

TRENDS IN CROATIAN HOTEL INDUSTRY

Jasmina GRZINIC, Assistant Professor PhD
University Jurja Dobrile, Croatia

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ABSTRACT: Tourism and hotel business is becoming one of the leading industries of the world. Therefore, an increased attention needs to be paid to the study of trends in tourism because they determine the trends in hotel industry. The purpose of the paper is to point out the importance of hotel industry as one of the most important elements of development in tourist economies. The paper aims at introducing the newest trends in modern hotel industry and offering a review of the recent trends of demand and the directions of hotel industry development. The importance of hotel industry on both micro and macro, i.e. global level is increasing. Besides a series of theoretical representations and conclusions, this paper brings some concrete data and examples from practice in hotel management.

1. Introduction

The megatrends in tourism are particularly important in hotel industry since the offer needs to follow trends closely and continually adapt to the demands and needs of the modern tourist. The business and developmental philosophy of modern tourism on the whole is directed mainly towards the tourist, the spender and his contentment. In that sense, when devising plans for the development of hotel industry, the key is in understanding long-term leading trends and megatrends of tourism, resulting from the total social, economic and technological changes of civilization.

The following part of the paper reviews the main features of trends in tourist demand and the expected trends of tourist demand in the future.

The meeting of governments, the industrial sector, the UN agency and representatives of the citizens held in the UNICEF building in New York on 13th September 2005 on initiative of the WTO resulted in the Declaration on tourism and the millennium development goals.

The Declaration invited everybody (both private and public subjects) to take into consideration some important guidelines¹:

- a complete recognizance of tourism, especially when considering the concept of sustainable development and important issues like diminishing poverty;
- integration of tourism in national development programs and strategies to diminish poverty;
- sustain successful governments by giving shareholders, especially those on the local level, timely information and clearly defined responsibilities;
- mobilize domestic sources in co-operation with financial institutions, micro creditors and providers of business services, which will stimulate further development of the local private sector in order to aid the tourist programs of the community and programs of small and medium enterprises in the tourist sector;
- encourage large national and multinational companies to act in less developed countries within the concept of sustainable development and to continuously adopt strong measures of social responsibility towards local communities and to undertake various measures in order to lower the rate of unemployment;

- take care of social and cultural dimensions of tourism, implement the Global ethical codex of tourism and keep struggling against the exploit of children in tourist industry;
- encourage co-operation between the public and private sectors to develop infrastructure in order to stimulate tourism and obtain the necessary conditions for political stability, peace and allocation of public goods;
- give greater priorities to the development of tourism.

2. Trends in Croatian hotel industry

Strategic goals of Croatian tourism in terms of hotel industry are mentioned in the Croatian Tourism Development Strategy until 2010.² The goals are the following: regulation of property relations and termination of the privatization process of hotels, lasting protection, implementation and respect of high ecological standards and long-term sustainable valorization of tourist potentials, education of management and all employees is tourism, raising the quality of all accommodation capacities, basic and complementary, and the adjustment of the criteria of quality to the international standards, the entrance of known international hotel brands on the Croatian market, a more efficient distribution and usage of modern trends in communication and marketing.³

The business operations of hotel industry in Croatia were conducted in very difficult and unstable conditions in the 90ies. The years to come can expect better results in hotel industry, first of all because of increasing investments in the renovation and refurbishing of new hotels, improvements in roads infrastructure, renovation of most tourist resorts, activities of the HTZ⁴ on promoting Croatian tourism, intensifying of air traffic. These are all factors that influenced the increasing turnover in the hotel industry since 2001.

The basic problems of Croatian tourism and hotel industry are the inadequacy of the tourist product to the demands of the modern tourist market and an irrational expenditure, which leads to an internal inefficiency. The business operations within the boundaries of a short season cause the average yearly occupancy rate of hotels and the level of hotel income to be much lower than that of the international competition. With their rigidity, the external conditions in which the hotel industry in Croatia operates (VAT rate of 22%, above average input prices, overrated domestic currency exchange rate) exceed the internationally comparable standards of burden.

According to the data provided by the Central Bureau of Statistics⁵, there is a continuous growth of tourist turnover and the number of arrivals and overnights. In 2005 Croatia had 51.421.000 overnights, i.e. 7,58% more than in 2004 or 10,26% more than in 2003. In the data for 2005, domestic tourist account for 10,57% while foreign tourists account for 89,43%. According to the countries of origin, Germany has the lead with 23,92%, followed by Italy with 12,39%, Slovenia 11,09%, Czech Republic 8,81%, Austria 8,17%, Hungary, the Netherlands, Poland and Great Britain.

