

COMPETITIVENESS STRATEGY

# Croatian Tourism Industry



**DEVELOPED BY**  
The Croatia Tourism Cluster

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# Preface

This report was prepared for the Croatia Tourism Cluster with the support of the Croatian Competitiveness Initiative (CCI), a project sponsored by USAID/Croatia and managed by Nathan Associates Inc. and J.E. Austin Associates.

Written at the end of 2002 and the beginning of 2003, this report supports efforts by the Ministry of Tourism, and regional cluster representatives to set the industry on a competitive trajectory. This strategic endeavor marks a new spirit of cooperation in the industry. The report authors held in-depth discussions with industry stakeholders, conducted workshops, visited tourist destinations, hotels, and related businesses, and studied the benchmarks set by similar industries in other countries. Stakeholders from every link in the value chain (hoteliers, tour operators, restaurants, concessionaires, transport operators, shopkeepers, museums), academia, key ministries and departments, and allied and supporting industries have devoted their time and expertise to pursuing a common goal—a competitive tourism industry focused on strategic growth and value addition.

The ideas, targets and strategies proposed in this report are wholly those of the cluster and were developed with the guidance and support of tourism experts including Dr. Crist Inman and Paulius Kulikauskas. The heads of the working groups, listed below with the working group each led, gave their time and organized fellow participants to focus on particular issues:

<i>Working Group Head</i>	<i>Topic</i>
Julije Skelin	Marketing and branding
Vedran Pražan	Product development
Srđan Mladinić and Stanko Geić Ph.D.	Human resources
Goran Kovačević	Infrastructure
Božo Sinčić	Legal and regulatory environment

The cluster would also like to acknowledge the contributions of all who provided information or ideas and who participated in the development of this report—particularly the significant efforts of Tomislav Vintar, the cluster coordinator.



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# A Competitiveness Strategy for the Croatian Tourism Industry

## Introduction

Croatia's Tourism Cluster, chaired by Šime Klarić, President of the Small Hoteliers' Association, in 2002 began considering new ways of developing the Croatian tourism industry and providing guidance to tourism enterprises and policymakers. The findings and recommendations in this report are the result of that effort and constitute a balanced strategy for enhancing the competitiveness of Croatia in the global tourism marketplace. These recommendations chart a path for growth that can overcome short-term barriers and set the stage for medium-term and long-term progress in Croatia's tourism industry. This is not intended to be a document fixed in stone, but a set of guiding principles for the industry. Any good strategy must be flexible—updated to adapt to a rapidly changing global environment and applied in a local context. This document, representing the thoughts and inputs of hundreds of industry stakeholders, is meant to spark dialogue and catalyze coordinated industry action to overcome constraints and capitalize on opportunities.

Because the cluster has already carried out significant planning at the local level, it proposes several concrete initiatives with this strategy. Accompanying this strategy is a discussion paper suggesting implementation steps for the country and an implementation roadmap for the Dalmatia region. The cluster encourages other regions and localities to develop their own implementation roadmaps.

To take advantage of developments in the international marketplace and improve its profitability in a sustainable manner, Croatia's tourism industry must improve its competitiveness. Improving competitiveness means propelling the tourism industry into a position where it is recognized for sophisticated, diversified, and highly valued products and services, delivering a high, perceived value to all customers. It means influencing the number of visitors who come to Croatia, the distribution of their visits throughout the year, and the amount of money that they spend. Improving competitiveness means commanding an adequate price at a reasonable profit and assumes reinvestment in development.

The tourism industry provides Croatia significant foreign exchange—approximately US\$4 billion per year—but this is generated by large numbers of international visitors—6.99 million in 2002, with 76.84 percent of overnight stays concentrated in a short summer season (June–August).<sup>1</sup> If not planned and managed, the number of visitors may put Croatia’s natural, cultural, and community resources at risk, and the high seasonal concentration aggravates the negative effects. The reported expenditure per tourist per day in 2001 varied from \$36 according to the Ministry of Tourism to \$44.12 according to the World Tourism and Travel Council (WTTC). These figures put Croatia among the weakest earners per day in the region.<sup>2</sup>

The members of the tourism cluster know that Croatia can do better and recognize that the low value per tourist per day is the result of a historical mass tourism strategy that is inappropriate for Croatia. Other negative factors come into play: a legacy of government ownership<sup>3</sup>; the lasting aftermath of war; statistics distorted by an underground economy with unreported or under-reported income.<sup>4</sup> A high-value-added, high-quality product that follows a sustainable strategy must replace mass tourism.

