Research Cooperation and Networking between Austria and South Eastern Europe

South-Eastern Europe Network for Improving Industry Research (SENIIR)

Report on the Current State and Development of Industry

Hospitality and Tourism - Hotels

Contents

55.1 – Hotels

SUMMARY

Structure		
	2005	Change[1]
Companies	477	↗
Number of employees	19,496	↗
Average number of employees[2]	41	↘
Turnover in mil. EUR	663.7	↗
Turnover per employee (1,000 EUR)	34.0	↗

Economic Performance
- Significant growth of tourism income in 2005

Legal Framework
- Changes in the Value Added Tax Act introduced 10% tax rate for various types of services in hospitality industry
- Changes in the Hospitality Industry Activities Act announced
- Tourism Services Act to be introduced in the near future

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- More complex motives for travel
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- Lack of comprehensive strategic efforts might hinder the development of tourism as a main GDP generator in Croatia
- Comprehensive tourist offer needs to be developed, especially in seaside resorts
- Large infrastructural investments still needed to improve the quality of service provided in top destinations

1 – Change in comparison to the previous year
2 – Total number of employees divided by total number of companies

STRUCTURE

Hospitality and Tourism report refers to the companies registered in the Republic of Croatia according to NACE classification in Hotels (55.1) industry.

In 2005 there were 477 hotel companies operating in Croatia. The number of hotels rose by 6.2% in comparison to 2004. This increase was followed by the increase in the number of employed people in the industry which climbed by 3.5% in 2005. Average number of employees per hotel stayed approximately at the same level as in 2004 and is currently at 41.

A significant growth of 13.3% was achieved in total turnover by the end of 2005. At the same time, prices of hotel services rose by app. 2.8% which adds up to actual turnover growth of 10.5% which evidently shows the continuation of tourism industry growth in Croatia.

Table 1: Number of companies, people employed and total turnover in 2004 and 2005[1]

	2004	2005	Change in %
Companies[1]	449	477	6.2
Number of employees[2]	18,837	19,496	3.5
Average number of employees[3]	42	41	-2.6
Turnover in mil. EUR	585.8	663.7	13.3
Turnover per employee (1,000 EUR)	31.1	34.0	9.4
Turnover per company (1,000 EUR)	1,304.7	1,391.4	6.6

1,2 - Hotels (as per Croatian NKD - 55.1)
3 - Total number of employees divided by total number of companies

Croatia is a tourism-oriented country. The growth of tourism turnover in the last several years confirms that Croatia is on the right path to turn tourism into an active generator of development of its economy. Croatian tourism generates 19.4% of the GDP. Also, the preference of tourists for specific types of tourism has been growing for the last several years.

According to 2005 data, GDP of the Republic of Croatia has increased by 13% compared to previous year. Tourism income increased by 9%, while its share in GDP has decreased by 0.7 percentage points (3.6%). Tourism and hospitality industry remains one of the most significant GDP generators in Croatia.

Table 2: Income from tourism[2]

	2004	2005	Change %
GDP (in mil. EUR)	27,379	30,950	13.0
Income from tourism (in mil. EUR)	5,505	5,998	9.0
Share of tourism in GDP in %	20.1	19.4	-0.7[1]

1 - this figure represents the change in percentage points in comparison to 2004

[1] Central Bureau of Statistics, Tourism and Hospitality in 4th Trimester 2005. From: http://www.dzs.hr/Hrv/publication/2005/4-3-1_4h2005.htm (6.11.2006.)
[2] Ministry of the Sea, Tourism, Transport and Development, Directorate for Tourist Policy and Market, Tourism - Facts and Figures 2005. From: http://www.mmtpr.hr/UserDocsImages/06-Turizam-br-05w.pdf (19.10.2006.)

By the end of 2005 there were 1,761 accommodation facilities operational in Croatian hospitality and tourism industry, 27.1% of which were hotels, villas and apartment hotels. The largest drop was noticed in the group of other facilities which decreased by 57 to 705 in 2005. At the same time, number of hotels, villas and apartment hotels increased by 16 to 477.

Table 3: Business units per type of accommodation facility[3]

	2004	2005	% of total	Change in %
Hotels, villas and apartment hotels[1]	461	477	27.1	3.5
Motels	31	22	1.2	-29.0
Pensions	49	58	3.3	18.4
Inns	371	385	21.9	3.8
Tourist settlements and apartments	106	114	6.5	7.5
Other[2]	762	705	40.0	-7.5
Total	**1,780**	**1,761**	**100.0**	**-1.1**

1 – Total number of business units
2 – Camps, guest houses, rooms to let, rural tourism homesteads, summer houses, mountain lodges, hunting lodges, vessel cabins, sleeping cars and couchettes and other uncategorized facilities

The overall increase in the number of beds in Republic of Croatia in 2005 in comparison to 2004 was 4.4%.
An increase in the number of beds in almost all supporting tourist accommodation facilities is evident, while a negligible decrease in the number of beds was recorded in camps. Biggest growth in the number of beds was registered in private rooms with over 35,000 beds increase.

Table 4: Accommodation capacities[1] by type of accommodation[4]

	2004	2005	% of total	Change in %
Hotels and apartment hotels	114,022	115,815	12.73	1.6
Tourist settlements	61,862	61,991	6.82	0.2
Camps	217,652	217,324	23.90	-0.2
Private rooms	365,210	400,454	44.04	9.7
Other	112,432	113,626	12.50	1.1
Total	871,178	909,210	100.00	4.4

1- Accommodation capacities are presented as a number of available rooms, apartments, camping spaces and beds. The total number of beds is shown.

When we examine the state of accommodation capacities in the Republic of Croatia by hotel category, an increase in the number of beds is visible in hotels with three or more stars, while a decrease in the number of beds was recorded in lower categories. The largest increase was recorded in hotels with four (37.9%) and five (26.3%) stars, while greatest decrease in the number of beds was recorded in one star hotels (23.9%).

The numbers for 2006 (although not finalized) show there are no more hotels in one star category in Croatia which completes the process of abandoning low quality accommodation facilities.

Table 5: Accommodation capacities by hotel category[5]

	2004	2005	Change %
* * * * *	3,992	5,042	26.3
* * * *	7,740	10,673	37.9
* * *	62,552	63,765	1.9
* *	33,549	31,625	-5.7
*	6,189	4,710	-23.9
Total	114,022	115,815	1.6

[3] Ministry of the Sea, Tourism, Transport and Development, Directorate for Tourist Policy and Market, Tourism - Facts and Figures 2005. From: http://www.mmtpr.hr/UserDocsImages/06-Turizam-br-05w.pdf (19.10.2006.)
[4] Ministry of the Sea, Tourism, Transport and Development, Directorate for Tourist Policy and Market, Tourism - Facts and Figures 2005. From: http://www.mmtpr.hr/UserDocsImages/06-Turizam-br-05w.pdf (19.10.2006.)
[5] Ministry of the Sea, Tourism, Transport and Development, Directorate for Tourist Policy and Market, Tourism - Facts and Figures 2005. From: http://www.mmtpr.hr/UserDocsImages/06-Turizam-br-05w.pdf (19.10.2006.)