The most overnights in all three observed years were recorded in the group of hotels, villas and Aparthotels. In 2005, the most overnights were recorded in the same group (29,1%), which shows the importance of hotel industry in Croatia. The next group, according to the number of overnights, are camps, private rooms and apartments.

Table 1

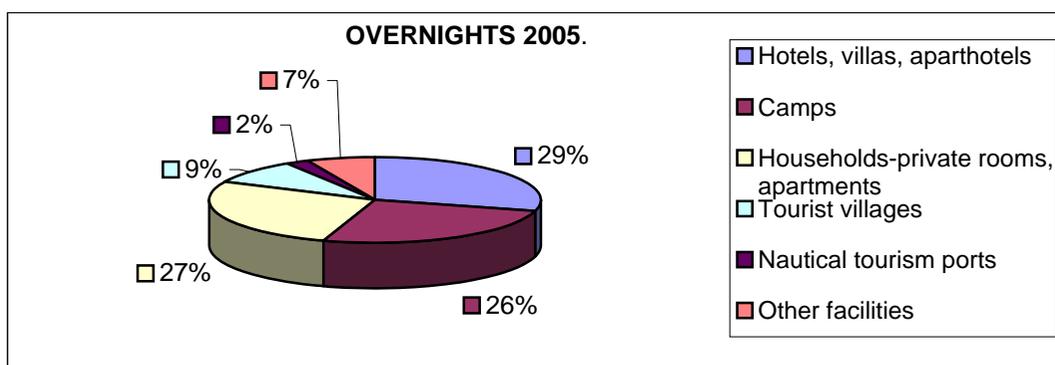
Arrivals and overnights of tourists in the Republic of Croatia according to the types of facilities (in 000)

	ARRIVALS			OVERNIGHTS		
	2003	2004	2005	2003	2004	2005
Hotels, villas and apart-hotels	3 013	3 324	3 702	13 275	13 745	14 964
Camps	1 879	1 968	1 970	12 675	13 288	13 359
Households – private rooms, apartments, Houses for holidays	1 667	1 757	1 982	11 188	11 579	13 859
Tourist villages	666	668	666	4 835	4 687	4 703
Nautic tourism ports	689	783	773	1 000	1 129	1 139
Other facilities	964	912	902	3 662	3 369	3 397
TOTAL	8 878	9 421	9 995	46 635	47 797	51 421

Source: Statistical Yearbook for 2006, Central Bureau of Statistics of the Republic of Croatia

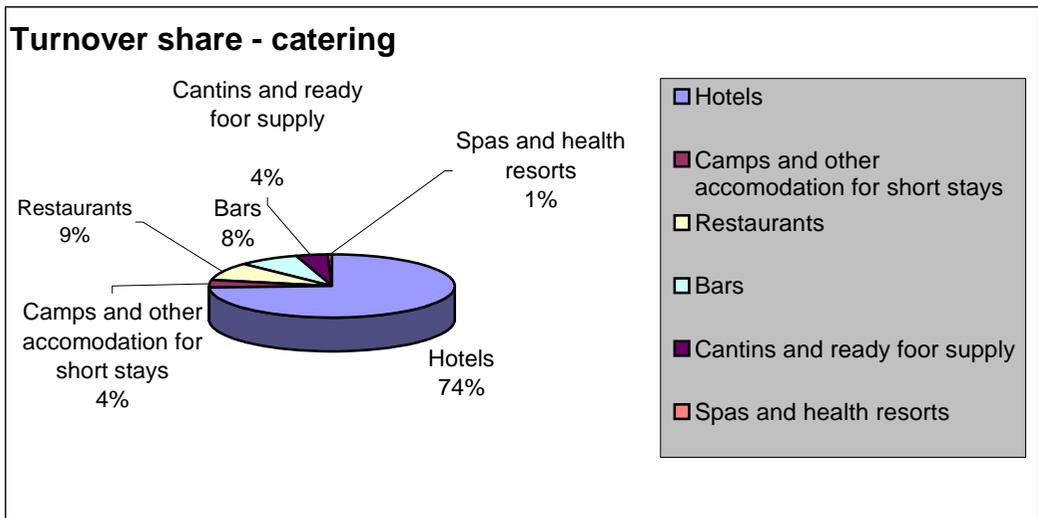
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The data for tourism in 2006 of the Central Bureau of Statistics show that the most accommodation facilities are part of the “Camps” group– a share of 31% in the overall accommodation capacity of the Republic of Croatia. The “Hotels, villas and apart-hotels” group accounts for 22,48% of the overall capacity.