The objective of this strategy is to design a way that maintains the quality of the Croatian lifestyle and retains and capitalizes on what makes Croatia special. The central question of the strategy is: “How do we drive economic growth and raise our standards of living without destroying the essence of Croatia—its spectacular nature, riches of cultural heritage, and distinctive lifestyle?” Implementing this strategy will answer that question and boost the value of tourism in Croatia.

Recognizing that competitive strategy “means deliberately choosing a different set of activities to deliver a unique mix of value,” the Tourism Cluster has embraced diversification as the industry’s competitive advantage.<sup>5</sup> Through diversification, the industry will seek to provide unique and superior value to Croatian communities and visitors to Croatia through the high quality and special features of its products and services.

This, however, is not easy to achieve. It requires cohesive attitudes, a shared vision, and coordinated action from the public and private sectors and within the industry. The industry cannot accomplish this alone; it will require joining efforts of the public authorities, the tourism industry, and communities. Moreover, apart from joining forces, it requires considerable investment by the government and industry alike.

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<sup>1</sup> Source: Croatian Statistical Office

<sup>2</sup> These calculations are based only on accommodation and Food & Beverage charges and generally do not include other expenditures such as shopping.

<sup>3</sup> The privatization of government properties is a separate issue not reviewed in this strategy. In general, the cluster believes the objectives of the privatization of tourism industry assets should follow the same principles and serve same goals as suggested in this document (i.e., strategic privatization based on long-term, retained value and sustainable investment in the community).

<sup>4</sup> Sanja Madžarević –Šujster; “An Estimate Of Tax Evasion In Croatia”, Institute of Public Finance, Occasional Paper No. 13; April 2002, p. 9

<sup>5</sup> Michael E. Porter, “What is Strategy?” Harvard Business Review, November-December 1996, p.64.



Croatia is a country and society with significant regional differences. Some of the regions are better positioned than others to make the desired change. To retain a comparable pace of development, maintain the individuality of each region, and benefit from regional diversity, collaboration among regions is essential. This strategy attempts to provide a platform for joint effort.

Achieving high added value and low leakage in tourism depends on the clarity of the vision and strategy for the tourism industry and widespread adherence to them. This vision and this strategy do not come from a government official or any individual member of the private sector, but from the cluster as a whole.

## **Vision: An Authentic Croatian Experience**

The vision of the Croatian Tourism Cluster is a sustainable tourism industry built on quality, service, and value addition, one that marries tradition and beauty with originality and sends visitors away with not just a tan but an experience.

The long-term process of developing Croatian tourism into a sustainable, integrated, highly flexible and individual service offering that ensures that revenues stay in local communities will raise the profitability of tourism and gradually displace the mass tourism that currently dominates the market and is blamed for generating low incomes and depleting natural resources.

The vision for the Croatian tourism cluster centers on presenting an authentically Croatian experience, region by region. This means identifying local world-class tourism products—experiences, complete with tangible goods and services—that distinguish each region. Presenting an authentic Croatian experience also means strengthening both the capacity of local entrepreneurs to capitalize on those products and the cohesion between those entrepreneurs' activities and the approach of their public sector counterparts. In the vision of the Croatian Tourism Cluster, everyone—not just hoteliers and tour operators but shopkeepers, restaurant owners, and the person on the street—understands that they are part of the tourism experience.

Along with incentives for reinvesting a significant share of profits, new local and foreign investment and participation in the industry will be strongly encouraged on the condition that such investment is consistent with the objectives of this strategy and that it uses and develops Croatian products, entrepreneurs, managers, and staff. This will ensure that the benefits to the discerning consumer will be more widely promoted, and at the same time translated into benefits for Croatia, nationally and locally. The government needs to take a lead in this endeavor, reinvesting a significant share of tax revenues from tourism in the facilitation of tourism services: direct, such as promotion, and indirect, such as infrastructure.

