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TOURISM AND HOSPITALITY MANAGEMENT

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Abstract: This study attempts to explore the tourists’ satisfaction within a tourism context, specifically with reference to the destination-based attributes. The study was conducted in Alanya with a sample of German and Russian tourists. Gathering data was analyzed using factor and regression analysis and t-tests. The research findings indicated that the dimension of accommodation services was the strongest predictor of the German tourists’ satisfaction, followed by incoming travel agency services and facilities of Alanya. The dimension of accommodation services also was the strongest predictor of the Russian tourists’ overall holiday satisfaction, followed by destination facilities and incoming travel agency services. Moreover, the mean scores of all the items within the three dimensions were above the neutral point. These results revealed that both Germans and Russians were generally satisfied with their holiday in Alanya.

Key words: Tourists’ perceptions, destination attributes, tourist satisfaction, Alanya.

INTRODUCTION

Developments in international tourism have increased competitiveness among tourist destinations. Providing high quality services and maintaining tourists’ satisfaction are important factors leading to the success of the destinations. It is commonly accepted...
that ‘tourist satisfaction with the tourism product’ is one of the most important factors in successful destination management. Wöber & Fesenmaier (2004) stated that visitor satisfaction with the tourism product is one of the variety indicators which are frequently used to measure the success in tourism destination management.

According to Fuchs and Weiermair (2004), many tourism destinations consider tourist satisfaction as one of the most important sources of their competitive advantage. As mentioned by Buhalis (2000), delight tourists by maximizing their satisfaction is one of the key strategic management objectives for destinations.

Tourist destinations include an amalgam of industries such as accommodation, transportation, food and beverage services, recreation and entertainment, and travel agencies. Tourist destinations include also public services and facilities, and physical and natural attractions. All these elements are branded together under the name of the destination (Buhalis, 2000; Poonyth, Barnes, Suich & Monamati, 2002; Ritchie & Crouch, 2003; Vassiliadis, 2008).

Tourism is a service industry with a particularly complex product which depends on an extremely fragmented supply. Each link in the tourism value chain (travel agencies, tour operators, carriers, hoteliers, restaurateurs, etc.) offers one element in the overall product. Together, these components determine tourists’ experiences and their appreciation of the quality of the service. The tourism product for each prospective tourist is very subjective and depends heavily on his/her perceptions and expectations of the destination (Buhalis, 2000; Eraqi, 2006).

The main purpose of the study is to identify whether there are similarities and differences between satisfaction levels of two nationalities visiting Alanya. It also attempts to explore the relationship between overall holiday satisfaction with two national groups of tourists and their perceptions of destination-based attributes.

1. CONCEPTUAL FRAMEWORK

Satisfaction is the outcome of the consumer’s evaluation of a service based on a comparison of their perceptions of service deliver with their prior expectations. Thus expectations, and indeed perceptions, are key components in delivering a quality service. If the operation meets the expectations, or indeed exceeds them, then customers are satisfied with the service. If they are satisfied they are more likely to become valuable customers who not only use the service again, but are positively disposed towards it and may even recommend it to others (Johnston & Clark, 2005).

Customer satisfaction is one of the most frequently examined topics in the hospitality and tourism field because it plays an important role in survival and future of any tourism products and services (Gursoy, McCleary, & Lepsito, 2003; Neal & Gursoy, 2008). Satisfaction with the tourist destination depends on the outcome of tourists’ consumptions and their perceptions of tourist product. Tourist satisfaction can be defined as the tourist’s emotional state after experiencing the trip (Baker & Crompton, 2000; Yüksel, 2001). Therefore, evaluating satisfaction in terms of a
traveling experience is a post-consumption process (Fornell, 1992; Kozak, 2001). In addition, assessing satisfaction can help managers to improve services (Fornell, 1992).

Satisfaction with the total holiday experience is dependent on all the links in the experience chain. Many of the links are not even located within one destination, and are thus beyond the control or even the influence of a single destination manager (Ritchie & Crouch, 2003). Some holiday experiences such as taxi to airport, airport services, air travel etc. are outside of the destination could not be controlled in tourist destination. But others, such as accommodation facilities, meals, travel agency services, recreational and sports facilities, sightseeing etc. are within the destination could be controlled.

The tourism product consists of many sub products such as accommodations, catering, excursions, recreational activities, entertainment, transportation etc. Satisfaction or dissatisfaction with one of the components leads to satisfaction or dissatisfaction with overall tourism product. Therefore, it is very important to measure tourist satisfaction with each attribute of destination (Pizam, Neuman, & Reichel, 1978).

Several researchers investigate customer satisfaction in the tourism literature. In tourism satisfaction has been examined in travel agencies (Millan & Esteban, 2004; Rodriguez del Bosque, San Martin, & Collado 2006), accommodation (Choi & Chu, 2001; Heung, 2000; Pizam & Ellis, 1999; Poon & Low, 2005), and destinations (Baker & Crompton, 2000; Bigne, Sanchez, & Sanchez, 2001; Hui, Wan, & Ho, 2007; Joppe, Martin & Waalen, 2001; Kozak, 2001; Kozak & Rimmington, 2000; Pizam et.al., 1978; Reisinger & Turner, 2000; Rodriguez del Bosque & San Martin, 2008; Yoon & Uysal, 2005).

Tourists from different countries are thought to place different levels of emphasis on different aspects of service, such as safety and security, hygiene, entertainment and even employee appearance. Therefore, the differences between the levels of emphasis and the actual service received result in differences in the level of satisfaction (Yu & Goulden, 2006). In recent years, several researchers have employed cross-national/cultural comparative studies related to tourist satisfaction (Campo & Garau, 2008; Choi & Chu, 2001; Pizam & Susman; 1995; Reisinger & Turner, 2002; Richardson & Crompton, 1988; Sussman & Rashcovsky 1997; Truong & King, 2006; Yu & Goulden, 2006). Cross-national/cultural studies compare the tourist satisfaction levels of different nationalities by using either a direct or indirect method. The direct method directly asks the tourists themselves about their experience, perceptions and satisfaction levels; the indirect method asks local residents, business owners, tour guides, etc., for their perceptions of how the tourists are enjoying (or not) their experience. In general, researchers have previously employed both methods (Kozak, Bigne & Andreu, 2003; Pizam, 1999; Tun, 2006).

In order to assess the customer satisfaction, various theories and measurement models such as ‘expectancy-disconfirmation’, ‘importance-performance’, and ‘performance-only’ have been used in the literature. There is still much discussion about the single best method of measuring customer satisfaction using pre- and post-experience constructs, i.e., ‘expectations’, ‘importance’ and ‘performance’. Recently, the debate has centered on a comparison of single construct measurement, i.e., performance-only models and multiple construct measurements, i.e., expectation-performance and importance-performance models (Fallon & Schofield, 2003). The intuitive appeal and widespread use of the
(dis)confirmation approach i.e. the ‘expectations-performance construct’ and the diagnostic value of the ‘importance-performance’ design notwithstanding, the ‘performance-only’ model represents the ‘winning ticket’ with respect to predictive validity (Thompson & Schofield, 2007). A number of studies on tourist satisfaction have demonstrated the superiority of the ‘performance-only’ conceptualization over the other models (Baloglu, Pekcan, Chen & Santos, 2003; Baker & Crompton, 2000; Fallon & Schofield, 2003; Thompson & Schofield, 2007; Wang & Qu, 2006; Kozak, 2001). Therefore, in this study, tourists’ perceptions of destination-based attributes and their overall holiday satisfaction were measured by performance-only model.

2. THE STUDY AREA: ALANYA

The Mediterranean coast around the province of Antalya is one of the main tourist destinations in Turkey. Together with its natural and cultural attractions, Alanya is a resort in Antalya, and it’s situated in the 135 km east coast of Antalya Gulf on the Anatolian Peninsula. Following the arrivals of Germans in the late 1950s, Alanya met with tourism. In 1970s locals started to offer their residences to tourists. The east and the west of Alanya were declared as a ‘tourist center’ with the ‘Tourism Incentive Act’ in 1982. The declaration helped to increase investments demands. The total bed capacity in Alanya was 8,708 in 1988 (Soyak, 2003). Since Alanya had 67,168 beds in 631 establishments in 1996, along with the growth of tourism, the number of establishments increased to 669 in 2006 with a percentage of 6%, but, the total bed capacity increased to 147,303 with a percentage of 120% in the same period. In comparison with establishment numbers in 1996, the total bed capacity in 2006 characterizes the mass tourism oriented nature of establishments. Table 1 shows the growth of tourism in Alanya. Alanya, as one of the most important tourism destinations in Turkey received 6.9% of total tourists and provided 7.2% of total receipts in 2006 (ACCI, 2007; Republic of Turkey Ministry of Culture and Tourism, 2007). The foregoing statistical data underlines the importance of tourism in Alanya.