ECONOMIC PERFORMANCE

The largest number of tourist overnights in 2005 was recorded in hotels and apartment hotels, private rooms and camps.

According to data from the table below, hotels and apartment hotels have recorded a 8.6% increase in tourist arrivals, and they rank first based on the number of arrivals. The greatest growth in the number of tourist arrivals in the same year was recorded by private rooms (19.7%), but according to number of arrivals they rank second. The third place is held by camps, which have recorded a negligible 0.5% increase in the number of guests. A slight increase in the number of guests was also recorded in tourist settlements (0.3%).

Table 6: Arrivals and overnights by type of accommodation[6]

	2004	2005	Change %
Hotels and apartment hotels	13,774	14,960	8.6
Tourist settlements	4,687	4,703	0.3
Camps	13,288	13,359	0.5
Private rooms	11,579	13,859	19.7
Other	4,499	4,540	0.9
Total	**47,827**	**51,421**	**7.5**

[6] Ministry of the Sea, Tourism, Transport and Development, Directorate for Tourist Policy and Market, Tourism - Facts and Figures 2005. From: http://www.mmtpr.hr/UserDocsImages/06-Turizam-br-05w.pdf (19.10.2006.)

Legal Framework

Laws and regulations in force specific for the area of the hospitality industry and tourism

- The Hospitality Industry Activities Act
- Tourism Activities Act
- Tourism Associations and the Promotion of Croatian Tourism Act
- Tourist Tax Act
- Membership Fees in Tourism Associations Act
- Value Added Tax Act

Some major changes in laws and regulations concerning hospitality and tourism industry are described below.

Value Added Tax Act

On January 1st, 2006 the new Rules on Amendments and Supplements of the VAT Rules, according to which the value added tax in the rate of 10% has been introduced for the accommodation services or for bed and breakfast (B&B) services, half board and full board services in all types of commercial catering objects. The VAT rate of 10% is also applied for agency services (agency commissions) for accommodation services or for B&B services, half board and full board services in all types of commercial catering objects. The VAT rate for all other services in tourism is 22%.[7]

Hospitality Industry Activities Act

Thorough changes of legislation that regulates activities in Croatian hospitality industry and tourism are planned, with the aim to create the conditions for faster development of tourism, and especially of the hospitality industry as its principal activity, for simplifying the administrative procedures for opening new facilities, an overall increase of the quality of tourist services, and the suppression of illegal activities.

The proposed new solutions are related to liberalization of entities that can provide hospitality services (various associations, unions, institutions, etc.), reduction in the number of rooms and beds that a citizen can rent in a household, as well as of accommodation units in camps, and the way of determining and regulating working hours for different types of hospitality facilities.

Some of the proposed changes of the **Hospitality Industry Activities Act**:

- Health institutions, health resorts and special hospitals should be included as entities that provider hospitality services;

- Existing authorities of local self-government units related to regulation of working hours of catering establishments should be significantly reduced, with regard to the fact that a unit of local self-government has the authority to prolong or shorten the law-prescribed working hours of these establishments by a maximum of 2 hours;

- Valid building permit and certificate of occupancy should be listed among conditions for issuing licenses for practicing hospitality activity, if the activity is carried out in a building or a part of a building;

- Provision that normatives need to be submitted to the competent authority for verification should be left out, because in some cases these normatives could be considered a business secret;

- That transitional and final provisions of the proposed Act should determine appropriate time limits for harmonization, with an emphasis on enforcement of harsh and high penalties for violators of the provisions of the Act.

[7] *Croatian Chamber of Economy, Tourism Department, Tourism. From: http://www2.hgk.hr/en/depts/tourism/Turizam_2006.pdf, (13.11.2006.)*

Tourism Services Act

In July of 2006, Ministry of the Sea, Tourism, Transport and Development has prepared the draft proposal of the Tourism Services Act, whose main innovation is the inclusion of previously unregulated activities, like sport and recreation and adventure activities (skiing, diving, horseback riding, sailing, paragliding, rafting, bungee-jumping etc.) in the legal framework. Supply of these activities is on the rise due to new trends in tourism and the growing demand for active holiday programs.

These tourist activities need to be regulated because of the risks that are involved, and the proposal was made that only adequately trained personnel should be allowed to carry out such activities.

Besides these innovations, new proposal of the **Tourism Services Act** aims to solve the issue of increased accountability of travel organizers by introducing compulsory insurance for fulfillment of contractual obligations, and by introduction of a registry for tourist agencies and guides at the ministry level.

Main issues that need to be regulated by the Act are:

- Determining services in tourism encompassed by the Act
- Entities that can provide services in tourism and their obligations
- Conditions for providing services in tourism
- Specific forms of tourism
- Tourism services of physical persons who are neither individual tradesmen nor craftsmen

Results expected from the passing of the Act:

- Harmonizing of the Act with the EU Acquis Communautaire
- More professionalism in providing services
- Reduction of the grey economy and illegal employment
- Business facilitation for physical and legal persons
- Further development of specific forms of tourisms
- Better protection of users of services

Demand Side Developments

Major Changes in the Demand Market[8]

Climate, nature and purity of the sea are still the main motives for the majority of tourists to come to Croatia to spend their holidays on the Adriatic Sea, primarily during summer months.

World tourism markets record a significant increase in demand for health, adventure, cultural and ecotourism, which is also starting to appear in Croatia. There is a growth in demand for congressional tourism in continental Croatia, whose development, among other things, is determined by high quality accommodation facilities.

Through improvement of tourist offer, many destinations are raising standards and expectation levels of tourists. Favorable *value for money* ratio goes without saying nowadays and is no longer sufficient for a successful and good holiday. Tourists also expect *experience for money* and *emotion for money*. This is the direction in which all tourist destinations that want to keep their market share are heading.

This is the direction that Croatia must pursue if it wants to become a quality tourist destination and profit from tourism in the long-term.

The main weakness of Croatia's offer as a tourist destination is still the shortage in quality accommodation capacities, especially in continental Croatia, as well as the lack of quality tourism content beside the standard offer.

The demand market for tourism services is going through changes in accordance with world trends in the development of tourist activity, and the demand for different types of tourist services in the Croatian market follows world trends. Some of the most significant changes are:

More complex packages of motives for travel. Next to the main motives (swimming, relaxation, culture), a new package of motives for traveling is emerging, which, among other things, includes delight, activities in nature, an emphasized need for experiences, sensuality, emotions, recreation and health. Tourists basically want to experience counter-worlds that are clearly different from their everyday environment and regular life situations.