The government, industry, and communities will adopt attitudes and take measures necessary to ensure that natural, cultural, and community resources—the foundations of Croatian identity—are safeguarded in all business endeavors.

Hotels and other accommodations will offer standards of service that reflect Croatian cultural standards but also meet the expectations of target markets. Restaurants will offer innovative cuisine that draws on Croatian customs and local ingredients, building on the Croatian tradition of gastronomy and exposing historic influences of other cuisines. Tour operators will highlight cultural, historical, and natural wonders unique to Croatia, while owners of attractions will develop activities that make visiting these wonders a world-class experience. The architectural and design elements of all businesses in the cluster will build on Croatia's identity and historical influences in a creative way. Educational and training functions serving the cluster will teach people the skills and creativity needed to deliver to international guests a sense of what it means to be Croatian in many original ways.

Every visitor will return from Croatia enriched by an authentic, unique experience and enduring positive memories and will relish a feeling of having received high value for his money, anticipating returning to Croatia, and becoming in his own community a genuine promoter of Croatia, its nature, culture, and products.

## Measurable Targets

This vision needs to be supported by measurable targets. Its five-year targets (by 2008) are:

- Increase threefold the value per tourist per day. Forty percent of this growth will come from increased hotel receipts and 60 percent from increased customer spending on new and better tourism products and services. The 2002 value, according to WTTC statistics, is US\$44.12 per tourist per day and the target figure in 2008 is at least US\$100. The cluster understands that part of the increase will come from added value, and part from improved fiscal transparency and better reporting.
- Triple the number of international visitors during the period from October to May, extending the tourist season. The 2002 number of visitors in this period is 762,268, or 10.98 percent and the target figure is at least 30 percent.<sup>6</sup> The cluster understands that this target will affect the target of increasing the value per tourist per day: on the one hand, by lower off-season average prices; on the other hand, by higher average value of the up-market services, usually desired by off-season visitors.
- Double the number of tourists who visit locations away from the coast and stay there more than one night. The current number of visitors to interior locations is 817,245, or 10.89 percent, in overnight stays, 1,614,474 or 3.74 percent,<sup>7</sup> and the target figure is at least three times that in terms of overnight stays to relieve stress on coastal areas.

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<sup>6</sup> Source: Croatian Bureau of Statistics

<sup>7</sup> Source: Croatian Bureau of Statistics

- Upgrade and develop long-term capital assets used directly in tourism (excluding maintenance), reinvesting US\$100 million of profit from tourism per year, and attracting US\$50 million of new investment per year (by borrowing, issuing new shares, and foreign direct investment, but excluding investment in existing equity). Twenty percent of this investment will target soft measures such as product development, marketing and promotion, capacity building, and education. The government should channel back to the sector at least 50 percent of tax revenues from tourism.

## The Competitive Environment

### GLOBAL MARKET CONTEXT

In recent years, the global tourism industry has gone through great changes. The WTTC estimates that tourism and travel now generate about US\$4.5 trillion in total economic activity, counting direct and indirect effects, making tourism arguably the world's largest single industry. WTTC also calculates that, directly or indirectly, tourism and travel account for nearly 210 million jobs, or one in every 12 jobs globally. This growth in the late 1990s is illustrated in Table 1. Interestingly, in all regions except the Americas, growth in arrivals has outstripped growth in revenues.

### FORCES OF CHANGE IN GLOBAL TOURISM

Tourism is not only growing, but also experiencing rapid and accelerating change. The forces of this change are relevant to tourism worldwide and to the marketplace in which Croatia competes. The most important forces are product diversification, education and training, new organizational relationships, technology, and marketing and promotion.

**Table 1**

*International Tourist Arrivals and Tourism Receipts, Worldwide and by Region, for 1995, 1999, and 2000*

	International Tourist Arrivals (million)			Average Annual Growth (%)		International Tourism Receipts (US\$ billion)			Average Annual Growth (%)	
	1995	1999	2000	'95 - '00	'99 - '00	1995	1999	2000	'95 - '00	'99 - '00
World	565.4	650.4	698.8	4.3	7.4	406.2	455.4	475.8	3.2	4.5
Africa	20.1	26.5	27.6	6.5	4.2	8.1	10.3	10.7	5.7	3.9
Americas	108.9	122.2	129.0	3.4	5.6	99.7	122.4	136.4	6.5	11.4
East Asia and the Pacific	81.4	97.6	111.9	6.6	14.7	74.5	75.2	82.5	2.1	9.7
Europe	338.4	380.2	403.3	3.6	6.1	212.8	233.1	231.5	1.7	-0.7
Middle East	12.4	18.2	20.6	10.7	13.2	7.6	9.8	9.7	5.0	-1.0
South Asia	4.2	5.8	6.4	8.8	10.3	3.5	4.6	5.1	7.8	10.9