Table 1. The Scope of Tourism in Alanya

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of Establishments</th>
<th>Total Bed Capacity</th>
<th>Number of Foreign Tourists</th>
<th>Total Tourism Receipts (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>631</td>
<td>67.168</td>
<td>592.870</td>
<td>481,410,440</td>
</tr>
<tr>
<td>1997</td>
<td>691</td>
<td>88.024</td>
<td>698.628</td>
<td>529,560,024</td>
</tr>
<tr>
<td>1998</td>
<td>715</td>
<td>97.453</td>
<td>617.312</td>
<td>448,785,824</td>
</tr>
<tr>
<td>1999</td>
<td>768</td>
<td>106.355</td>
<td>418.537</td>
<td>310,972,991</td>
</tr>
<tr>
<td>2000</td>
<td>745</td>
<td>104.711</td>
<td>677.340</td>
<td>557,450,820</td>
</tr>
<tr>
<td>2001</td>
<td>747</td>
<td>112.957</td>
<td>866.130</td>
<td>807,233,160</td>
</tr>
<tr>
<td>2002</td>
<td>768</td>
<td>122.663</td>
<td>1,029.350</td>
<td>961,412,900</td>
</tr>
<tr>
<td>2003</td>
<td>722</td>
<td>127.663</td>
<td>988.785</td>
<td>932,424,255</td>
</tr>
<tr>
<td>2004</td>
<td>748</td>
<td>133.361</td>
<td>1,133.616</td>
<td>1,098,473,904</td>
</tr>
<tr>
<td>2005</td>
<td>790</td>
<td>146.302</td>
<td>1,464.686</td>
<td>1,379,734,210</td>
</tr>
<tr>
<td>2006</td>
<td>669</td>
<td>147.303</td>
<td>1,357.554</td>
<td>1,212,295,722</td>
</tr>
</tbody>
</table>

Source: (ACCI-Alanya Chamber of Commerce and Industry, 2007: 65,68)
3. METHODOLOGY

Questionnaire survey method was used in the study. The first part of the instrument consisted of basic demographic profiles of the respondents. The second part of the instrument comprised 23 questions concerning tourists’ perceptions of destination attributes. The literature on destination attributes provided the basis for developing a questionnaire for this study (Ball & Giakoimus, 2003; Heung, 2000; Millan & Esteban, 2004; Pizam, et al., 1978; Sussmann & Rashkovsky, 1997; Yüksel & Yüksel, 2001). A 5-point Likert type scale was used in this part of the questionnaire, ranging from “completely agree” (5) to “completely disagree” (1). The final part deals with the measurement of single-item overall satisfaction with a five-point Likert scale, ranging from strongly agree (5) to strongly disagree (1). The survey questions were discussed with hospitality industry associations and concerned managers. Thus, this result was used to improve the clarity and readability of questions.

This study was executed in three basic stages: sampling, data collection, and data analysis. The data used in this study is based on the project, namely “Alanya Tourist Profile Research 2007”. Sampling design and sample size are significant subjects to statistically represent the population and to be able to suggest implications both theory and practice. Simple random sampling design was used for this survey owing to its efficiency. The sample population of the study was limited to German and Russian tourists visiting Alanya via travel agencies. In recent years, the number of Russian tourists coming to Antalya has increased remarkably, whereas the average growth rate of German tourist arrivals to Antalya has declined in the same period (Table 2). Despite the important growth in the number of Russian tourists, Germans maintain the largest group of foreign tourists visiting Antalya. These trends can be seen in Alanya, which is considered as one of the most important tourism destinations in Turkey. According to the tourist statistics obtained from Alanya Municipality, 506,398 German and 286,290 Russian tourists came to Alanya in 2006. Therefore, the study aimed to assess the holiday satisfaction with German and Russian tourists visiting Alanya.

Table 2. Number of Two Nationalities of Tourists in the Antalya Region

<table>
<thead>
<tr>
<th>Years</th>
<th>Nationality</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Tourists (%)</td>
<td>Number of Tourists (%)</td>
<td>Number of Tourists (%)</td>
<td>Number of Tourists (%)</td>
<td></td>
</tr>
<tr>
<td>German</td>
<td>2,073,437</td>
<td>44.29</td>
<td>2,529,496</td>
<td>41.83</td>
<td>2,639,182</td>
</tr>
<tr>
<td>Russian</td>
<td>797,549</td>
<td>17.03</td>
<td>1,058,786</td>
<td>17.51</td>
<td>1,279,949</td>
</tr>
<tr>
<td>Total</td>
<td>2,870,986</td>
<td>61.32</td>
<td>3,588,282</td>
<td>59.34</td>
<td>3,919,131</td>
</tr>
</tbody>
</table>

Source: Republic of Turkey Ministry of Culture and Tourism, Directorate of Antalya Culture and Tourism. 2007.
The survey was carried out between June and September 2007 which represents the high season in the area. Questionnaires were distributed to tourists via travel agencies and 875 questionnaires were returned from German and Russian tourist sample. The questionnaires were filled out by the respondents at the end of their holidays (taking a performance-only approach). The number of the sample population was rather adequately for research (Sekaran, 2000). The data obtained were analyzed by using SPSS for Windows 15.0 program. Data analysis included descriptive statistics, frequency distributions, factor analysis, regression analysis and t-tests.

4. FINDINGS

4.1. Demographic Profiles of Respondents

Results of the descriptive analysis indicate that 68.5% of the respondents were German and 31.5% were Russians. About 59.6% of the respondents were female and 40.4% were male. The age groups are represented 25.6% of 18-24 ages, 22.6% of 25-34 ages and 29.2% of 35-44 ages; in other words, 77.4% of respondents had consisted of young and middle age groups. 90.1% of the respondents had completed high school and above, indicating that a large proportion of the sample was well educated. About half of the respondents (50.1%) were single. When asked to indicate professions, 37.4% of the respondents reported that they were worker and 22.1% reported that they were civil servant. About half of the Germans (52.7%) had an annual income between US$ 10,000 - 40,000 and 31.1% of them earned more than US$ 50,000. About 71.7% of the Russians had an annual income between US$ 2,500 - 20,000.

4.2. Principal Component Analysis

The first stage in the analysis of the questionnaire design in respect of tourist satisfaction measurement using Likert-type scales should become the assessment of item-total correlation and reliability. This stage is significant in designing effective and valid research, as a part of the suggested qualitative measures, in order to ensure that findings are accurate and to be able to discuss further implications. Firstly, the alpha value was about .95, well above the generally agreed upon lower limit of .60 for research at exploratory stage (Nunnally & Bernstein, 1994).

Afterwards, a principal factor analysis was performed on items in order to identify dimensions. Bartlett’s test of sphericity with a value of 5459.027 (p<.001) and the calculation of Kaiser-Meyer-Olkin statistics of .93, which can be qualified as “excellent,” pointed out that data seemed suitable for factor analysis. Taking the distribution of the scree plot into consideration, principal component factors with an eigenvalue of one or greater were rotated by the varimax analysis. 23 items from the factor analysis resulted in 3 factor groupings and explained 67% of the total variance. Most of the factor loadings were greater than .70, indicating a good correlation between the items and the factor grouping they represent. The Cronbach’s alpha test confirms the existence of a high level of internal consistency among factor groupings. The results of the factor analysis are showed in Table 3.
Table 3. The Factor Analysis Results

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor Loading</th>
<th>Eigenvalue</th>
<th>% of Variance Explained</th>
<th>F Value</th>
<th>Alpha</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Factor: Destination Facilities</td>
<td></td>
<td>5.9</td>
<td>25.9</td>
<td>11.727</td>
<td>.92</td>
<td>.0001</td>
</tr>
<tr>
<td>Cleanliness of town</td>
<td>.76</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety of town</td>
<td>.74</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People’s hospitality</td>
<td>.68</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleanliness of beaches</td>
<td>.73</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lively nightlife</td>
<td>.69</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rich in ancient monuments</td>
<td>.74</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sufficient shopping</td>
<td>.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>opportunities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sufficient recreation</td>
<td>.76</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Factor: Accommodation Services</td>
<td></td>
<td>4.8</td>
<td>21.0</td>
<td>34.888</td>
<td>.90</td>
<td>.0001</td>
</tr>
<tr>
<td>Cleanliness of Hotel</td>
<td>.77</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitable staff</td>
<td>.78</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety of Hotel</td>
<td>.71</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food quality</td>
<td>.79</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service quality</td>
<td>.82</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comfortable of Hotel</td>
<td>.79</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Animation and sports</td>
<td>.64</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Factor: Incoming Travel Agency Services</td>
<td></td>
<td>4.6</td>
<td>20.0</td>
<td>12.143</td>
<td>.93</td>
<td>.0001</td>
</tr>
<tr>
<td>Expertise of agency</td>
<td>.83</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitudes of staff</td>
<td>.83</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport transfers</td>
<td>.75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information services</td>
<td>.82</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Guide services</td>
<td>.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reservations</td>
<td>.74</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

4.3. Regression Analysis

Multiple regression analysis was used to determine the aggregate impact of certain independent variables exerting the strongest influence in dependent variables for Germans and Russians. This analysis presents the strength of any variable in the overall model. Results of each process are reported in Table 4 for Germans and Table 5 for Russians together with the t statistics, standardized regression coefficients, and R² values.

Table 4 demonstrates the influence of three factor variables over the level of the Germans’ overall satisfaction with their holidays. The model accounts for 22% of the variance in the dependent variable. It is observed that all the factor variables had statistically significant beta coefficients. Accommodation and incoming travel agency
services had a positive score but destination facilities had a negative score. In Table 4, accommodation services was the strongest predictor of the overall holiday satisfaction (p<.001), followed by incoming travel agency services (p<.005) and destination facilities (p<.005).