Higher expectations of tourists are being assisted by media and advanced telecommunications, higher education levels and previous personal experience and knowledge.

Changes in needs of potential tourists. Because of the increase in the standard of living, people have more and more money available, and less and less free time, which are the two main preconditions for involvement in tourist flows. The result of these changes is the growing popularity of short and round trips.

As the answer to the fast rhythm of the contemporary urban way of life, **demand for untouched, ecologically clean areas** is on the rise. Personal safety is becoming one of the main criteria for decision making, and there is a growing trend of concern for one's own health (wellness, fitness).

Diversification of target groups. In the meantime, belonging to social and demographic groups has proved to be a too crude classification of the tourist market, although the trend of demographic aging cannot be neglected. Market is increasingly being diversified to subgroups that are defined by lifestyle, personal inclinations, needs and living conditions.

[8] *Ministry of the Sea, Tourism, Transport and Development, Croatian Tourism Development Strategy for the Period up to 2010. From: http://www.mmtpr.hr/UserDocsImages/Strategija%20hrvatskog%20turizma%20-%20finalna%20verzija.pdf, (28.10.2006.)*

Overview of the Development of the Demand Market by selected Categories of Tourist Product:

Sea Tourism – Accommodation – High Quality[9]

Today's tourists want an active vacation; they want Internet access in their rooms and the possibility to communicate with the world, their office, house, friends or stock exchange at any time. This means that all rooms in luxury hotels will soon have to have a personal computer with internet access. Also, luxury hotels today are inconceivable without a fitness facility, a beauty salon, various types of treatments and a special supply of healthy foods.

Expectations and demands of clientele in the hotel sector are continuously increasing, because competition and accessibility throughout the world are greater than ever before. Clients want to be pampered; they want to feel special, taken care of, spoiled, that the entire staff gives them recognition, discreet, but superior and unobtrusively cordial treatment. They pay well and they expect that everything functions all the time and in full. Hoteliers ceaselessly have to implement and develop the highest standards in their catering facilities and products.

Health Tourism[10]

Both in the European and the world market there is a great demand for health programs in health resorts, but also in comprehensive wellness programs adapted to individual tourist groups – managers, women, medical patients, young people etc.

In relation to 1999, European demand for wellness services in 2004 has increased by 126%. Every third German tourist, regardless of his/her vacation country of choice wants wellness services, out of which 17% is interested in health wellness and 15% in beauty programs.

Increase in number of tourists clearly points out to the quick development of this type of tourism. There were 5% more overnights in health resorts in 2005 in relation to 2004.

Domestic tourists are more inclined to visit continental health resorts and wellness centers, while the share of foreign tourists in seaside health resorts varies between 30% and 45% over the single season.

Rural Tourism[11]

In recent years, a growing number of tourists has been deciding to pursue something opposite to mass seaside tourism and searching for new forms of tourism that are preserving natural and cultural heritage of tourist destinations, and at the same time guarantee an active holiday in nature. Advantages of rural tourism are precisely its most important characteristics, which are: peaceful environment, absence of noise, preserved environment, communication with hosts, domestic food, getting to know peasant activities.

Largest capacities in rural tourism homesteads in Croatia are present in Istra, Dubrovnik-Neretva, Zadar, Split-Dalmatia and Osijek-Baranja County.

The growing demand for this type of active holiday in nature, combined with the offer of local gastronomic elements and visits to wine roads represents a great potential, especially for the continental counties.

In 2005 there were 309 registered rural tourism homesteads in the Republic of Croatia, with accommodation capacity of 784 beds*. (* - These 784 beds are calculated under "Private rooms" in Accommodation capacities)

[9] *Brljević, Branimir-Baron: Business is an eternal competition (interview with Goran Štrok), Privredni Vjesnik, 3295. From: http://www.privredni-vjesnik.hr/index.cgi?A=I&SIF=00003&BR=003295&DA=20030324, (24.11.2006.)*

[10] *Zagreb Fair, Press Information, New trends in wellness. From: http://www.zv.hr/press/display_hr.cfm?pi=2006-02-25x02_hr.html (23.11.2006.)*

[11] *Croatian Chamber of Economy, Tourism Department, Tourism. From: http://www2.hgk.hr/en/depts/tourism/Turizam_2006.pdf, (19.11.2006.)*

Adventure Tourism[12]

Adventure tourism is a small niche of the market with a growth tendency. Croatia has natural potential for development of a very diversified adventure tourism offer, including activities like rafting, canoeing, kayaking, paragliding, balloon flights, hiking, free climbing, exploring of caves and pits, off-road tours, and many others. In these types of activities it is of paramount importance to give due attention to security and hire experienced and professional organizers and tourist guides.

Tourism generated by sporting events

Hosting major sporting events generates additional income from tourism, whether it is connected to visits of sport clubs and/or national teams and their fans during sporting events in Croatia or during preparations for sporting events. By organizing ski world cup races on Sljeme, World and European championships in handball, and various other domestic and international competitions, host cities are given the opportunity to achieve both short-term profit from the increase in the number of guests during the duration of the competition, as well as long-term positioning as a tourist destination for visitors of a certain sporting event.

The possibility of winning the organization of the 2012 European Football Championship creates a huge opportunity for development of this type of tourism, but also the obligation to increase the size and quality of accommodation capacities in host cities – Zagreb, Split, Rijeka, and especially Osijek.

Congressional Tourism

Significance of business travel and congressional tourism is more and more increasing. This market segment is particularly lucrative and it mainly occurs outside the main summer tourist season, which is reason enough for intensive stimulation of its development in Croatia.

Closely connected to congressional tourism, but specific by its dynamic and the image that it creates, scientific tourism is also being developed in Croatia. Especially contributing to its development is the work and the results of our scientific institutions and their active involvement in world scientific trends, as well as organization of numerous scientific gatherings on current scientific topics. Supporting institutions in organization of international scientific gatherings and research projects would have positive influence on development of Croatia as a regional academic and scientific center, which will attract increasing numbers of foreign experts, scientists, professors and researchers.

Nautical Tourism[13]

Nautical tourism is one of the most prosperous forms of Croatian tourism. The possibility to embark on a round trip during which a great number of natural and cultural sites of a tourist destination can be seen in a short time (for those participating in round trips) and the possibility to create one's own holiday schedule and freedom of movement (for vessel owners) are the most important reasons because of which the demand for nautical tourism is increasing greatly both in the European market and in tourism markets throughout the planet.

Numerous yachtsmen, mainly from Austria, Germany and Italy are attracted to Croatia with its 50 marinas, which offer a total of 15,407 berths (13,285 of which are used as permanent berths).

Tourist travel on the Danube organized by foreign tour operators also brings a certain number of tourists to the continental part of Croatia (Vukovar-Srijem County and Osijek-Baranja County), and there is also possibility to utilize other rivers.