SOURCE: World Tourism Organization, *Tourism Market Trends 2001*; and *Tourism Highlights 2001 (Updated)*

### *Product Diversification*

With Internet-based marketing and distribution, tourists increasingly treat physical assets, such as hotel rooms and amenities, as commodities. They shop for a total tourism experience with unique services, settings, and events. In response, tourism operators strive to diversify what they offer. As products proliferate and destinations position themselves in new market segments, quality has become more important. To maintain quality, many countries are explicitly defining and differentiating their tourism products.

### *Education and Training*

More sophisticated, better-informed, and more demanding tourists require tourism industry workers and managers who can operate in an information-oriented and product-diversified environment. But the tourism industry faces a shortage of qualified labor, especially knowledge workers. One response has been to use computer-based distance learning and customized training, as well as other multimedia tools, to build the skills of the labor force at all levels. Human resource development for tourism will emphasize the ability to use information technology competitively as well as thinking and decision-making, moving away from a mostly technical skill-based, operational focus.

### *New Organizational Relationships*

Organizational changes occur among firms in the tourism industry, between government and the private sector, and between the tourist and the destination. Within and among firms, such changes are redefining the limits and forms of cooperation and competition. Information technology has globalized tourism markets and information flows and extended business control. Greater access to capital has globalized financing flows and unleashed mergers and acquisitions and innovative financing of tourism real estate assets and operations. The result has been consolidation—global airline alliances, tour operators, and hotel brands. Tourism is now a truly worldwide industry, and successful companies are either large enough to act globally or specialized enough to operate in niches, marketing globally to a precisely identified clientele. Medium-sized operators and small general operators are increasingly squeezed by these two powerful trends.

### *Technology*

Technology may be the single most powerful force for change in the tourism industry, dominating and shaping all other forces. Tourism has always been a technology-driven industry. Mass tourism started with long-range civilian jets in the 1960s, which made it possible to travel around the world quickly, and the expansion of jet fleets since then has lowered the real cost of air travel, making tourism cheaper and more competitive. This was the first technological revolution.

Information technology, especially the Internet, is also dramatically reshaping the relationship between tourists and destinations. Tourists now have direct access to

information about destinations and can conduct online transactions. The new knowledge, sophistication, and power of the individual tourist is driving—and being matched by—the growing sophistication of tourism businesses and destination management organizations. Travel agents and tour operators must provide services with value in this dynamic environment.

### *New Marketing and Promotion Approaches*

The World Tourism Organization has estimated that the Internet now accounts for 15 percent of all travel purchases and that this share will grow to 20 to 25 percent in five years.<sup>8</sup> While North America accounts for most of these online sales, the World Tourism Organization (WTO) anticipates that other regions, particularly Europe, will catch up quickly and become predominantly Internet-based travel markets. This means that Internet portals for marketing and promoting tourism can be expected to become the rule. It also means that tourism marketers are confronting new challenges and new opportunities, including how to identify the client and analyze that client's needs, take advantage of the wealth of market research data that Internet-based operations provide, customize marketing messages, and operate through multiple marketing channels to distribute them, and do so cost-effectively.

## **CROATIA MARKET CONTEXT AND SECTOR PROFILE**

In Croatia, tourism has been a major employer, a mainstay of the nation's economy, and its largest source of foreign exchange. Using the traditional parameters of visitation and revenue growth, Croatia has been able to ride the coattails of the global boom in travel during the last 50 years, but has always been perceived as a low-cost destination. The major challenges facing Croatian tourism from the perspective of competitiveness are domestic politics and national mindset rather than any external threat. The ideological commitment to providing inexpensive recreation to working-class Europeans is ingrained and resistant to change. Croatia's tourism industry has been pursuing a mass-market strategy for most of the last half-century and is still pursuing it although many entrepreneurs and local officials throughout the country recognize that this strategy is not in Croatia's best interest. Isolated attempts to change the paradigm of Croatian tourism are gathering momentum and if allowed to blossom, the competitive environment is poised to be radically transformed.