Table 4. Impacts of Factor Items on Germans’ Overall Holiday Satisfaction

<table>
<thead>
<tr>
<th>Variable</th>
<th>β</th>
<th>T value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>13.495</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Destination Facilities</td>
<td>-1.111</td>
<td>-2.182</td>
<td>0.030</td>
</tr>
<tr>
<td>Accommodation Services</td>
<td>0.448</td>
<td>8.867</td>
<td>0.000</td>
</tr>
<tr>
<td>Incoming Travel Agency Services</td>
<td>0.118</td>
<td>2.272</td>
<td>0.024</td>
</tr>
<tr>
<td>R²=0.22</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5 also shows the influence of three factor variables over the level of the Russians’ overall holiday satisfaction. The model accounts for 35% of the variance in the dependent variable. It is observed that all the factor variables had statistically significant beta coefficients. These variables also had a positive score. In Table 5, accommodation services was the strongest predictor of the overall holiday satisfaction (p<.001), followed by destination facilities (p<.005) and incoming travel agency services (p<.005).

Table 5. Impacts of Factor Items on Russians’ Overall Holiday Satisfaction

<table>
<thead>
<tr>
<th>Variable</th>
<th>β</th>
<th>T value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>5.103</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Destination Facilities</td>
<td>0.151</td>
<td>2.303</td>
<td>0.022</td>
</tr>
<tr>
<td>Accommodation Services</td>
<td>0.426</td>
<td>6.688</td>
<td>0.000</td>
</tr>
<tr>
<td>Incoming Travel Agency Services</td>
<td>0.128</td>
<td>2.092</td>
<td>0.038</td>
</tr>
<tr>
<td>R²=0.35</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.4. Comparison of Means

An independent-t test was employed to investigate whether there were any statistically significant differences between German and Russian tourists’ perceptions of destination-based attributes. Table 6, 7 and 8 revealed the significant differences between mean scores as to the destination facilities, accommodation services and incoming travel agency services for German and Russian tourists.

A five of the destination facilities analyzed showed significant differences between Germans and Russians. It was found that four out of the ten destination facilities were evaluated as significantly more satisfactory by the German tourists than by the Russian tourists. These were: Cleanliness of beaches, which was given a mean of 3.74 by the Germans, as opposed to 3.45 by the Russians; sufficient shopping opportunities, with a mean of 4.09 for the Germans, compared to 3.77 for the Russians; sufficient recreation facilities, with a mean of 4.02 for the Germans and 3.66 for the Russians; and cheapness of town, where the mean was 3.69 for the Germans and 3.18 for the Russians. Only one variable, “lively nightlife”, was found to be more satisfied.
by the Russians, with a mean of 4.11 than 3.89 by the Germans. The results of these tests, with the mean, t-value and significance calculated in each case, are summarized in Table 6.

Table 6. Summary of T-Test Results for Destination Facilities

<table>
<thead>
<tr>
<th></th>
<th>German</th>
<th>Russian</th>
<th>t value and significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleanliness of town</td>
<td>3.57</td>
<td>3.70</td>
<td>-1.38</td>
</tr>
<tr>
<td>Safety of town</td>
<td>3.70</td>
<td>3.73</td>
<td>-2.8</td>
</tr>
<tr>
<td>People’s hospitality</td>
<td>3.84</td>
<td>4.00</td>
<td>-1.70</td>
</tr>
<tr>
<td>Cleanliness of beaches</td>
<td>3.74</td>
<td>3.45</td>
<td>2.96*</td>
</tr>
<tr>
<td>Lively nightlife</td>
<td>3.89</td>
<td>4.11</td>
<td>-2.19*</td>
</tr>
<tr>
<td>Rich in ancient monuments</td>
<td>3.82</td>
<td>3.89</td>
<td>-.73</td>
</tr>
<tr>
<td>Sufficient shopping opportunities</td>
<td>4.09</td>
<td>3.77</td>
<td>3.23*</td>
</tr>
<tr>
<td>Sufficient recreation facilities</td>
<td>4.02</td>
<td>3.66</td>
<td>3.28*</td>
</tr>
<tr>
<td>Easy to reach</td>
<td>4.04</td>
<td>4.12</td>
<td>.82</td>
</tr>
<tr>
<td>Cheapness of town</td>
<td>3.69</td>
<td>3.18</td>
<td>5.12*</td>
</tr>
</tbody>
</table>

Note: * indicates a significant difference at 95% or more

T-tests were performed for the accommodation services, as for the destination facilities and at the same level of significance. Three out of the seven variables examined were assessed as significantly different by the German and Russians. These included: Cleanliness of hotel, which was given a mean of 3.95 for the Germans, as opposed to 3.72 for the Russians; safety of hotel with a mean of 3.74 by the Germans, compared to 3.65 by the Russians; and food quality, with a mean of with a mean of 3.66 for the Germans and 3.43 for the Russians. The results are summarized in Table 7.

Table 7. Summary of T-Test Results for Accommodation Services

<table>
<thead>
<tr>
<th></th>
<th>German</th>
<th>Russian</th>
<th>t value and significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleanliness of Hotel</td>
<td>3.95</td>
<td>3.72</td>
<td>2.606*</td>
</tr>
<tr>
<td>Hospitable staff</td>
<td>3.93</td>
<td>4.07</td>
<td>-1.525</td>
</tr>
<tr>
<td>Safety of Hotel</td>
<td>4.03</td>
<td>3.65</td>
<td>4.049*</td>
</tr>
<tr>
<td>Food quality</td>
<td>3.66</td>
<td>3.43</td>
<td>2.400*</td>
</tr>
<tr>
<td>Service quality</td>
<td>3.72</td>
<td>3.58</td>
<td>1.590</td>
</tr>
<tr>
<td>Comfortable of Hotel</td>
<td>3.69</td>
<td>3.67</td>
<td>.230</td>
</tr>
<tr>
<td>Animation and sports facilities</td>
<td>3.62</td>
<td>3.53</td>
<td>.930</td>
</tr>
</tbody>
</table>

Note: * indicates a significant difference at 95% or more

It was found that four out of the six incoming travel agency services were evaluated as significantly more satisfactory by the Russian tourists than by the German tourists. These included: Expertise of agency, which was given a mean of 4.19 for the Russians, as opposed to 3.83 for the Germans; attitudes of staff, with a mean of 4.15 by the Russians, compared to 3.91 by the Germans; airport transfers, with a mean of 4.31 by the Russians, compared to 4.04 by the Germans; and reservations, with a mean of 4.22 for the Russians and 3.92 for the Germans. The results are showed in Table 8.
Table 8. Summary of T-Test Results for Incoming Travel Agency Services

<table>
<thead>
<tr>
<th></th>
<th>German</th>
<th>Russian</th>
<th>t value and significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expertise of agency</td>
<td>3.83</td>
<td>4.19</td>
<td>-4.068*</td>
</tr>
<tr>
<td>Attitudes of Staff</td>
<td>3.91</td>
<td>4.15</td>
<td>-2.753*</td>
</tr>
<tr>
<td>Airport transfers</td>
<td>4.04</td>
<td>4.31</td>
<td>-3.186*</td>
</tr>
<tr>
<td>Information services</td>
<td>3.79</td>
<td>3.89</td>
<td>-0.998</td>
</tr>
<tr>
<td>Guide services</td>
<td>3.85</td>
<td>3.96</td>
<td>-1.182</td>
</tr>
<tr>
<td>Reservations</td>
<td>3.92</td>
<td>4.22</td>
<td>-3.203*</td>
</tr>
</tbody>
</table>

Note: * indicates a significant difference at 95% or more

CONCLUSION

This paper aimed to focus too much on assessing German and Russian tourists’ perceptions of destination attributes and measuring their holiday satisfaction in Alanya. It does not claim to reflect the subculture of many ethnic groups’ perceptions. Therefore, it is not possible to generalize the results of the study for two nationalities.

The results of the regression analysis showed that the main determinants of German tourists’ holiday satisfaction were first accommodation services, followed by incoming travel agency services and destination facilities dimensions. However, the main determinants of Russian tourists’ satisfaction were first accommodation services, followed by destination facilities and incoming travel agency services. This means that the essential element which had high influences on holiday satisfaction was accommodation services for both two groups.

The mean scores of all the items within the three dimensions were above the neutral point in the scale (3 = Neutral). These results showed that both German and Russian tourists were generally satisfied with their holiday. T-tests results revealed that under the dimension of destination facilities, German tourists were more likely to be satisfied with the cleanliness of beaches, sufficient shopping opportunities, sufficient recreation facilities, and cheapness of town than Russian tourists, whereas Russians were more likely to be satisfied with lively nightlife than Germans. In the meantime, being why Russian tourists were less likely to be satisfied with cheapness of town than Germans can be explained by examining their level of annual income. As we stated before, Germans had much annual income than Russians. Within the accommodation services dimension, Germans were more likely to be satisfied with cleanliness of hotel, safety of hotel and food quality than Russians. Lastly, under the incoming travel agency services dimension, Russians were more likely to be satisfied with expertise of agency, attitudes of staff, airport transfers, and reservations than Germans.

Similar to other destinations in Mediterranean, Alanya has dominantly massive tourism, which is typically based on the trio of sun, sea and sand, although it has very rich cultural and heritage attractions as well as natural beauties. The mass tourism oriented development in the Mediterranean’s market shares lead to fierce competition among tourist destinations. Therefore, the above mentioned results are
important for all stakeholders, such as hotel managers, hospitality industry associations and travel agency managers in order to increase tourists’ satisfaction and develop the quality of tourism product. Meanwhile, similar studies should be undertaken periodically. This will also contribute to enhance competitiveness and maintain sustainability of the attractions of Alanya in the future.

