positive effects from tourism, which will strengthen its position as a significant factor of economic growth and a generator of new employment opportunities.

The development of a quality tourism infrastructure and offerings requires significant resources, at least one part of which will have to be provided by foreign investors and financial institutions. In order for Croatian tourism to become attractive enough to foreign capital, the return on resources invested in tourist projects needs to reach the same rates as investments in similar projects on offer to investors in other destinations. Development in this direction will be possible only by properly positioning tourism offerings in Croatia on the global tourism market with respect to the diversity and quality of offerings, and providing for an adequate price – experiences ratio. With the fulfillment of these conditions and the adequate promotion of Croatia as a tourist destination, it is possible to achieve an increase in the utilization of tourism capacities, and consequently, an increase in tourist spending, which will result in the growth of attractiveness of investment projects in tourism. It is estimated that by 2010, Croatia will have achieved approximately 65M tourist overnights.

According to a WTTC<sup>13</sup> assessment, by 2010 tourism in Croatia is projected to employ a total of approximately 380,000 individuals, of whom 180,000 will be employed directly and approximately 200,000 indirectly. Direct income from foreign tourist spending in 2010 shall account for \$7.5B USD of the total exports of the Republic of Croatia, while the gross direct and indirect income of the travel and tourism industry<sup>14</sup> shall amount to a total of approximately \$12.6 USD. It is thus estimated that the share of revenues from tourism in GDP will be 28.8%.

In order to show by example that it is committed to supporting the development of quality, modern, sustainable, while at the same time, profitable tourism, the Government of the Republic of Croatia has decided to participate in three projects based on a “public-private partnership” model; the construction of two golf courses and one thermal centre.

The strategy for tourism is a starting document for the implementation of defined strategic goals and the designing of suitable operational plans on lower levels, whose implementation, in turn, shall enable the achievement of the main strategic goal. Besides representing an umbrella strategy for the drafting of local plans of tourism development, it is also one of the key starting points in the process of designing a national strategy of regional development.

<sup>13</sup> WTTC, Impact of Travel & Tourism on jobs and the economy

<sup>14</sup> “Travel and Tourism demand”

The implementation of the goals and measures contained in this document marks the beginning of a new phase in the repositioning of tourism and changing the way it is perceived in Croatia: from a seasonal activity which takes place in a few summer months along the Adriatic coast, to an “industry” which denotes a significant part of life and work of the populace of the Republic of Croatia, and which significantly contributes to the economic growth of the Republic of Croatia and prosperity of its citizens.

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