[12] *Croatian Chamber of Economy, Tourism Department, Tourism. From: http://www2.hgk.hr/en/depts/tourism/Turizam_2006.pdf, (16.11.2006.)*
[13] *Croatian Chamber of Economy, Tourism Department, Tourism. From: http://www2.hgk.hr/en/depts/tourism/Turizam_2006.pdf, (18.11.2006.)*

Competition

a) Competition in the world market

The number of international tourists has been continuously increasing between 1990 and 2005. In 2005 there were 808.4 million international tourists recorded (preliminary data), compared to 765.5 million in 2004. The growth of international tourists between 2004 and 2005 was particularly strong in Africa (10.0%), followed by Asia and the Pacific region (7.0%) and the Middle East (7.0%). Europe remains the most important international tourism region with 441.6 million international arrivals in 2005, followed by Asia and the Pacific region (156.7 million) and the Americas (133.6 million).

Table 7: Number of international tourist arrivals by World regions[14]

	Tourist arrivals (in millions)		
	2004	**2005**	**Change %**
Europe	424.6	441.6	4.0
Asia and the Pacific	145.4	156.7	7.8
Americas	125.9	133.6	6.1
Africa	33.5	36.8	10.0
Middle East	36.3	39.7	9.5
Total	**765.5**	**808.4**	**5.6**

b) Competition in the European market

Croatia's main competitors in the tourism industry are: Greece, Spain, Turkey, Italy and France with Austria emerging as a new strong competitor in certain tourism sectors.

Table 8: Tourism income and number of tourist arrivals in selected European countries[15]

	Tourism income (bill. USD)			Tourist arrivals (in millions)		
	2004	**2005**	**Change %**	**2004**	**2005**	**Change %**
Spain	45.2	47.9	6.1	52.4	55.6	6.1
France	40.8	42.3	3.7	74.1	76.0	2.6
Greece	29.6	35.7	20.7	14.1	14.9	6.0
Italy	35.7	35.4	-0.8	37.1	36.5	-1.6
Turkey	15.9	18.2	14.5	16.8	20.3	20.8
Austria	15.4	15.5	0.9	19.4	20.0	3.1
Croatia	7.1	7.8	9.1	9.4	9.9	5.3

Spain has a mature tourism industry, development of which was started in the 50s of the last century, and is currently faced with the problem of aging hotels, some of which are 30 or more years old. In 2003, they have recorded 50 million tourists, which was a 12% increase in relation to 1999. Most tourists come from EU countries; France, Portugal, United Kingdom and Germany. American tourists account for only 2% of the total number of tourists, but their spending per person is higher than that of other guests. According to WTO data[16], in 2005 Spain has earned 47.9 billion USD from tourism, which is a 6.1% increase in relation to 2004. The number of tourists in Spain in 2005, according to WTO data, was 55.6 million, which is a 6% increase compared to 2004.

Tourism is a significant and strong sector of **Italian** economy. All forms of tourism are well developed: mountain, sea, where it is important to mention that Italy is surrounded by five seas (Mediterranean, Adriatic, Tyrrhenian, Ligurian and the Ionian Sea), and tourist are attracted to numerous historical and cultural sites. According to WTO data, in 2005 Italy has earned 35.4 billion USD from tourism, which is a 0.7% decrease in relation to 2004. The number of tourists in Italy in 2005, according to WTO data, was 36.5 million, which is a 1.5% decrease.

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[14] *United Nation World Tourism organization, World Tourism Barometer. From: http://www.world-tourism.org/facts/eng/pdf/barometer/barom0503_e.pdf (18.12.2006.)*
[15] *United Nation World Tourism organization, World Tourism Barometer. From: http://www.world-tourism.org/facts/eng/pdf/barometer/barom0503_e.pdf (18.12.2006.)*
[16] *Turkey ranked eighth in world with its tourism income of $18.2 bln., Turkish Daily News. From: http://www.turkishdailynews.com.tr/article.php?enewsid=57843, (30.10.2006)*

According to WTO data, in 2005 **France** has earned 42.3 billion USD from tourism, an increase of 3.5% compared to 2004. The number of tourists in France in 2005, according to WTO data, was 76 million, which is a 1.2% increase in relation to 2004, when the number of tourists was 74.1 million.

Turkey is a country surrounded by three seas (Black, Mediterranean and the Aegean Sea) with 8,333 km of coastline. According to WTO data, in 2005 Turkey's tourism income grew by 14.2% (total of 18.2 billion USD). The number of tourists in Turkey in 2005, according to WTO data, was 20.3 million, a 20.5%. The stated increase is also the largest increase in all countries in 2005, according to WTO data.

Length of the **Greek** coastline is 13,676 km. Tourism contributes 15% of country's GDP, which in 2005 amounted to 236.8 billion USD[17]. The number of tourists in 2004, according to WTO data, was 14.1 million. In 2006, an increase in the number of tourists by 6.7% is expected, as well as income from tourism in the amount of 41.88 billion USD.[18]

Austria, according to WTO data, has recorded a 0.9% increase in tourism income in 2005. The number of tourists in Austria in 2005, according to WTO data was 20 million tourists, which stands for a 3% increase compared to 2004.

In comparison with these countries, **Croatia**, according to Croatian Chamber of Economy (CCE) data, has earned 7.8 billion USD from tourism in 2005, which represents a 9% increase in relation to 2004, when its income from tourism was 7.1 billion USD. The number of tourists in Croatia in 2005, according to CCE data, was 9.9 million, which is an increase of 5% in relation to 2004, when the number of tourists was 9.4 million.

[17] *Central Intelligence Agency. The World Factbook – Greece, From: https://www.odci.gov/cia/publications/factbook/geos/gr.html (19.10.2006)*

[18] *Kralj, Andrija: Greece faces another tourism boom, Business magazine Lider. From: http://www.liderpress.hr/Default.aspx?sid=4580 (29.10.2006.)*

c) Competition within the Republic of Croatia

Major Competitors on the Market

Hotel Accommodation
With the total of 115,815 beds, hotel accommodation accounts for 13% of total accommodation capacity of the Republic of Croatia. 37% of the total number of tourists in Croatia stay in hotel accommodation. Thanks to investments and activities of the Ministry, there are no one star hotels in Croatia anymore; the share of hotels with two stars is declining, while intensive growth of the number of hotels with 3 and 4 stars is recorded.[19] Leader among Croatian counties in the number of beds in hotel accommodation is the Istria County, followed by Primorje-Gorski Kotar, Split-Dalmatia and Dubrovnik-Neretva County.