REFERENCES


Abstract: In the theoretical part of research authors will establish connections and diversities between human capital and human resources categories. In the empirical part of research, via HDI, it will be evaluated the development of human resources in Republic Of Croatia and in Primorsko-goranska County and in will be evaluated relation between HDI and GDP per capita of Croatia and in Primorsko-goranska County. Authors will also analyze how much development of human resources has contributed to the economic growth of Republic Of Croatia. In order to demonstrate this it will be measured influence of investment, employment and educational structures (the indirect indicator of development of human resources) on the growth of GDP in the period of 1997-2005 with usage of regression analyses.

Key words: human resources, economic growth, development.

1. THEORETICAL-METHODOLOGICAL APPROACH TO THE RESEARCH PROBLEM

In scientific and professional literature which explores the significance and contribution of the human factor in production and development of a company, local or
regional communities or national economies, the terms „human capital“ and „human resources“ are used most frequently. These terms are often identified and used as synonyms. Regarding the historical course of exploring and measuring the value of investments in people, and values which people, by working, bring into the business process, as well as their contribution to the creation of a new value, it can be concluded that these two terms should be differentiated. The fact is that the value of investment in people by education and health care (these investments cause individual and public expenses) should be distinguished from people's contributions to the creation of new values by bringing their psychophysical abilities into the business process. These psychophysical abilities are the result of investments in people, and their contribution to production does not solely depend on the value of human capital, but also on organisation of the business process, management of production factors and human resources effects in the company.

In terms of history, on macro level, most attempts to measure the value of human capital were focused on cost approach. A. Sauvy developed a method (Sauvy, A., 1952) for the calculation of human capital value which consists of expenses for support and education of a person up to his/her working age. The main representative of the Chicago school, the Nobel Prize winner T. W. Schultz, based the estimates on cumulation of investments in the components of quality, i.e. in their improvement (by education, professional training and health care), but he also included the lost income of people in the process of education, as well as various losses, caused by, for example, human mortality. (Schultz, T. W., 1985).

The content of the above-mentioned calculations points to the true meaning of human capital. It is a value invested into people (employees), primarily by education and health care, with the purpose of creating knowledge, skills and work abilities. Subject of research in economic literature is primarily investment into education, because it is more simple to establish its effectiveness from the individual's point of view and to compare it with effectiveness of investing in capital. Such calculation is far more complex when it comes to investments in health because investment effects are hard to quantify. However, the calculation of effectiveness of investments in education on macro level is also highly complex; having this in mind, one should the contribution of G. Becker should be emphasised, who conducted a cost-benefit investment analysis in secondary and college education in USA (Becker, G., 1964).

When a man, or people, bring their human capital into the business process, the capital becomes the key component of human resources.

Human resources is defined as totality of psychophysical abilities managed by companies which can use them for realisation of their business objectives. Whether human resources will indeed be used in the business process, and if so, how successfully, depends on the efficiency of the organisation, management of the business process, and on the function of human resources management, which act as catalysts of human resources activation. During active life, human capital can be increased by investments made in lifelong education and development of a learning company. At the same time, human resources are also increased by acquisition of new knowledge and skills, but also by promotion of employees, application of good motivation systems, i.e. a good combination of material and non-material
compensations, more successful combination of production factors and more successful management of these factors.

On national level, human resources can be defined as total psychophysical energy managed by a society, which can use it for realisation of its developmental objectives. At pre-working age, the society has a decisive influence on formation and development of human resources, primarily by education and health care, but also by other activities; i.e. social care for children, sports, cultural activities.

Unlike human capital, human resources cannot be expressed through value; their level of development is measured indirectly. Literature offers various criteria for assessment of human resources development in a particular area. It is established that the greatest breakthrough has been achieved by Harbison and Myers in „Education, Workforce and Economic Growth“ (Harbison, F., Myers, Ch, 1964), in which they elaborated on quantitative indicators for indirect measuring of human resources development, after having concluded that economists disregarded research of the human factor and its significance and contribution to economic growth, because of their inability to establish the input-output relationship which is indisputable in physical capital, because this capital is directly measurable in terms of value. By seven partial indicators, Harbison and Myers calculated the complex human resources development index. These indicators are: 1. number of teachers in primary and secondary education per 10,000 inhabitants; 2. number of engineers and scientists per 10,000 inhabitants; 3. number of doctors and dentists per 10,000 inhabitants; 4. inclusion of children from five to 14 years of age in primary education; 5. average enrollment rates in primary and secondary education; 6. percentage- inclusion of the population ranging between five and 14 years of age in secondary education; 7. percentage inclusion of the population ranging between 20 and 24 years of age in college education.

The OUN has recently been calculating the Human Development Index (HDI), which in fact, in terms of its content, represents human resources development index. Namely, the OUN defines the human development concept in a wider sense; as development of people, development for the people and development by the people (Human Development Report, 1993). The HDI is calculated as a combined index of three indicators. They are: 1. life span and health condition of the population measured by the expected life span; 2. purchasing power of the population; 3. population's education level measured by the literacy rate of adults and by a combined indicator of the share of respective population groups in primary, secondary and tertiary education.

The authors believe that these three indicators satisfactorily describe human resources development on macro level, because the longer expected life span of the population implies better health condition, which results in better psychophysical abilities, i.e. in greater vitality of the people. Purchasing power of the population indirectly reflects higher or lower level of satisfaction of the needs, as well as the level of satisfaction and motivation of the employees. Also, it indirectly, although not precisely enough, (because the subject of consideration is GDP per capita, and not per

\[ \text{HDI} = \frac{1}{3} \left( \frac{\text{Life Span}}{\text{Expected Life Span}} + \frac{\text{Purchasing Power}}{\text{GDP per Capita}} + \frac{\text{Education Level}}{\text{Literacy Rate}} \right) \]

2 The index was constructed at the beginning of the 1990s by Amartya Sen (Nobel Prize winner), Mahub ul Hak, Gustav Ranis (Yale University), Meghan Desai (London School of Economics) and has been used since by the OUN. It is published in annual Human Development Report
employee), reflects work productivity. In the end, the reached education level indirectly reflects the level of mastering knowledge and skills necessary for achievement of growth and development.

**Scheme 1. Human development index**

<table>
<thead>
<tr>
<th>DIMENSION</th>
<th>A long and healthy life</th>
<th>Knowledge</th>
<th>Standard of living</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDICATOR</td>
<td>Life expectancy at birth</td>
<td>Adult literacy rate</td>
<td>Gross enrolment ratio</td>
</tr>
<tr>
<td>INDEX</td>
<td>Life expectancy index</td>
<td>Education index</td>
<td>GDP index</td>
</tr>
</tbody>
</table>

**Source:** authors; Human Development Indicators

However, in regard to the contribution of human resources to economic growth and development on macro level, it can be established that, in all the papers that have been published so far, it has been measured by the influence of the population's education level on economic growth, i.e. the subject of calculation is correlation between the achieved education level and the achieved GDP per capita.

Contemporary economics of the second half of the 20th century was marked by scientists' efforts to explain the difference between input and output, which has been marked as a residual in the production function. More and more economists have assigned the residual to contribution of knowledge and education (E. Denison, S. Kuznets, M. Reder, M. S. Visnjev, B. Higgins, M. Adiseshiah, S. Lebergot). However, especially significant is realisation that economic growth is influenced not only by quantitative, but also by qualitative components. In the classification of the source of growth, E. Denison claims that the output is not only influenced by the amount of work invested as input, because the output can be increased by investment in education and professional training, health care and professional mobility of employees. (Denison, E., 1972). The point here is investment in human capital. At the same time, Denison claims that the output also depends on allocation of resources; thereby, on allocation of human resources as well, i.e. on adequate assignment of employees to certain work places. In other words, in professional terms, Denison claims that the effects gained by human capital depend on the efficiency of human resources management.

Numerous economists in the second half of the 20th century clearly pointed out the significance of education and the level of education on national economic growth, as well as on prosperity of an individual. Harbison and Myers have established regularity which is manifested as the need for multiple growth of human resources development, in
order to achieve doubling of domestic income per capita. Regarded in the context of four
degrees of economic development (first degree being the lowest, and the fourth the
highest), the difference in domestic income per capita between first- and second degree
countries at the beginning of 1960s was doubled; at the same time, countries of the
second degree of development had seven times more developed human resources. The
fourth group, i.e. the most developed countries, had up to 13 times higher domestic
income per capita than the first group, and 38 times more developed human resources.

At the beginning of the 1970s, L. V. Stepanov (Stepanov, L. V., 1972) pointed
out that American society, in accordance with the laws of world economic growth,
creates the situation which will result in the rule of educated people, especially those
with quality education, over the less-educated. At the beginning of the 21st century, it
is evident that population's education has a great influence on developmental inequality
between individual countries, and it also influences poverty and income inequalities
within individual countries.