Graph 1. The structure of overnights in the Republic of Croatia according to the type of facility in 2005.

Source: author's interpretation, Statistical Yearbook for the year 2006, Central Bureau of Statistics



Graph 2. Turnover structure in catering in 2005 (Rep. of Croatia)

Source: author's interpretation, *Statistical Yearbook for the year 2006*, Central Bureau of Statistics

Due to intense investments made by companies and the application of the new Rules on Categorization (in effect since May 2002), the standards and quality of hotel offer have significantly improved, as shown by the following data.⁶

Table 2
Hotels – structure in % according to the number of stars (2001/2003/2005) – Republic of Croatia

	2001	2003	2005
1*	8,2	5,1	6,6
2*	40,9	32,5	36,1
3*	45,3	53	46,7
4*	2,4	6	8,5
5*	3,3	3,3	2,1
TOTAL	100	100	100

Source: author's work (accessed: March, 2007), www.mmtpr.hr

According to the statistics released by the Ministry of Sea, Tourism, Traffic and Development of the Republic of Croatia for 2007, only nine hotels have the five stars category – only every fiftieth Croatian hotel.⁷ Nevertheless, the data also show that there is a decrease in the share of hotels with 1* or 2*, and an increase of hotels with 3* and 4*. There was a particularly significant increase of 4* hotels for which there is increasing demand on the international market.

3. European hotel industry

Hotel industry has become a significant cultural and civilizational need of the modern man. According to data by Eurostat⁸, hotels and similar facilities⁹ in 33 European countries¹⁰ have realized 1,61 billion overnights in 2005. Other collective types of accommodation realized half as much – around 758 million overnights.

Approximately 216 000 hotels and similar facilities in 33 European countries offer over 12 million beds to their guests, which means they have the potential to realize around 4,6 billion overnights. This is not yet the case since the current occupancy rate is only around 35% (2005). However, things are improving as opposed to 1993 when the occupancy rate was 32 %.

In the period from 2003 to 2005, the overnights in European hotels increased for more than 106 million, while the accommodation capacities of the mentioned facilities were added with 1.07 million beds. The average growth of capacities in that period was more dynamic than that of the overnights (with a growth rate of 4,29% to 3,33%).

Table 3
Business operations of hotel industry in Europe from 2003 to 2005 (in 000)

	No. of facilities - hotels	<i>Employed</i>	No. of beds	Total no. of overnights in hotels
2003	213	8 147	11 690	1 505 612
2004	214	8 420	12 092	1 531 501
2005	216	8 851	12 761	1 611 621

Source: author's work (accessed: March, 2007), epp.eurostat.ec.europa.eu

There are five leading tourist destinations in Europe. In the analyzed period (2003 – 2005), Spain, Italy, Germany, France and Great Britain constantly make an average of 66,5% of total overnights in hotels in Europe. Total overnights in hotels and similar accommodation in most European countries in 2005 (in millions) – rating from no.1 to no.15 are explained in the text below.¹¹

In 2005 the market leaders were Spain (with 15,24% in the overall overnights in hotels and similar facilities in the analyzed group of 30 European countries), Italy (14,91%), Germany (12,5%), France (12,3%), and Great Britain (11,8%). The list goes on with Austria (in sixth place), Greece (seventh), Portugal (8th), the Netherlands (9th) and the Czech Republic (10th), while Croatia is placed 13th. The placements on the European tourist market taken by different countries are more or less stable, although in time some countries manage to conquer a better position, pushing some less successful countries further down the scale.

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More than half of all the overnights in hotels in Europe concern domestic tourism (residents) – 877 million or 54,46%. Foreign tourists (non residents) account for 734 million overnights or 45,54%.

In some countries domestic tourism is more developed than foreign tourism. For example, the share of resident overnights in hotel capacities in 2005 was 81% in Germany, 76,5% in Sweden, 73% in Finland, 72% in Norway, 69% in Great Britain, 63% in France, 61% in Poland and 57% in Italy. Romania can also be listed in the group with 87% of resident overnights in its hotel capacities in 2000.

However, in the majority of the countries (23 out of 33), foreign tourists prevail in the structure of overnights in hotels. An especially high share of non resident overnights (around 90%) is recorded in Liechtenstein, Luxembourg, Cyprus and Croatia¹². In foreign tourism (non residents) on the European market, the leaders are Spain with 19%, Italy with 14%, France with 10%, followed by Great Britain (8%), Austria (7,7%) and Germany on the 7th place. Croatia is placed 11th on the European tourist market as far as non resident overnights in hotels are concerned.