Table 9: Financial business indicators of major hotel groups in Croatia[20]

		Income (in 1,000 EUR)			Profit (in 1,000 EUR)		
	Number of hotels	2004	2005	Change %	2004	2005	Change %
Valamar Group	23	n/a	94,905	n/a	n/a	1,315	n/a
Adris Group LLC (SPJ Tourism)	9	67,997	73,691	8.4	9,836	-11,206	-213.9
Plava Laguna LLC	14	50,731	50,478	-0.5	10,697	11,648	8.9
HUP Zagreb LLC	6	40,871	42,069	2.9	6,676	5,815	-12.9
Liburnia Riviera Hotels LLC	15	26,866	26,631	-0.9	1,662	1,394	-16.1

Source: Annual financial reports – www.zse.hr

Largest Croatian hotel chains are Valamar Group (www.valamar.hr), Adris Group LLC (www.adris.hr), Plava Laguna LLC (www.plavalaguna.hr), HUP-ZAGREB LLC (www.hup-zagreb.hr), and Liburnia Riviera Hotels LLC (www.liburnia.hr), and one of the fast growing companies is Adriatic Luxury Hotels Group LLC.

A negative financial result was recorded by the Adris Group in 2005, which was due to implementation of a restructuring process and large investment cycle in principal activities, completion of which is planned in 2009.

Next to the above stated groups, the Adriatic Luxury Hotels Group LLC, which is owned by Goran Štrok has taken over 5 luxury hotels in Dubrovnik and Rijeka, and they plan to operate a total of 9 hotels in the Adriatic, concentrating exclusively on offering luxurious accommodation.

Valamar Group is the leading tourist group in Croatia, which manages five tourist companies: Riviera Holding LLC Poreč, Rabac LLC, Duborvnik-Babin Kuk LLC Dubrovnik, Zlatni Otok LLC Krk and Puntižela LLC Pula. This group is owned by Austrian investors.

Existing large hotel chains are facing increasing competition from family and small hotels, whose interests are promoted by the Association of Family and Small Hotels of Croatia (www.omh.hr). Association's membership currently includes 83 such hotels in Croatia, and the aim is to increase the number of family and small hotels to 500 before Croatia becomes a member of the European Union. Small family hotels currently participate with 7% in the total structure in relation to large hotel capacities, but they certainly possess a great potential for growth.

Private Accommodation
20% of the total number of tourists in Croatia During 2005 has used private accommodation, which is the most present form of tourist accommodation with 404,561 beds (45% of total accommodation capacity of the Republic of Croatia). Private accommodation is showing the greatest increase in capacity and it is becoming a strong competitor to hotel accommodation because of individual approach to tourists and stronger experience of the local environment.[21] Similarly to the situation in the hotel sector, Istra County has the greatest capacities in private accommodation, followed by Split-Dalmatia, Primorje-Gorski Kotar and Dubrovnik-Neretva County. A significant increase in accommodation capacities has also been recorded in the continental part of Croatia.

[19] *Ministry of the Sea, Tourism, Transport and Development, The 2006 Tourist Season Analysis. From: www.mmtpr.hr/UserDocsImages/ANALIZA2006.pdf, (12.11.2006.)*
[20] Zagreb Stock Exchange, Annual Financial Reports of hotel groups. From: http://www.zse.hr/finreports.php?sessionId=07ccddfad39d9933f7629d4df52e2c0b (12.12.2006.)
[21] *Ministry of the Sea, Tourism, Transport and Development, The 2006 Tourist Season Analysis. From: www.mmtpr.hr/UserDocsImages/ANALIZA2006.pdf, (14.11.2006.)*

* *Selected Types of Tourist Services*

Sea Tourism

Dubrovnik stands out as the most recognizable Croatian destination, and it is also being increasingly frequented by participants of round trips – it attracts high 90% of the total number of round trips in the Republic of Croatia. Next to Dubrovnik, other traditionally popular destinations are Split, Zadar and Šibenik, and Pula, Poreč and Rovinj in Istra. The most visited islands are Krk and Hvar, with an increase in interest of the younger population in island of Pag.

Health Tourism

Health tourism is more prevalent in continental Croatia, with health resorts built around thermal springs in the lead: Tuheljske Toplice (www.terme-tuhelj.com), Stubičke Toplice (www.stubicketoplice.com), Varaždinske Toplice (www.varazdinsketoplice.com), Krapinske Toplice (www.krapinske-toplice.htnet.hr), Daruvarske Toplice (www.daruvarske-toplice.hr), Terme Topusko (www.ljeciliste-topusko.com) and Bizovačke Toplice (www.bizovacke-toplice.hr).

Majority of these resorts possess characteristics of medical tourism with efforts aimed at creation of complete wellness products designed after the Slovenian model (Terme Čatež, Rogaška Slatina) behind which they lag in quality of accommodation and the service itself. Complete tourist offer, which also includes obligatory wellness content, is something that tourism providers in the Istra region are turning to.

Rural Tourism

Rural tourism, as the alternative to mass sea tourism is being actively developed in continental Croatia, and the leader in both supply and tourist demand is Istra with 52% of total accommodation capacities of all rural households in Croatia. The fast development of Osijek-Baranja County, especially the Baranja area with the development of ethno village as a complete tourism product; one that encompasses visits to wine roads, gastronomic pleasures, adventure, hunting and fishing tourism, as well as natural attractiveness of Kopački Rit Nature Park, hints the possibility of development of this type of tourism in other regions also. The tourist potential of Lika and Gorski Kotar, which have started developing in this direction, should not be neglected – the thing that attracts tourists to this mountainous part of Croatia the most is its extremely beautiful and preserved nature.

Adventure Tourism

There are still many legal uncertainties related to adventure tourism, and the new draft of the Tourism Services Act should regulate numerous adventure activities, which are becoming increasingly attractive for a large number of tourists. Majority of travel agencies in Croatia has some sort of adventure activities in their offer, like rafting, climbing, orientation running, paragliding, etc.

There are several agencies that specialize in this type of tourism – Adventure Dalmatia (www.adventuredalmatia.com), Baranja Adventure Team (www.baranya-adventure.com), and the adventure tourism itself is characterized by a high level of closeness, exchange of experiences among tourists "adventurers", which is also manifested in a large number of websites, whose sole purpose is the promotion of adventure tourism, like www.adventure-sport.net.

Congressional Tourism

Quality of location is of the greatest importance for development of congressional tourism, so that, next to Istra, Rijeka, Split and Dubrovnik as attractive locations, Zagreb as country's Capital with large accommodation capacities is also suitable for congressional tourism.

Nautical Tourism

Croatia has 50 marinas, of which 21 are within the system of ACI Marinas, with berths at sea totaling 15,407. Thanks to indentedness of the coast and the abundance of islands, preserved natural riches and clean sea, Croatia has become the top nautical tourism destination, which is becoming more and more important part of the overall tourist offer, as well as of the overall tourist demand. Nautical tourism is one of the most attractive, prosperous, but also most profitable tourist products. A strong growth over the previous few years could also be noticed in the field of dive tourism. There are more than 150 registered diving centers.