The richest countries in the world have the most educated population, and the
poorest the most uneducated. Undeveloped countries make efforts to eradicate illiteracy,
and the most developed countries have between a quarter and a third of highly educated
population with a tendency that the number of highly-educated people in the next 10
years will have increased for more than 40%. For example, in 2005, the most
undeveloped African countries (Benin, Senegal, Ethiopia) had the illiteracy rate of 75 to
80%, while the most developed high-income countries managed to eradicate illiteracy
(World Development Indicators, 2007). In these countries, 70 to 92% of the population
of relevant age group was covered by tertiary education (http://go.worldbank.org/
JVXVANWYYO, 2/29/2008). Central and East European countries (Estonia, Hungary,
Lithuania, Slovenia, Poland, the Czech Republic) had the illiteracy rate of 0,2% to 0,7%
in the same year, and about 60% population of relevant age group was covered by tertiary
education. Republic of Croatia had 1,9% of illiterate population, and in 2005, only 38,7%
of the population of relevant age group was covered by tertiary education

Table 1. Countries classified according to the height of human development index in
1988 and 2005

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>123</td>
<td>100,0</td>
</tr>
<tr>
<td>H</td>
<td>3</td>
<td>18</td>
<td>23</td>
<td>44</td>
<td>35,8</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>6</td>
<td>41</td>
<td>3</td>
<td>51</td>
<td>41,5</td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>22</td>
<td>28</td>
<td></td>
<td>22</td>
<td>18,7</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>50</td>
<td>21</td>
<td>24</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>175</td>
<td>100,0</td>
</tr>
<tr>
<td>H</td>
<td>6</td>
<td>11</td>
<td>16</td>
<td>68</td>
<td>38,8</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>79</td>
<td>6</td>
<td></td>
<td>85</td>
<td>48,6</td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>22</td>
<td></td>
<td></td>
<td>22</td>
<td>12,6</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>41</td>
<td>16</td>
<td>157</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Source: authors according to Human Development Indicators 1990, 2007/2008; Remarks: H – high HDI, M –
middle HDI, L – low HDI; A – undeveloped countries, B- lower middle income countries, C – higher middle
income countries, D – high developed countries
The Table shows undeveloped countries (A – GDP/pc < 905 USD), lower middle-income countries (B – 906-3595 USD GDP/pc), higher middle-income countries (C – 3596 – 11115 USD GDP/pc) and highly developed countries (D – GDP/pc > 1116 USD), classified according to the criterion of high (H – 0,80-1), medium (M – 0,50-0,80) and low (L – 0,0-0,50) human resources development index.

The comparison indicates that, in the period of 17 years, the share of countries with high human resources development index increased only by three percentage points, and the share of countries with medium human resources development index by 7,1 percentage points. In the observed period, the number of countries with low human resources development index was reduced by 44,4%. The Republic of Croatia was a medium human resources development index country by 1998 (HDI = 0,795) and was ranked 49th country according to human resources development level. Since 1999, the Republic of Croatia has been a high human resources development index country (HDI1999 = 0,803; HDI2000 = 0,809; HDI2001 = 0,818; HDI2002 = 0,830; HDI2003 =0,841; HDI2004 = 0,846; HDI2005 = 0,850).

The table data lead to the conclusion that the countries which, according to their level of income per capita, fall into the medium- or low-income group, can have high human resources development index. Bolivia is often mentioned as an example; it is a low-income country with high level of human resources development (Human Development Indicators, 2004). Also, countries with equal incomes can be on different levels of human resources development (for example, Egypt and Jordan).

This means that human resources development can be sped up by well-defined economic policy, by greater availability of education, and by activation of local communities with the purpose of increasing the level of inclusion of the population in the educational process. However, in order to reach higher level of economic development, it is necessary to achieve exceptionally great progress in human resources development, as well as in their utilisation. (Harbison,F., Myers,Ch., 1964).3

In Table 2, components of the human resources development index are classified according to the countries' development level (high-, medium- and low-income countries), and according to the human resources development index rate (countries with high, medium and low HDI index).

---

3 Cf. p. 3; Four degrees of economic development
Table 2. Change of HDI-a, life expectancy index, education index and GDP index from 1998 till 2005

<table>
<thead>
<tr>
<th>Index 2005/1998</th>
<th>HDI</th>
<th>LEI</th>
<th>EI</th>
<th>GI</th>
</tr>
</thead>
<tbody>
<tr>
<td>High HDI countries</td>
<td>0,90</td>
<td>0,897</td>
<td>0,87</td>
<td>0,854</td>
</tr>
<tr>
<td>Middle HDI countries</td>
<td>0,67</td>
<td>0,698</td>
<td>0,70</td>
<td>0,599</td>
</tr>
<tr>
<td>Low HDI countries</td>
<td>0,42</td>
<td>0,436</td>
<td>0,43</td>
<td>0,391</td>
</tr>
<tr>
<td>High income countries</td>
<td>0,92</td>
<td>0,936</td>
<td>0,88</td>
<td>0,903</td>
</tr>
<tr>
<td>Middle income countries</td>
<td>0,75</td>
<td>0,756</td>
<td>0,73</td>
<td>0,564</td>
</tr>
<tr>
<td>Low income countries</td>
<td>0,60</td>
<td>0,570</td>
<td>0,64</td>
<td>0,583</td>
</tr>
</tbody>
</table>


Table figures prove the thesis that the number of countries with low HDI has been on the decrease, but they also indicate that the poorest countries lag behind the most in human resources development, and that the biggest growth is not achieved by the richest countries, but rather by medium-income countries. However, this growth is insufficient to compensate the difference in developmental lagging measured by GDP per capita. Namely, in the medium-income group of countries, growth of the human resources development index primarily results from the growth of the expected life span index (growth by 4.7% in the period from 1998 to 2005). Countries with low human resources development index achieved its average increase by 3.6% in the period from 1998 to 2005, which is the result of improvement of educational structure of the population. At the same time, high-income countries increased their income per capita by 6.3% in the observed period, which increases developmental disproportions between the richest and the poorest countries, the income of which grows two times slower.

2. ANALYSIS OF HUMAN RESOURCES DEVELOPMENT IN THE REPUBLIC OF CROATIA AND PRIMORSKO-GORANSKA COUNTY AND THEIR INFLUENCE ON ECONOMIC GROWTH

As pointed out before, the human resources development index (HDI) is a composed index which measures life quality, literacy, education level and income per capita.4

Its purpose is establishing whether human resources of a certain country are, in fact, developed, in the process of development or undeveloped, but it also indicates the influence of economic policies on life quality (Davies, A., 2006). Index calculation

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is complex, and Table 3 shows the results achieved by the Republic of Croatia and Primorsko-goranska County in 1997, 2001 and 2005, observing the expected life span index, human resources education level index, GDP index and human resources development index.

Table 3. Calculation of human development index for Republic of Croatia and Primorsko-Goranska County in selected years

<table>
<thead>
<tr>
<th></th>
<th>Republic of Croatia</th>
<th>Primorsko-goranska county*</th>
<th>PG/RH ratio (RH=100,0)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy (years)</td>
<td>72,6</td>
<td>74,0</td>
<td>75,30</td>
</tr>
<tr>
<td>Life expectancy index (LEI)</td>
<td>0,79</td>
<td>0,82</td>
<td>0,839</td>
</tr>
<tr>
<td>Adult literacy rate (%)</td>
<td>97,7</td>
<td>98,4</td>
<td>98,1</td>
</tr>
<tr>
<td>Literacy rate index</td>
<td>0,977</td>
<td>0,984</td>
<td>0,981</td>
</tr>
<tr>
<td>Enrolment ratio index</td>
<td>65,0</td>
<td>68,00</td>
<td>75,30</td>
</tr>
<tr>
<td>Education index</td>
<td>0,88</td>
<td>0,88</td>
<td>0,8990</td>
</tr>
<tr>
<td>GDP index</td>
<td>0,6315</td>
<td>0,6344</td>
<td>0,7748</td>
</tr>
<tr>
<td>Human development index (HDI)</td>
<td>0,7671</td>
<td>0,7781</td>
<td>0,8276</td>
</tr>
</tbody>
</table>


* Remark: HDI was not calculated for 1997 because of the data insufficiency

The expected life span in the Republic of Croatia in 2005 was 75,3 years. The Primorje-Gorski Kotar County has a slightly higher expected life span in relation to the Republic of Croatia, but the expected life span in comparison with 2001 is longer by one year. Although illiteracy has not been completely eradicated, neither in the Republic of Croatia, nor in the Primorje-Gorski Kotar County (1,9% of illiterates in the Republic of Croatia and 1,6% of illiterates in the Primorje-Gorski Kotar County in 2005), the human resources development index, which includes literacy of the population and their inclusion in primary, secondary and tertiary education, is higher by 6% in the County in relation to the Republic of Croatia. Greater inclusion of the County's population in tertiary education has had a crucial influence in this matter. The Primorje-Gorski Kotar County achieved USD579 per capita annually for consumption in 2005. Thus, it can be concluded that higher human resources development index in Primorje-Gorski Kotar County (0,8527) in relation to the Republic of Croatia (0,8276) is primarily the result of greater inclusion in education and greater production results per capita. But, if compared tendency of education index and GDP per capita, it is noticeable that positive deviation of County in the height of GDP per capita is diminishing faster and that it does not succeed in the development sense to use advantages in the human resources education in respect to the average of Republic of Croatia.
Graph 1. Life expectancy index, education index, GDP index and human development index in Republic of Croatia and Primorsko-goranska county in 2001 and 2005

According to the OUN methodology, the Republic of Croatia, and by that, the Primorsko-goranska County, are included in the high human resources development group. However, regarding the differences between their HDI levels, it is evident that there are significant differences in human resources development between individual Croatian counties. If the level of HDI index in the Republic of Croatia were raised to the average level of Primorsko-goranska County, the Republic of Croatia would move up two places on the world human resources development list.