In some ways, global tourism was paralleled in Croatia during the Yugoslav years. Tourism in Croatia expanded through most of the post-WWII period until 1986, with continually growing numbers of bed-nights. Because Yugoslavia was more open than most countries behind the Iron Curtain, hotels were built to accommodate the growth in demand from both the East and the West. Most of these accommodations were geared toward the budget-sensitive market, and to the particular niche in countries such as Holland, Belgium, and Germany that practice nudism on vacation in camp settlements.

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<sup>8</sup> See World Tourism Organization (WTO) Business Council, *E-Business for Tourism: Practical Guidelines for Destinations and Businesses*. Madrid: WTO, 2001.

From 1986 to 1990 tourism experienced a gradual decrease because offerings in Croatia did not follow changes in demand. This meant not keeping the physical plant updated and in condition to serve the ever-more demanding standards of the low-budget Western European tour operators. With new mass-tourism destinations being developed during this period in the Caribbean, Turkey, and Northern Africa, Croatia became increasingly irrelevant. Then in 1991 with the war, arrivals fell sharply and continued to fall through 1999 except for some segments of nautical tourism. The year 2000 was one of normalization, with 6 million tourists and full capacity during the peak season, and the 2001 season saw slight growth.

The Ministry of Tourism's preliminary statistics for 2002 using a new accounting method show a 10 percent increase in visitation and a dramatic increase in the economic benefit of tourism to the Croatian economy relative to recent years--\$8 billion versus \$3 billion. Despite the bigger 2002 numbers arrived at through the satellite accounting method, total arrivals and actual tourist spending in 2002 did not appear to increase the living standards of Croatia's citizens or the profitability of Croatian entrepreneurs.

Croatia has had significant advantages for tourism since the days of the Roman emperors: principally the spectacular natural attractions of a coastline dotted with 1,185 islands, proximity to major population centers, and an accommodating weather pattern for both personal comfort and rich agricultural production. Wine, olives, and other classically Mediterranean fare, combined with exceptional seafood and truffles in the north of the country, provide superb accompaniment to a vacation in any part of the country. Combine this with a rich history and culture, and centuries of tradition in hospitality and it is difficult to imagine why Croatia is stuck in a low-end market.

There are, however, some important advantages to Croatia's not having become a more popular destination. Although during a long period crowds came for the peak of the summer, the destinations were never overdeveloped. The fact that the Dalmatian coast has had little business during the past 10 years while many other destinations have become mega-scaled (such as the area around Cancun, which added 25,000 beds per year on average in recent years and Sharm el Sheik in the Red Sea, which developed similarly), means that it suffers from very little visual or other pollution related to tourism infrastructure. This gives Croatia the opportunity to follow the latest trends—to develop sustainably.

Despite its advantages, Croatia is positioned as a low-cost destination that attracts low-spending tourists herded by mass-market tour operators. According to Horwath International, the international tourism consulting firm with representation in Croatia, the average price per room in the largest hotels in the country has stayed level at between 35 and 40 euros, among the cheapest in Europe in recent years.

There is enormous pressure on the Croatian tourism industry to exploit Croatia's tradition of putting "heads in beds" regardless of the marginal income (or cost) of having them because of the need to earn foreign currency quickly. Every bit of currency that can be extracted from tourism provides much-needed foreign exchange, but a focus on revenue

alone without a clear understanding of this kind of tourism's impact on the community and environment is unsustainable.

The stated aim of the Ministry of Tourism during 2002 was to promote quality tourism by encouraging local families to develop small, boutique-type hotels that are environmentally, socially, and economically sustainable. This is a very encouraging sign except for the fact that there was no radical move from other policies that achieve the opposite effect. For example, in recent years foreign tour wholesalers have been provided with financial incentives to bring mass-market tourists to Croatia, and the promotion budget is being spent in countries and venues that appeal mainly to mass-market tourists.