Adriatic Croatia International Club (ACI – www.aci-club.hr), is the leading nautical tourism company in Croatia. ACI is a chain of 21 marinas, from the northernmost in Umag to the southernmost in Dubrovnik.

Marina "Dalmatia" (www.marinadalmacija.hr) located in the Bibinja-Sukošan area is the largest marina on the Adriatic, with 1,200 berths at sea and 500 berths on land.

Travel Agencies
According to Association of Croatian Travel Agencies (UHPA – www.uhpa.hr) data, there are currently 186 travel agencies operating in the Republic of Croatia; two of which stand out because of the quality of their services and availability throughout the country.

Generalturist (www.generalturist.com), which has been operating in the Republic of Croatia since 1923, has tradition on its side, which creates the perception of reliability (this mainly applies to the older population) but adriatica.net group's fast growth is a big threat for currently the largest travel agency in Croatia.

Adriatica.net (www.adriatica.net) is the largest Croatian online travel agency, which, through a recent concentration into adriatica.net group (a strategic partnership of travel agencies and tour operators), which brings together established travel agencies from Croatia and Slovenia that specialize in different fields of tourism industry with head offices in Zagreb and Ljubljana and branches throughout the world, has become one of the leading tourist agencies in Croatia, with the aim to expand into other European markets. Some of the members of the group are Kompas, Atlas Airtours and Ilirika Turizam. The main tourist markets are Croatia, Slovenia, Czech Republic, Austria, Hungary, Italy, Poland, Germany and France.

Markets for Inputs – Labor Market

Analyses of the World Tourism Organization show that there is a shortage of 10 million workers in world's hotel industry, especially the so-called “white staff” (cooks, waiters, chambermaids, receptionists). This trend is also becoming more evident in Croatia.

Hospitality service industry is marked by a great seasonal fluctuation of workforce. Unqualified, qualified and workers with high school education under 35 years of age are in greatest demand for seasonal employment.

Cook is one of occupations that are in greatest shortage in hospitality and tourism in the Republic of Croatia.[22]

Employment criteria for all occupations have increased significantly, both for auxiliary workers and qualified professions. Chambermaids, for instance, are required to have passive knowledge of two world languages.

Table 10: People employed in tourism industry[23]

	Hotels and restaurants (in 1,000)[1]			Share in total number of employed (%)		
	Total	**Legal entities**	**Trades, crafts and freelancers**	**Total**	**Legal entities**	**Trades, crafts and freelancers**
2000	74	41	34	6.0	3,9	16.4
2001	76	41	35	6.0	3,9	16.4
2002	77	40	38	6.0	3,8	16.4
2003	78	39	39	5.9	3,6	16.1
2004	81	41	40	6.0	3,7	15.9
2005	80	40	40	5.9	3,6	15.5

1 – Total number of entities and employees in NACE code H – Hotels and Restaurants

Table 11: Seasonal employment in catering and tourism[24]

Most sought-after occupations in 2006[1]	Persons employed
Salesman	1,807
Waiter	1,688
Chambermaid	1,584
Cook	1,272
Kitchen worker	968
Cleaning woman	951
Assistant cook	598
Hospitality worker	537
Assistant waiter	388
Receptionist	321
Laundress	201
Other professions	4,634
TOTAL	**14,949**

1 – Seasonal employment in NACE code H – Hotels and Restaurants (numbers include restaurant staff)

[22] *Gajski Kovačić, Nataša: There is a shortage of qualified waiters and cooks. From: http://www.vjesnik.com/Pdf/2006%5C07%5C08%5C05A5.PDF, (10.11.2006.)*
[23] *Ministry of the Sea, Tourism, Transport and Development, Directorate for Tourist Policy and Market, Tourism - Facts and Figures 2005. From: http://www.mmtpr.hr/UserDocsImages/06-Turizam-br-05w.pdf (28.11.2006.)*
[24] *Mičić, Zdenko: Human resources in tourism – one of the key development challenges, Days of Croatian Tourism, Cavtat. From: www.croatia.hr/Resources/Home/micic_cavtat06.ppt (29.10.2006)*

Education System[25]

Through its tourism development strategy, Croatia has declared that it will build a destination of quality (new capacities, renovation of existing capacities). The process of accession to the EU requires liberalization of the labor market, including both "white staff" and auxiliary-technical staff, as well as management personnel. Reform of the complete education system in tourism and its continuous harmonization with the needs of the tourism sector (public-private partnership) are the conditions necessary for the implementation of Croatian tourism strategy.

High Schools
There are as many as 83 hospitality and tourism high schools in the Republic of Croatia. Problems experienced by a large number of schools are: shortage of teaching personnel and inadequate technical equipment (financial resources). Educational programs of these schools are orientated primarily to train students for the following occupations: cook (32%), hotel-and-tourist technician (31%), waiter (23%) and hotel-and-tourist sales specialist (11%). Number of students enrolled in these schools is higher than in the previous year, but an increasing number of students is enrolling in these programs only because they have failed to enroll in high schools they have originally intended, and upon finalization of the education program they look for employment in better paid sectors.

Higher Education Institutions
There is a total of 9 higher education institutions for education in tourism with approved study programs adapted to the Bologna Process. Total number of students during 2005/2006 academic year was 6,909, while, according to available enrollment data, 2,300 new students have enrolled in the 2006/2007 academic year.

Besides these, there are also 3 accredited colleges offering programs in tourism and hotel management. Theoretical part and acquired knowledge are at satisfactory levels, but employers point out inadequate levels of practical knowledge and skills and low proficiency in foreign languages.

Opening of Hotel Management Academy in Kaštela in cooperation with Hotelschool The Hague from Netherlands is planned for October 2008, with expected annual enrollment of 100 students. Program is envisaged as education for middle management staff, and will concentrate exclusively on practical application of skills and knowledge in everyday hotel practice.

Education Programs of Professional Associations
Ministry of the Sea, Tourism, Transport and Development provides continuous financial support to education programs organized by professional associations in hospitality and tourism. During 2006, a total of 685 participants attended job training seminars covering occupations such as cook/pastry cook, waiter, barmen, receptionist, and hotel hostesses.

Employment Problems in Hospitality and Tourism[26]

Concluding work contracts for a determined period - although these are mainly continuous jobs (waiters, cooks, chambermaids, etc.), over 80% of contracts are concluded for determined periods and such a situation cannot create favorable preconditions for an increase in the quality of service.

Low salaries and "moonlighting" - salaries in the hospitality industry and tourism are on average 13-16% lower than the average salary in the Republic of Croatia. According to the level of "moonlighting", this activity ranks third, just behind construction and trade, which creates unfair competition.

Insufficiently developed cooperation between public and private sector - only a small number of employers awards scholarships to hospitality and tourism high school and higher education students.