The influence of human resources development on economic growth will be estimated by means of regression analysis of each of the variables. The subject of research is to which extent the growth resulted from human resources development, and to which extent was it influenced by investments and the growth of employment rate. Considering the fact that the deviation analysis of variables, presented by a straight-line equation, which included the population's educational structure, is explained by a total of 0,9% in primary education and unexplained in secondary and tertiary education (due to the non-existence of the variance), the subject of research will be the influence of employee education level, rather than education level of the population.
Table 4. Investments, employment and employee education and GDP per capita in Republic of Croatia from 1997 till 2005

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP/PC. USD</th>
<th>Employee (thousand) (A)</th>
<th>Investments (mil. kn) (B)</th>
<th>% employee with primary education (C)</th>
<th>% employee with secondary education (D)</th>
<th>% employee with tertiary education (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>4398,2</td>
<td>1187000</td>
<td>31137,564</td>
<td>7,12</td>
<td>75,89</td>
<td>17,00</td>
</tr>
<tr>
<td>1998</td>
<td>4805,1</td>
<td>1272000</td>
<td>33536,994</td>
<td>6,77</td>
<td>76,08</td>
<td>17,15</td>
</tr>
<tr>
<td>1999</td>
<td>4371,1</td>
<td>1263000</td>
<td>34728,100</td>
<td>6,67</td>
<td>76,17</td>
<td>17,17</td>
</tr>
<tr>
<td>2000</td>
<td>4152,6</td>
<td>1258000</td>
<td>35328,954</td>
<td>6,03</td>
<td>76,67</td>
<td>17,31</td>
</tr>
<tr>
<td>2001</td>
<td>4476,2</td>
<td>1272000</td>
<td>39669,387</td>
<td>5,62</td>
<td>76,57</td>
<td>17,81</td>
</tr>
<tr>
<td>2002</td>
<td>5186,9</td>
<td>1289000</td>
<td>48446,864</td>
<td>5,42</td>
<td>76,50</td>
<td>18,08</td>
</tr>
<tr>
<td>2003</td>
<td>6665,7</td>
<td>1330000</td>
<td>62492,850</td>
<td>5,20</td>
<td>77,04</td>
<td>17,75</td>
</tr>
<tr>
<td>2004</td>
<td>7943,8</td>
<td>1355000</td>
<td>67024,733</td>
<td>4,97</td>
<td>77,29</td>
<td>17,74</td>
</tr>
<tr>
<td>2005</td>
<td>8674,4</td>
<td>1371000</td>
<td>71724,916</td>
<td>4,53</td>
<td>77,70</td>
<td>17,77</td>
</tr>
</tbody>
</table>

Source: authors according to SLJRH-2007., ILO-LABORSTA; http://laborsta.ilo.org/cgi-bin/brokerv8.exe# (29.2.2008.)

Although in HDI calculation education of the population is used as one of the variables, Table 4 shows information on the structure of employees with primary, secondary and tertiary education. It is considered that there is a firm correlation between variables listed in the table and the growth of gross domestic product, considering the fact that countries with more developed human resources also achieve faster development. (Barro, R. J., 1999).

What follows are regression equations for data in Table 4.

\[
\text{GDP/pc} = -31,7113 + 5,629 \ln A \\
R = 0,88501913, R^2 = 0,78325887, F(1,7)=25,297, p<0,00151 \\
\text{GDP/pc} = 5,5088 + 0,8124 \ln B \\
R = 0,94980782, R^2 = 0,90213489, F(1,7)=64,527, p<0,00009 \\
\text{GDP/pc} = -1565,24C \\
R= 0,81679786 R^2 = 0,66715874, F(1,7)=14,031 p<0,00721 \\
\text{GDP/pc} = -189532+2546D \\
R=0,89201860 R^2 = 0,79569719, F(1,7)=27,263 p<0,00122 \\
\text{GDP/pc} = -3484,2+2309E \\
R= 0,51237302, R^2 = 0,26252611, F(1,7)=2,4919, p<0,15844
\]

The regression equations indicate that there is a correlation between all dependent variables and gross domestic product per capita. Regression equations (1) and (2) are exponential equations which prove that the increase in number of employees and investments increase gross domestic product per capita. The significance and constants of these variables indicate that investments result in faster
increase in gross domestic product per capita than change of the number of employees. Furthermore, the analysis of the influence of the employee number on the growth of GDP per capita (1) indicated that 88% deviations of variables are explained by a straight-line equation, 95% in investments; (2) 81% in the employee structure with primary education (3), 88% in the employee structure with secondary education (4). Also, in regression equations (1-4), there is a small probability that the results were obtained at random (p < 0.05).

The weakest correlation between the variables is established in the correlation between the gross domestic product growth and the change in the share of employees with tertiary education (50% of variable deviations is explained by the straight-line equation). The P-test indicates that the regression equation (5) should be dismissed for probability that the results are obtained at random and that a highly accurate conclusion on the change of GDP in the observed period could be made without the share of highly-educated employees. The rigidity indicated by the influence of the employee structure with tertiary education leads to the conclusion that, in the Republic of Croatia, many employees with college education still perform secondary education jobs. This also indicates slow changes in the economic structure in terms of increase in the share of modern industries and catering industry, the development of which is based on intellectual tasks.

Analysis of the trend coefficient of regression equations (1-5) proves that the increase in the number of employees, investments and improvement of educational structure in favour of the employees with secondary and tertiary education increases the level of gross domestic product. The only deviation is evident in the education of employees with primary education. Namely, by increasing the number of employees with primary education, there would be a decrease of gross domestic product, which is in accordance with the conclusion that increase in education structure of the employees has a positive influence on production increase measured by gross domestic product.

Analysis of the influence of increase of observed variables in one unit, it can be established that the most severe loss of the Republic of Croatia in terms of GDP increase results from unfavourable educational employee structure. Namely, in the most developed countries, the share of employees with tertiary education has exceeded 60%, and the number of employees with the lowest level of education amounts from 0.5% to 3%. At the same time, in Croatia, there are only 17% of highly educated employees in full employment.

CONCLUSION

The terms human resources and human capital are often identified, although they should be differentiated in terms of content. Human capital is the value invested in people (employees), primarily through education and health care, with the purpose of...
creation of knowledge, skills and work abilities. Human resources imply overall psychophysical abilities managed by companies which can use them to achieve their business objectives.

The role of human resources in the development of companies and national economies has been on the rise. This results in more frequent attempts at their affirmation and measuring their influence on growth and development. The Human Development Index has been increasingly applied as an indicator of human development, and this paper provides analysis on the reason this index makes a good indicator of human resources development. The research has shown that human resources develop most rapidly in middle-developed countries, including the Republic of Croatia, but not fast enough to drastically reduce developmental differences in comparison with the highly developed countries. In order to reduce developmental differences measured by the achieved GDP per capita, it is necessary to achieve multiple reduction of differences in human resources development.

According to international classification, the analysis of human resources development in the Republic of Croatia and in Primorsko-goranska County indicated high human resources development indices. The index is higher in Primorsko-goranska County; however, in comparison with Croatian average in 2001 and 2005, the conclusion can be made that the advantages of the County have been on the decrease. However, County is not developmentally using advantages in development in human resources because its advantages in GDP per capita are diminishing faster than advantages in human resources education.

The analysis of the influence of investments, employment and education has indicated that education, i.e. tertiary education, has the least influence on the growth of GDP of Republic of Croatia.

The rigidity indicated by the influence of the employee structure with tertiary education leads to the conclusion that, in the Republic of Croatia, many employees with college education still perform secondary education jobs. This also indicates slow changes in the economic structure in terms of increase in the share of modern industries and catering industry, the development of which is based on intelectual tasks.

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THE ROLE OF RENEWABLE ENERGY SOURCES IN REGIONAL TOURISM DEVELOPMENT

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University of Rijeka, Rijeka, Croatia

Abstract: In this paper, the author focuses on the fundamental hypothesis that the adoption of a concept of regional sustainable development and the use of renewable energy sources are preconditions to organising an acceptable regional tourism offering based on an eco-philosophy. The renewable development of tourism regions is the basic framework for research regarding opportunities for introducing renewable energy sources such as hydro energy, wind power, solar energy, geothermal energy, and biomass energy. The purpose of this paper is to indicate the real opportunities that exist for substituting conventional energy sources with renewable ones and the role of renewables in regional development from economic, environmental and sociological viewpoints. It should also be noted that renewable energy sources have a strong regional importance and can contribute significantly to local employment.

Key words: renewable energy sources, tourism, sustainable development, regional economy.

INTRODUCTION

Spatial diversity as a platform for regional development demonstrates that, through the essential process of delocalising spatial contents, regions are not marked by rigid boundaries; instead, their demarcation lines must be as pliable as possible. Tourism regions as subsystems of a regional economy operate along the same lines, with emphasis being placed on much higher awareness. This implies the necessity of interregional relationships and delocalisation processes, and treats every tourism region...
not only as a mere subsystem of Croatia as a Mediterranean and European tourism region but also as a subsystem of the Croatian economic system. Regional tourism policies require a specific approach within economic policies and, according to the systems theory, they are but a subsystem of national tourism policies and a subsystem of regional economic policies.