Nonetheless, there has been a movement in the direction of higher-value-added tourism, mainly in Istria, where progressive hotel owners also engage in organic farming and promote high-quality gastronomy and other forms sustainable tourism development. There is significant opportunity for improvement, however, and the supporting components of the cluster (e.g. food products, tourism service providers, transportation companies) have begun to develop better products and services in the past year. Wine and food producers in particular have participated more in the tourism industry, and Croatia should build on this trend, including other specialized products such as nautical tourism, cultural tourism, and health resorts.

The government has had other, more entrenched, challenges since independence. Privatization is difficult because of the vast numbers of staff still employed in long-unprofitable hotels. Hundreds of tourist properties are still owned by the government. The process of selling them has started, but the results have been mixed. Some have been kept in the same shape they were in, to be milked for quick profit by catering to the lowest end of the market. Others, such as those in the collection of Riviera Holdings, have been upgraded already and are due for an estimated \$10 million in new investments per year over the next five years. Still others, such as the Excelsior Hotel in Dubrovnik, have seen considerable restoration of the five-star quality that once made them the shining stars of Croatia.

The National Tourist Board has 15 offices abroad and a budget of roughly \$15 million per year. The board has participated in 56 exhibitions and fairs internationally. It has focused on the European countries to the northwest: Italy, Germany, Slovenia, Belgium, Holland, the United Kingdom, Scandinavia, and France. Many view the largest market, the United States, as too sensitive, and after September 11 this may be true. Nonetheless, the United States has the largest number of upscale, independent travelers and Croatia must target this market in the near future.

The tourism industry in Croatia faces many obstacles to a quick turnaround. Weaknesses in product and service quality, and lack of management capability, cannot be remedied overnight. The over-indebtedness of existing hotels is another serious problem. But Croatia also enjoys the advantages already mentioned. Professional marketing could make a big difference.

The public sector has claimed that it is prepared to work with the private sector in developing and implementing quality-driven programs such as a Certificate of Authentic Tourism. The first step in this direction came when the Ministry of Tourism created a program to fund the renovation and upgrading of small, culturally distinctive hotel properties. These low-cost credits are promoted as assistance to entrepreneurs who otherwise would not be able to afford such investment in making their properties more authentic. Apart from focusing the credits on small lodging structures, however, there are no criteria for the loans that ensure authenticity. Although credits programs like this may be useful, the industry must start preparing itself to operate in a world without direct government subsidies as Croatia begins to harmonize its systems with those of the European Union.

### *Untapped Potential*

Whatever the challenges, Croatia's tourism industry has the resources necessary to become much more competitive. Croatia has great depth and a variety of assets to attract the tourist, including

- A strategic location, accessible to tourist-generating markets of Europe and (in the future) North America and the Middle East;
- Pristine environments, from islands to mountains to plains and forests;
- Unique and diverse flora and fauna;
- A rich cultural heritage of customs, arts, and foods;
- A fascinating and rich history dating from the ancient Greeks and even before; and
- High literacy and educational standards, including widespread German and Italian skills.

In addition, the size of the country makes it possible for visitors to take in a good number of attractions in a single trip. Croatia is a naturally "packaged" destination. In fact, Croatia's tourism industry has great potential for growth—if the industry can transform itself and become more competitive.

## **The Croatian Sustainable Tourism Strategy**

The values of the Croatian Tourism Cluster derive from the centuries-long history of Croatia and its current realities. They are grounded in the pride of the Croatian people in their country, its nature, culture, and society, and are based on the firm belief that these treasures must be exposed to the world and shared with visitors. These riches must contribute to the wealth of the Croatian people, businesses and communities alike, yet they must not be depleted for short-term gain and must be preserved for the future generations.



These key values are manifested in the guiding principles of tourism in Croatia. These principles adhere to the globally acknowledged principles of the WTO<sup>9</sup> and ICOMOS,<sup>10</sup> which find their source in the ideals and principles of the global community; they are profiled to respond to the realities of Croatia and the vision of the cluster.

## GUIDING PRINCIPLES

**Identity, diversity, cultural ties.** Tourism will build on and retain the authentic uniqueness of Croatia, the diversity of its regions, and its historic and cultural ties.