Insufficient Professional Education – internal professional education as a continuous program for the improvement of quality is being neglected, together with lifelong learning programs.

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[25] Mičić, Zdenko: Human resources in tourism – one of the key development challenges, Days of Croatian Tourism, Cavtat. From: www.croatia.hr/Resources/Home/micic_cavtat06.ppt (29.10.2006)
[26] Mičić, Zdenko: Human resources in tourism – one of the key development challenges, Days of Croatian Tourism, Cavtat. From: www.croatia.hr/Resources/Home/micic_cavtat06.ppt (29.10.2006)

The goal of the education system needs to be the creation of human resources who, with their theoretical and practical knowledge and skills, will be able to compete not only in Croatia, but abroad as well.[27]

Employment via Internet[28]

A large number of employers have turned towards the internet, because that method of searching for employees guarantees speed and simplicity, and employer automatically gets an employee who is computer literate, which is of utmost importance for some tourism occupations.

In order to increase solvency of the tourism labor market during the tourist season, MojPosao (www.moj-posao.net) in cooperation with Croatian Employer's Association (HUP – www.hup.hr) has initiated action 'Jobs in Tourism 2006'. More than 3,200 job vacancies in the Tourism and Hospitality category were advertised on MojPosao portal between January 01 and August 31 2006, and it is estimated that more than 2,800 new employees were hired.

According to research for the January 01 - August 31 2006 period, top five most sought after occupations in the Tourism and Hospitality category were: waiter, with an overwhelming 29% share of the total demand, cook - 10%, tourist guide - 5%, receptionist - 4%, native speakers of German, Italian and Spanish – 2%.

During the tourist season, cook was one of the most sought after occupations in tourism and hospitality and thus individuals possessing culinary knowledge and skills had far greater chances to find a job and secure an above average salary in the tourism and hotel sector.

It is interesting that in 2006 some specialist and until recently "exotic" work positions have found their place among ads like, for instance, graduated communicologist, head of client relations, expert for international tourism, head of guest entertainment department... which clearly indicates that some tourism vendors follow world trends in the tourism and hospitality industry, and that guest satisfaction has been recognized as a long-term competitive advantage of our tourism.

According to the share of ads in the total demand by cities, greatest demand was in Split – 25%, followed by Rijeka – 17%, Zadar – 8%, Pula – 5%, and Dubrovnik – 5%.

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[27] *Mičić, Zdenko: Human resources in tourism – one of the key development challenges, Days of Croatian Tourism, Cavtat. From: www.croatia.hr/Resources/Home/micic_cavtat06.ppt (29.10.2006)*

[28] *Jobs in Tourism 2006, Moj-posao.net. From: http://moj-posao.net/jseeker_wiki.php?sessionId=83c7fb1b7eb47bc4402ba73b47c3c246&wikiName=ZaposljavanjeTurizamRezultati1 (21.11.2006.)*

Technological Developments

A completely new situation has emerged in the international tourism market in the last decade. Development of technology brought changes in the market structure and the way marketing is applied, and enables the process of concentration of tourism suppliers.

Under the pressure of growing competition and the struggle for position in the market, tourism vendors are entering vertical and horizontal integrations, which gives them opportunity to compete with both price and quality. Smaller competitors are forced to turn to specific market niches.

Internet and euro, as the single European currency, facilitate comparability of destinations and shorten the time needed for information gathering, and enable simple direct booking.

Standardization at different levels of the price-service relation is becoming increasingly present in the hotel business. Attractiveness of standardization from the position of the buyer is based on several advantages: efficiency, cost calculation capability, comparability, predictability and control.

Different strategies for hotel specialization are observable (all-inclusive, wellness, romantic, club, art, for gourmands, for singles, for nudists, for tennis, golf, horseback riding, for babies and children, etc.). Classic all-purpose hotels could soon become a marginal phenomenon.[29]

Influence of Google on the Development of Tourism Supply and Demand

Similarly to changes in all other types of business, Internet has changed the classic ways of spreading information, communication and promotion in the travel and tourism industry sector, so that strength of tourism online business is increasing every year and the growth rate of its share in the total market is very high. European online travel industry was worth 225 million euros in 1998. In 2004, that number was **17 billion** euros, and according to prognosis of CRT, a prominent institute for tourism research, value of the European online market will rise to **25 billion** euros in 2006.[30]

The possibility to receive fast information has enabled travelers to take control of the travel experience, whether it's itinerary planning, exploring destinations and the way of booking itself. "Googlization" of the travel and tourism industry has resulted in a market where established airlines, hotels and car rental companies can no longer rely on the marketing clout of their name alone, as it had been the case for years.

The increased exposure Google has given to small and medium-sized travel vendors, whether by sponsored links or organic listings, has enabled these companies to successfully enter the global market.

Marketing options bring direct measurable benefits to both travel providers and travelers. Sophisticated systems for adjusting marketing campaigns on search engines allowed ads to cater to specific target audiences, according to different criteria: intent and purpose of travel, demographic and geographic location …[31]

Travel Agencies

Virtual booking, i.e., reservation of tourist services over the internet is a great threat to the traditional "physical" travel agencies.

Although it still has to become the leader in renting accommodation capacities, adriatica.net group has the greatest annual income in Croatia. Virtual booking has reached the value of 17 billion euros in Europe; it has increased by 51% in relation to the previous year, and it has captured a 7% share of the world's tourism market.

But, regardless of the increasing computer literacy and convenience of people who prefer to book travel from the comfort of their armchairs, there will always be a part of the population that will have more trust in a physical agent and personal contact when gathering information, meaning that traditional travel agencies will be still able

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[29] *Ministry of the Sea, Tourism, Transport and Development, Croatian Tourism Development Strategy for the Period up to 2010. From: http://www.mmtpr.hr/UserDocsImages/Strategija%20hrvatskog%20turizma%20-%20finalna%20verzija.pdf, (3.11.2006.)*
[30] *Kovač, Tomislav: Tourism and Marketing on the Internet. From: http://futuria.hr/2005/07/01/turizam-i-marketing-na-internetu-1dio/ (7.11.2006.)*
[31] *Kovač, Tomislav: "Googlization" of Business – Tourism and Travel. From: http://futuria.hr/2005/11/24/googlizacija-poslovanja-turizam-i-putovanja/ (10.12.2006.)*

to keep their place under the sun. But, they are also threatened by the penetration of the market by foreign tour operators who are offering cheap products, with which they will disrupt market relationships and all the agencies will be forced to adapt to new developments.[32]

Croatia has its own strong "player" in the online booking market - adriatica.net – which has begun operations in 2000 as a travel agency and tour operator. At the beginning of 2006, adriatica.net group was founded as a strategic partnership of travel agencies and tour operators, with the aim to become one of the leading players in international tourism business in Europe.