The transition process and restructuring of Croatia’s economy have the task of generating dynamic growth and development. Obviously, the natural, production and demographic factors existing within a regional spatial structure will have the greatest impact on the creation of a regional offering. When it comes to natural and energy resources, the tourism industry devises its regional offering and exerts the most influence in shaping the regional economic structure and, in turn, in determining and defining tourism regionalisation. Today’s new concept of tourism development must be based on market principles, the complementarities of the coast and its hinterland, the principles of environmental equilibrium, the development principles of regions and sub-regions as operational wholes, and ultimately, on tourism regionalisation which plays a vital role in global processes.

Over the past few decades, renewable energy sources (RES) have acquired a growing role in the world’s energy product. This is all the more true today, at the beginning of the new millennium. There is no dispute about the ever-greater importance of RES in fields of global climate protection, resource conservation and generally perennial sustainable development. Many studies on the future consumption of energy worldwide focus not only on the need for saving energy but above all on the necessity to increase RES involvement.

1. INTRAREGIONAL AND INTERREGIONAL DEVELOPMENT ISSUES AND RES

Regional problems are naturally of a long-term character, while market mechanisms seek to maximise effects in the shortest time possible (Blazevic 2007, 402).

Tourism regions are good examples of the functioning of the tourism sector that participates in interregional exchange to a much greater extent than other sectors and conveys impulses from the broader marketplace to the regional structure. These impulses are reflected in the development of regional specialisation, labour distribution, bringing about change to the existing regional structure (Magas 2003, 9-14). The ultimate effect of this entire process is the multiplication of regional income and employment.

1.1. Level of RES involvement in physical planning and regional policies

Any intervention in space is carried out in accordance to physical planning documents. The Physical Planning Strategy and the Physical Planning Program of the Republic of Croatia (Vuk 2006, 55) are strategic documents that determine guidelines
for long-term spatial development at the national level, and they are a platform for defining spaces in Croatia.

Rarely are RES exploitation facilities included in spatial plans. Notable in spatial plans for broader areas (spatial plans of counties) is that apart from a general statement in favour of the use of alternative energy sources (with the exception of wind-power installations and small hydropower stations) the possibility of using renewable sources is not even mentioned.

The spatial development plans of counties specifically define areas within which it is not possible to site RES facilities, but only in some plans are the general conditions stipulated for siting small hydropower stations or locations specified for research in siting wind-power installations. Exact conditions and locations are to be specified in lower-level spatial development plans.

Out of 21 county plans, in eight, no mention whatsoever is made of RES; in 13 plans, no RES locations are identified; and in 11 plans, it is stipulated that conditions for siting RES facilities will be determined in plans of more limited spatial levels (towns or municipalities). Only ten plans provide for the possibility of siting all types of RES facilities within a county, while in eight plans, the locations for RES siting have been determined (Vuk 2006, 55)

2. ENERGY-SECTOR DEVELOPMENT STRATEGY OF THE REPUBLIC OF CROATIA

Croatia’s Energy-sector Development Strategy covers the period up to the year 2030. This extended period covers present and future technologies, change to relationships and methods in energy management, the time when Croatia is not yet an EU member and the time when it will join the EU. The period to 2010 will differ from the 2010 – 2020 period and even more from the 2020 – 2030 period not only with regard to issues that need to be addressed, but also with regard to how issues will be solved. To many questions, there is no answer today, and it is almost impossible to predict future technological development and the speed at which new technologies will be put to commercial use.

The Strategy is based on present-day technologies used in the entire process of producing, transforming, transferring, distributing and consuming energy, as well as on the possibilities and characteristics of primary and transformed forms of energy today. The role of fossil fuels will undergo change, and it is not unrealistic to expect that by the middle of the next century end consumers will predominantly be using electrical energy and hydrogen-based energy. The issue of electricity production is a long-term open question to which there is no unambiguous answer today. The scenario of priorities and primary forms for electricity production can be expected to change as
environmental protection becomes more stringent and new technologies come into commercial use. Recognition to this in Croatia’s energy development strategy is given through strategic support provided to natural gas in the first 10-year period.

2.1. Development scenarios

There are three scenarios for the development of the energy sector (Strategija energetskog razvitka Republike Hrvatske, 2002):

Scenario S1: Conventional technologies and no active government measures. The basic feature of this scenario is that the inclusion of new technologies in the energy system will unfold at a slow pace. The scenario does not provide support to energy efficiency, RES or environmental protection.

Scenario S2: New technologies and active government measures. This scenario’s basic feature is that it implies Croatia’s accession to the EU, which should not only bring about good economic effects, but also good effects in the transfer of recent and more efficient technologies.

Scenario S3: Explicitly environmental scenario. The primary characteristics of this scenario are derived from the assumption that the global greenhouse effect and the concept of sustainable development in the world’s energy arena will exert a considerable impact on redirecting and furthering the development of the energy sector.

A fundamental component of sustainable development is its constant concern for greater energy efficiency.

Chart 1. Comparison of energy production from renewable sources

![Chart 1](http://www.nn.hr/clanci/sluzbeno/2002/0839.htm, (30.09.2007)
A fundamental component of sustainable development is its constant concern for greater energy efficiency. The ultimate target of improvement is not to increase an energy system’s technical efficiency but rather to enhance the quality and efficiency of the energy services it provides to end consumers. Energy efficiency can help considerably in stabilising the climate and in generally reducing harmful environmental impacts. The consequential energy efficiency policy also leads to creating new jobs, and ultimately to increasing the competitiveness of the entire national economy.

To reach these targets, however, market mechanisms alone will not suffice. There is a need, therefore, for formulating an integrated national strategy with a clear policy, measures and instruments that will ensure the effective implementation of energy efficiency.

2.2. RES potential in Croatia

Croatia has a large but mostly untapped RES potential. This potential primarily refers to wind power, biomass, small water courses and geothermal water; using solar energy to produce electricity is at present too expensive for widespread usage, unlike other resources that are technologically more feasible and commercially acceptable (Table 1).

Table 1 shows that small hydro power plants produce the greatest amount of electricity, and solar energy, the least. According to data from 2005, geothermal energy was not used in electricity production.

Table 1. RES-based electricity production in Croatia in 2005

<table>
<thead>
<tr>
<th>Source</th>
<th>Electricity production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sun</td>
<td>50.14 MWh</td>
</tr>
<tr>
<td>Wind</td>
<td>9.5 GWh</td>
</tr>
<tr>
<td>Biomass</td>
<td>10.9 GWh</td>
</tr>
<tr>
<td>Small hydro power plants</td>
<td>108.3 GWh</td>
</tr>
<tr>
<td>Geothermal</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Vuk, B., Energija u Hrvatskoj, Ministarstvo gospodarstva, rada i poduzetništva, Zagreb, 2006., 187

2.3. RES development opportunities

RES usage can play a vital role in promoting many of Croatia’s objectives. The development of the RES sector could, in the long run, help to (Strategija energetskog razvitka Republike Hrvatske, 2002):

- increase energy efficiency,
- diversify energy production and ensure supply,
- increase domestic production and reduce the import of energy products,
significantly reduce the environmental impact of the energy sector,
create new jobs and encourage investment in rural areas, areas of special
national concern, coastal areas and the islands.

Care for renewable sources is carried out on the basis of National Energy
Programs initiated in 1977 by the Government of the Republic of Croatia, of which the
following are especially important to this issue (Strategija energetskog razvitka
Republike Hrvatske, 2002):

- **BIOEN – Biomass and Waste-based Energy Program**: By 2020, the
  production of energy from biomass and waste – for which Croatia
  possesses real potential – could secure at least 15 percent of the total
  consumption of primary energy

- **SUNEN – Solar Energy Program**: The program has demonstrated that
  the use of solar energy in combination with UNP and/or natural gas is an
  acceptable solution, in terms of technology and the environment, for
  Croatia’s coastal area. By 2020, it is expected that solar energy will meet
  up to five percent of all non-industrial needs.

- **ENWIND – Wind Power Program**: Wind power, as an environment-
  friendly and available domestic resource, represents an untapped energy
  source that could help to meet a part of energy-related needs in Croatia.

- **GEOEN – Geothermal Energy Program**: In exploiting geothermal
  energy, it is necessary to create conditions that will increase the usage
  level of geothermal energy in existing facilities. Usage is expected to
  increase tenfold.

- **MAHE – Small Hydropower Plant Program**: The primary objective is to
  plan the construction of small hydropower plants and to eliminate all
  barriers to and ensure all conditions for enlarging the building of small
  hydropower plants in Croatia.

Use can be made of solar energy available across all continents, as well as of
wind power, hydropower, the power of waves and sea currents, biomass that grows
anew every year, and geothermal energy. All of this energy amounts to approximately
3,000 times the amount of the world’s energy requirements today, and it represents the
theoretical potential for RES exploitation. In determining the size of this potential, a
number of criteria must be taken into consideration, such as (Potocnik and Lay 2002,
84):

- Efficiency limits, the size of facilities and the technical and development
  potential of technologies currently available

- Constraints to exploitation due to site dependency (e.g., geothermal
  energy), limited transportation radius (e.g., biomass), availability of
  usable areas or competitive forms of energy exploitation (e.g., solar
  collectors, solar cells)

- Environmental restrictions regarding the open area required (e.g., for
  wind farms), impact on the water systems (e.g., hydro energy), and the
  limited possibilities of using biomass.
Because of these reasons, the technical potential of RES is not a readily definable quantity. Nevertheless, it does provide a sure solution for the longer term and points to the great importance that RES will have in the future. For example, renewable energy sources are expected to meet 50 percent or more of the world’s energy needs by the mid twenty-first century.