**Sustainability.** Tourism in Croatia will ensure the sustainability of nature, culture, and cultural heritage, and retain socioeconomic balance and living communities. The business environment for tourism services will be open, liberal, and transparent while society's control over the preservation of natural, cultural, and community resources will be statutory, deliberate, explicit, and devised and enforced in close cooperation with Croatian business and society.

**Integration for quality of life.** Tourism will be treated as an aspect of the economy and life rather than as a stand-alone industry sector. All matters helping to develop sustainable tourism such as transportation and privatization will be equally facilitated and promoted by the public authorities. Services for tourism will be integrated into the life and economy of the country and especially within the local communities of the tourism destinations.

**Quality of service.** Tourism services will offer rich, authentic, unique experiences for adequate price, attaining reasonable perceived value, and seeking to enhance quality as in the destination, product and service quality standards of WTO.<sup>11</sup>

**Voluntary participation.** Every stakeholder in tourism or group thereof has the right to seek satisfaction of his legitimate interest, business or otherwise, both individually and through collaboration with other stakeholders. The public authorities, industry groupings, and communities pledge to champion the spirit of free competition and provide a level playing field for the realization of such legitimate interests. While everyone may be invited to share values, follow principles, and communicate interests and plans, no one shall be forced to take part in organized action involuntarily.

All jointly pursued goals of the stakeholders in the Croatian tourism industry, and initiatives and projects conceived to achieve these goals by the stakeholders, will be measured for compliance with these guiding principles.

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<sup>9</sup> Global Code of Ethics for Tourism (<http://www.world-tourism.org/projects/ethics/principles.html>)

<sup>10</sup> International Council on Monuments and Sites Cultural Tourism Charter (<http://www.icomos.org/tourism/charter.html>).

<sup>11</sup> WTO standards of quality ([http://www.world-tourism.org/quality/quality\\_menu.htm](http://www.world-tourism.org/quality/quality_menu.htm))

## STRATEGIC GOALS

The strategic goals present vectors for action for realizing the Tourism Cluster's vision following its guiding principles. They also fit in the economic, social, and environmental dimensions of sustainable tourism development as expressed in *Tourism: Industry as a partner for sustainable development* at the World Summit on Sustainable Development (WSSD) in 2002.<sup>12</sup> They overlap and are inter-related to provide cohesion of effort. They lead to sustainable quality tourism in Croatia targeting a five-to-eight year perspective. As these goals are attained or become irrelevant because of internal or external changes in tourism in Croatia, other goals will be formulated to serve the guiding principles.

1. Implement integrated management of resources
  - A. *Content*
    - Devise, institute, and operationalize integrated participatory conservation and destination management for cultural and natural heritage;
    - Put the national framework of planning and legislation in gear for this goal; and,
    - Foster regional and local implementation
  - B. *Outcome.* Natural, cultural, and community resources will be preserved while exposing them to visitors; these resources will be employed for economic development of the community; and the businesses and local community will be closely involved in managing these resources
2. Ensure participation of all stakeholders, especially local communities, and build their capacity to participate in tourism, improving the quality of life.
  - A. *Content*
    - Devolve decision-making for tourism and related activities to regional and local levels, where appropriate;
    - Facilitate local small and medium-sized enterprises by removing barriers and offering training to create business and employment opportunities;
    - Develop transport, utilities, education, and health infrastructure in locations affected by the seasonal economy of tourism, such as islands
  - B. *Outcome.* Benefiting from tourism by participating in and contributing to quality and authenticity of services, living, balanced, and sustainable communities will thrive in tourism destinations.
3. Release creativity in tourism and services by facilitating the interaction of customer, business, and community.

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<sup>12</sup> *Tourism: Industry as a partner for sustainable development*; A report released by the World Travel and Tourism Council, International Hotel and Restaurant Association, International Federation of Tour Operators, International Council of Cruise Lines, and the United Nations Environment Program for WSSD 2002 in Johannesburg;

A. *Content.*

- Link product development and the marketing of tourism destinations to life-long learning and professional development, fostering creativity of entrepreneurs, employees, and communities in tourism services through facilitation, awards, and rewards.
- Conceive and establish an environment for developing creative new products and improving services on four interlinked tiers:
  1. Service;
  2. Business and community – customers and groups of customers;
  3. Locality or region – target markets; and,
  4. National level – global market.