Low-cost airlines

The arrival of low-cost airlines to the Croatian market has represented an additional impulse for the development of tourism, especially outside the season. So far, following carriers are offering their services in Croatia - Germanwings (www.germanwings.com), Wizz Air (www.wizzair.com), easyJet (www.easyjet.com), and they were recently joined by Ryanair (www.ryanair.com).

Airplane travel to selected tourist destinations has become extremely affordable for all categories of tourists, which allows fast transfer between destinations.

[32] *Laslavić, Željka: Traditional Agencies "Swept Away" by Virtual Booking, Business magazine Lider. From: http://www.liderpress.hr/Default.aspx?sid=567 (23.11.2006.)*

Future Challenges for Croatian Tourism

Ministry of Tourism of the Republic of Croatia in its document *Croatian Tourism Development Strategy* stated the following vision of Croatian tourism: "Tourism largely drives the economic growth of the Republic of Croatia for the benefit of all its citizens, under the premise of sustainable usage, protection and development of its natural, historical and cultural resources, while creating a favorable investment climate."[33]

International tourism is one of the most expansive sectors of world economy. Europe, with special emphasis on the Mediterranean, still remains the most important tourist destination and the main tourist market. World Tourism Organization foresees annual growth rate of 3% for the Mediterranean, while Croatia stands out as country with one of the highest international arrivals growth rates (8.4%).[34]

In the period when tourism in the region flourished (80s of the last century) around 5% of world population used to travel, approximately 300 million people. Estimates foresee that in the next ten years or so this percentage will increase to 20% of the then world's population, that is, a total of 1.5 billion people will travel. What part of that market does Croatia want to attain?[35]

Challenges Croatian tourism operators are exposed to are primarily emerging due to the following facts:

- Competition among Mediterranean countries is intensifying
- Tourism has been affected by globalization processes
- Global tourism has been affected by the Information revolution
- Survival of all businesses, including those operating in the tourist industry, must have its roots in the creation and maintenance of competitive advantage.[36]

Croatian National Tourist Board has set the following goals to be achieved by 2010: 11 million foreign tourists and income from tourism in amount of 10.6 billion euros. These estimates are feasible, taking into consideration nearing of the date of accession to the European Union, country's safety as a tourist destination, and, naturally, the beauty of natural riches.

Croatian tourism is well positioned and is becoming more and more stable and stronger in the international tourist market, despite the presence of numerous shortcomings, caused by the break-up of the former country. **Shortcomings** are manifested in **seasonality**, **range and quality of services, low average spending, and inadequate personnel.**

The biggest problem of the Croatian tourism is the fact that tourism is a strategic industry of the Republic of Croatia but there is no government strategy for its development.

Another big problem is that there are many individual, uncoordinated activities without a clear goal; from privatization of the hotel/tourism portfolio and investments in infrastructure and content, investments in education of management and key tourism professionals, to the manner of introduction and application of the VAT in this industry.

A good example is the promotional campaign that Croatia has launched several years ago in the important foreign media named "A small country for a great holiday", in which Croatia was presented as a prime tourism product. Rich guests have noticed the campaign, traveled to Croatia but, beside the beauty of the Adriatic, they were provided with no accompanying content, in other words, they have received low grade service.[37]

But, there is pressing need for large infrastructural investments and investments in long-term promotional activities and designing comprehensive tourist products, respecting natural and cultural particularities of individual regions through which individual tourist destinations will be clearly positioned as desirable destinations among target groups of domestic and foreign tourists.

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[33] *Ministry of the Sea, Tourism, Transport and Development, Croatian Tourism Development Strategy for the Period up to 2010. From: http://www.mmtpr.hr/UserDocsImages/Strategija%20hrvatskog%20turizma%20-%20finalna%20verzija.pdf, (28.10.2006.)*
[34] *Tourism 2006, Croatian Chamber of Economy – Tourism Department, www2.hgk.hr/en/publikacije.html*
[35] *Perić, Željko: Tourism - Strategic Industry without a Strategy, Business magazine Lider. From: http://www.liderpress.hr/Default.aspx?sid=1185 (16.11.2006.)*
[36] *Meler, Marcel, PhD: Continental Economic Resources Role in Croatian Tourism Development. From: http://www.poslovniforum.hr/projekti/001.asp (2.12.2006.)*
[37] *Perić, Željko: Tourism - Strategic Industry without a Strategy, Business magazine Lider. From: http://www.liderpress.hr/Default.aspx?sid=1185 (22.11.2006.)*

Recognizability of Croatia as a desirable sea tourism destination is unquestionable, but a lot needs to be done on the design of additional tourist offer for those tourists whose definition of a quality holiday includes much more than just sun and sea.

Seasonal effect of income generation can be alleviated through strengthening the tourist offer of continental Croatia, but also by designing additional tourist content to be offered outside the traditional "sea" season.

At the same time, it is paramount to reach a final consensus on strategic development of Croatian tourism, and act accordingly when presenting Croatia in the world market.

Sources of Information

The following sources of information were used for the purposes of compiling this report.

Central Bureau of Statistics (www.dzs.hr)

The operation of the Central Bureau of Statistics is based on The Official Statistics Act. Its regular statistical surveys are based on the Programme of Statistical Surveys of the Republic of Croatia 2004 - 2007, which also gathered other institutions and ministries that make, together with the Bureau, the system of the official statistics.

Annual implementation plans define a title, periodicity, contents, implementation method, territorial characteristics, time schedule and the status of harmonization of individual statistical surveys with national and international standards.

News are published on monthly basis and cumulative annual reports on the industry developments are published in January for the previous year.

The methodology of the surveys used in this report is based on the recommendations of Eurostat and the United Nations World Tourism Organization (UNWTO).

Croatian Chamber of Economy (www.hgk.hr)

The Croatian Chamber of Economy is an independent professional and business organisation of all legal entities engaging in business. It was established in 1852, organised in European tradition and on the so-called continental model of Austrian and German chambers with compulsory membership. Every company registered with the Commercial Court is a member of the Chamber.

The Croatian Chamber of Economy consists of the Headquarters in Zagreb and 20 county chambers. Functionally, the CCE consists of 8 departments dealing with the respective branch of the economy, and it also includes 40 professional associations, 87 groups and 19 affiliations.

Croatian Chamber of Economy publishes annual reports with detailed analysis of the Croatian economy, by sectors. Tourism report is compiled by the Tourism and Hospitality Industry Department.

Ministry of the Sea, Tourism, Transport and Development (www.mmtpr.hr)

Croatian Ministry of the Sea, Tourism, Transport and Development with its departments (Directorate for Tourist Policy and Market, Directorate for Tourism Development and the Directorate of the Tourist Associations System and Selective Forms of Tourism) issues annual reports on the state of Croatian tourism with statistical data and brings strategic documents with suggestions for the development of Croatian tourism industry.

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