4. Conclusion

The hotel industry has become an important cultural and civilizational need of the modern man. On the basis of an analysis of hotel industry in Croatia and the world, the majority of overnights in a year belongs to hotels as opposed to other forms of accommodation. The number of hotel overnights is constantly increasing and so are the accommodation capacities. There is also an increase in the number of hotels and employees in hotel industry. Therefore, it can be said that hotel industry is one of the most important segments of tourism in the world.

Megatrends in tourism are particularly important in hotel industry since the offer needs to follow trends closely and continually adapt to the demands and needs of the modern tourist. The business and developmental philosophy of modern tourism on the whole is maximally directed towards the tourist, the spender and his contentment.

The most important trends in tourism can be summed up as follows: changed needs of people (changed work and life conditions), longer life expectancy, growth of information technology and better informedness, increasing accent on ecology and healthy food, hiking in nature, physical and spiritual recovery, increasing need for security and health preservation (wellness, spa, bio food), adventure contents and excitement, growing demand for congressional contents and incentive offer, visiting cities and important events (sports, cultural, religious, business, etc.), diversification of accommodation capacities and their suitability to target groups of tourists, growing demand for innovative contents and new motives for traveling, accommodation has to be recognizable and guarantee quality.

Modern trends in hotel business follow the habits and needs of people living and working in conditions imposed by the modern lifestyle. Therefore, the trends in the global tourist market will determine the trends in hotel industry.

The nature of innovation is such that it can stay innovative only for a short time: when a type of approach to a client becomes practice, it stops being an innovation. Along with pools, massages and sports facilities, beauty spas and wellness centers have also found their place in hotels.

Today, the traditional medium category hotel chains with standardized services seem featureless, even unappealing. The modern consumer knows exactly what he wants, and hotel managers who want to succeed have to identify the needs of their clients and find creative ways to please them.

In this way, beside a huge mass of drab hotels on the world market that no longer satisfy the demanding modern traveler, there are several types of hotels which have their own individuality and recognizability. The whole service in hotels has to adapt to the needs of the individual so that offer is generally tailored to individual wishes – love for music, wines, hobbies, technology, etc.

Business hotels, wellness, boutiques, clubs, eco or bio hotels, historical, family or hotels adjusted to the needs of the handicapped, all inclusive offer and brand-hotels are only some of the leading trends in creating hotel offer, bound to differentiate even more.

Successful hotels will study each trend and devise an action plan in keeping with the new demands, new ways of thinking and need of the new global market. The speed of change will demand a constant evaluation in order to keep up with the ever changing market.

FINAL NOTES

¹ www.world-tourism.org ; personal translation

² Development strategy of Croatian tourism until 2010 – released by the Ministry of Tourism of the Republic of Croatia in 2003. The strategy presents a vision for the development of tourism on the entire territory of Croatia by 2010, and pinpoints ten strategic goals crucial for the realization of that vision. The above mentioned goals refer to the hotel industry.

³ www.strategija.hr

⁴ HTZ – Hrvatska turistička zajednica – Croatian Tourist Association

⁵ www.dzs.hr

⁶ The activity of hotels in the Republic of Croatia is regulated by the Law on catering activity. Catering facilities with accommodation are categorized according to the furnishing, equipment, services, maintenance and other elements used to evaluate categorization. Categorization of hotels is regulated by the Rules on classification, minimum requirements and categorization of hospitality facilities. The category mark of a single hospitality facility is a star.

⁷ Accommodation facilities having the decree on temporary hospitality activity and accommodation facilities currently in the process of categorization were not included in the statistics.

⁸ Eurostat is the statistics bureau of the European Union which processes and monitors data connected to economy, trade, employment, education, environment protection, energy and daily life. Data are collected in national offices for statistics of the member countries.

⁹ Hotels and similar facilities – all quality collective accommodation capacities were listed in this group. The list does not include health resorts, nautical tourism ports, camps, holiday resorts, mountain and hunting facilities and similar, which, according to their statistic methodology, can be part of other collective types of accommodation.

¹⁰ The analysis includes the following 33 countries: Belgium, Czech Republic, Denmark, Germany, Estonia, Greece, Spain, France, Ireland, Italy, Cyprus, Latvia, Lithuania, Luxemburg, Hungary, Malta, Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia, Finland, Sweden, Great Britain, Bulgaria, Croatia, Romania, Turkey, Iceland, Lichtenstein, Norway and Switzerland. Data for Romania, Turkey and Switzerland for 2005 were not included because unavailable. In order to be more accurate we used data for Romania, Turkey and Switzerland for 2002.

¹¹ Data for Romania, Turkey and Switzerland for 2005 are not available

¹² epp.eurostat.ec.europa.eu

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