The environment should build on the authenticity of Croatia's advantages – nature, culture, community – inviting and facilitating response and the participation of customers in product development, using customer response for inspiration and an adjustment of the existing tourism product and services on all four tiers.

- B. *Outcome.* Better mutual understanding between industry, the community, and the customer; better targeting of individual customers and markets; higher quality of innovative, diversified, individual products – thus higher value to businesses and benefits to local communities; enhanced perceived value of tourism products and services; increased competitiveness of Croatia, its regions, and localities.

## 4. Create a synergy of action between the public and private sectors.

A. *Content.* While keeping in mind differences in the interests and missions of public authorities, private businesses, and local communities:

- Communicate across these parts of the economy and join forces on a strategic level and in initiatives that benefit all, retaining the spirit of competition and a level playing field;
- Remove administrative barriers to business;
- Devolve control and self-control to the community where possible;
- Build the capacity of communities to assume responsibilities, reducing the need to expend national government resources;
- Combine public and private investment in public infrastructure where appropriate;
- Extend and create incentives for transparency and reinvestment, and support capacity building;
- Establish a clear and streamlined legislative framework, especially in the financial and enterprise sectors, removing barriers to access to capital and providing a basis for the turnover of assets through bankruptcy; and,

- Maintain policy cohesion in all sectors related to tourism.
  - B. *Outcome.* Better targeted and more efficient public expenditure; diminished risk for investors and businesses; integration of local community into tourism business; better quality and truer authenticity of the tourism product.
5. Achieve a balance in collaboration and competition between regions.
- A. *Content.*
- Improve collaboration by regional public authorities and business on a national strategy, interregional exchange of experience, and the free flow of human skills and capital;
  - Facilitate the cohesive development and management of tourism offers, including itineraries across regions;
  - Develop compatible benchmarks of quality and perform regular benchmarking; and,
  - Foster competition in creativity and performance.
- B. *Outcome:* Projection of a unified image and delivery of the products of a unique, diverse country with high-quality, flexible, individual services providing authentic experiences to everyone. The cohesive development of the regions in terms of the quality of tourism and competitiveness.

All cluster initiatives and projects will be assessed for how well they contribute to reaching these strategic goals. The goals must be addressed in relationship to each other, yet different agencies must prioritize their input. The cluster will review the goals annually.

The regional branches of the cluster will establish objectives specific to their regions to complement these goals and will prioritize them according to regional needs.

## **Implementation of a Sustainable Tourism Strategy in Croatia**

The Strategy for Tourism in Croatia is to increase the country's economic benefits from tourism while building on conservation and sustainable development. How to implement this strategy is outlined in a separate discussion paper—Consultation of Stakeholders on National Initiatives to Implement a Strategy for Sustainable Tourism in Croatia—for stakeholders from all regions to consult and discuss several national initiatives. Each national initiative offers specific projects for taking advantage of opportunities in tourism. The specific national initiatives came from discussions in the cluster and were developed and prioritized by working groups for each category. It is assumed that the government of Croatia and national organizations will adopt, support, and complement these initiatives and projects.

The national initiatives will be complemented by local and inter-regional initiatives developed by each region. The projects will independently touch on these national and

regional issues, uniting aspects of those as appropriate. They will be undertaken by individual businesses or private-private and public-private partnerships.

These projects may embrace additional sectoral strategies and programs. Almost all countries and regions have tourism marketing strategies and plans, such as for sustainable tourism in protected areas and for cultural tourism. New Zealand has a tourism research and development strategy. A local government association in the United Kingdom proposed a discussion paper on culture and tourism in the learning age. Some countries, such as Scotland and Ireland, have made networks and agencies for lifelong learning and training in tourism.

Many countries with significant regional differences have developed regional tourism strategies. Tasmania in Australia has developed a set of strategies and programs to support implementation of regional strategies: a food and wine strategy, a special-interest and niche program, and a backpacker and adventure program. And Nova Scotia in Canada has an e-marketing strategy.

Possibilities for action abound. It is now in the hands of the stakeholders in the Croatian tourism industry to decide which initiatives to undertake first at the national and regional levels and who will take the various actions necessary.



# Appendix A. Cluster Members

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And many other entrepreneurs who communicated their thoughts to the development of this strategy and contributed to the cluster work