Subject to market expansion and an increase in turnover, today’s RES prices could be cut back by 20 percent to 70 percent in the mid term. The greatest potential for reducing electricity prices lies in photovoltaic systems. The following chart illustrates the potential for reducing RES costs.

Providing the predictions for market and turnover growth come about, the cost of electrical energy from wind farms is expected to drop to 75 percent by 2010; from photovoltaic systems, to 40 percent; from small solar collector systems, to 75 percent; from biomass processing facilities, to 85 percent; and from solar power plants, to 60 percent, as Figure 7 illustrates. Following this and providing these markets remain stable, a further drop in prices can be reckoned with: relative to today’s prices, prices after 2020 could drop down to 65 percent for wind power, 25 percent for photovoltaic systems, 35 percent for solar collectors, 80 percent for biomass, and down to 55 percent for solar power plants.

**Chart 2. Potential for reducing renewable energy costs**

![Chart 2](chart.png)


Great importance is attributed to RES development and expansion in Europe, in particular, in the EU, because of its role in environmental and climate protection (Kyoto Protocol), ensuring energy supply (reducing energy imports) and providing local employment.

In 2004, renewable energy sources were the third largest producers of electricity after coal and natural gas, but ahead of nuclear energy and oil. Hydro energy accounts for almost 90 percent of electricity produced from renewable energy sources;
biomass, for 6 percent; and solar energy, geothermal energy and wind power together accounting for 4.5 percent.

According to a development scenario (International Energy Agency, 2006) of renewable sources for 2030, RES will play a major role in electricity production. Data indicate that the production of electrical energy from renewable sources will increase from 3,179 TWh in 2004 to 7,775 TWh in 2030. (Table 2).

Table 2. Global increase of renewable sources

<table>
<thead>
<tr>
<th>Electricity production (TWh)</th>
<th>2004</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydro energy</td>
<td>2,810</td>
<td>4,903</td>
</tr>
<tr>
<td>Biomass</td>
<td>227</td>
<td>983</td>
</tr>
<tr>
<td>Wind power</td>
<td>82</td>
<td>1,440</td>
</tr>
<tr>
<td>Solar energy</td>
<td>4</td>
<td>238</td>
</tr>
<tr>
<td>Geothermal energy</td>
<td>56</td>
<td>185</td>
</tr>
<tr>
<td>Wave energy</td>
<td>&lt; 1</td>
<td>25</td>
</tr>
<tr>
<td>Biofuels (Mtoe)</td>
<td>15</td>
<td>147</td>
</tr>
</tbody>
</table>


It follows that the share of renewable sources in the production of electricity in 2030 will amount to an incredible 38 percent, making it the second largest electricity producer after coal. Hydro energy will account for 16 percent of the production of electricity (the same as in 2004); biomass, wind power, solar energy and geothermal energy together, for 10 percent; and biofuels, for as high as 22 percent.

The highest contribution in the production of energy for heating is expected to come from solar collectors, followed by geothermal sources and biomass.

The EU plans to accelerate RES development and expansion. Two EU documents clearly illustrate this (Potocnik and Lay 2002, 92):

- The White Paper on RES Strategy and Action Plan
- The Directive on promoting electricity produced from RES.

These documents set out the targets for the expansion of renewable sources in the EU (Potocnik and Lay 2002, 92):
3. NEGATIVE FEEDBACK AND AUDITING RES IMPACT ON REGIONAL TOURISM DEVELOPMENT

In the feedback system, auditing is only one part of the cycle of Integrated Quality Management (IQM) in a tourist destination that must methodically monitor the elements defined in the planning system. These are prerequisites to a systems understanding of the level and structure of deviations, as the performance indicators of elements defined in the Master Plan of tourism development for a given destination. This is a way of calling attention to problems and pointing to a choice of measures to achieve the goal defined in the Master Plan, that is, to make the tourist trade, in the broadest sense, into a force capable of driving regional economic development.

Indicators result from empirical, quantitative and qualitative measurements based on specified starting points and they serve to assess situations in various areas of tourism development. Sustainable tourism development in a tourism destination calls for establishing and accepting environmental audit indicators (for the systematic auditing of investments in improving the environment) and quality audit indicators (for auditing continuous quality improvement and the effects of TQM). On the global tourist market, the approach to preparing these indicators is based on universally accepted standards of environmental control (ISO 14000ff, EMAS I, EMAS II…), as well as systematic quality improvement standards (ISO 9000ff). The application of these indicators is becoming a valuable, and even compelling, information basis for managing tourism development in tourist destinations.

3.1. Tourism-development indicators and RES

In creating information systems for the needs of tourism management in the destination - information that will be made available within a singular database and that has been gathered by surveying the tourist destination as well as target markets - it is necessary to take into account the themes provided by the WTO classification of indicators of sustainable tourism (Figure).

Databases at the tourist destination level created in this way will become an indispensable information basis in auditing development in accordance with the guidelines for sustainable tourism development. For the management of a tourist destination, this will become the fundamental information resources base for assessing the position of the tourist destination, that is, determining its actual level of development, detecting any deviations from the established model, and making a real evaluation of how far the destination's current position is from the goal set in the Master Plan.
### Figure 1. RES-related sustainable-tourism indicators according to WTO classification

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Spatial protection</strong></td>
<td>Ecological</td>
</tr>
<tr>
<td>This refers to the level of protection and categorisation of protected areas according to the classification of the International Union for Conservation of Nature and Natural Resources (IUCN).</td>
<td></td>
</tr>
<tr>
<td><strong>2. Development control</strong></td>
<td>Economic</td>
</tr>
<tr>
<td>This indicator is used, prior to major projects, to detect whether studies have been conducted on the impact of these projects on the surroundings and the entire environment in accordance with legislation at the national, regional and local levels. The indicator represents responses on a 1 – 5 scale, with “1” signifying the absence of development control.</td>
<td></td>
</tr>
<tr>
<td><strong>3. Planning process</strong></td>
<td>Economic</td>
</tr>
<tr>
<td>This indicator is also measured on a 1 – 5 scale. The score of “1” indicates that there are no formal, integrated development planning and actions in place (including tourism development planning); as the level of implementation increases, the score ascends to “5”.</td>
<td></td>
</tr>
<tr>
<td><strong>4. Critical points of ecosystems</strong></td>
<td>Ecological</td>
</tr>
<tr>
<td>This indicator is based on the fact that the rarer the species of flora or fauna, the more interesting it is likely to be for tourists, and hence, the more vulnerable and exposed to stress it is likely to be. The indicator represents the number of species at risk, and it records the number of species, which have been eradicated (become extinct), preserved or stressed.</td>
<td></td>
</tr>
<tr>
<td><strong>5. Tourist (consumer) satisfaction</strong></td>
<td>Economic</td>
</tr>
<tr>
<td>This indicator is obtained by surveying tourists. The first group of questions relates to the quality of the tourism experience and they reflect the conditions at the destination and tourist expectations. The second group of questions focuses on tourists dissatisfied with service quality and the quality of the tourism experience.</td>
<td></td>
</tr>
<tr>
<td><strong>6. Resident satisfaction</strong></td>
<td>Social</td>
</tr>
<tr>
<td>This indicator shows the level of satisfaction of residents affected directly or indirectly by tourism development. A questionnaire is used to collect information. In conducting the survey, it is important to obtain a representative sample that will include all members of the local community.</td>
<td></td>
</tr>
<tr>
<td><strong>7. Benefits of tourism to the local economy</strong></td>
<td>Economic</td>
</tr>
<tr>
<td>The purpose of this indicator is to measure the extent to which the local economy is dependent upon tourism (the share of tourism in the economy, based on various indicators). The higher the level of dependence, the greater the risk will be for the economic system relative to fluctuations in the tourist industry.</td>
<td></td>
</tr>
</tbody>
</table>


The above indicates that only carefully selected indicators can provide an appropriate auditing basis for each implementation stage of the Master Plan of tourism development, following the recommendations of the European Commission and the World Tourism Organisation (WTO). This means that:
a) detecting problems as they emerge will become easier and better, and based on the deviations identified, measures will be taken to have them eliminated;
b) only indicators supporting sustainable development are acceptable; these are indicators capable of identifying constraints and potential opportunities;
c) indicators represent an essential resource base in the decision process of tourist destination management, as they are based on real methodological bases and theoretical and practical knowledge in the field of sustainable tourism development

CONCLUSION

The end of the last century was marked by increased energy consumption, as well as by increased efforts in exploiting new energy sources. In recent years, the use of renewable sources has become a live issue. Although forecasts regarding the use of renewable sources in the future may vary, they all agree that the share of renewables in energy production will continue to grow.

Despite this, however, renewable energy sources are still insufficiently engaged in the overall production of energy. The reason for this can be found in the lack of well-formulated legal frameworks, a lack of credit lines for the installation of production systems based on renewables, etc.

Most advanced countries and even developing countries today have in place programs for exploiting renewable sources, generally as part of their comprehensive environmental protection programs. Croatia is also a part of these efforts through its national programs for the use of renewables. The only way to ensure the best conditions for rapid development is through proper legislation, R&D, and the application of technology.

The natural potential of renewable energy sources is huge; the electrical, thermal or chemical energy that this potential can produce, in technical terms, exceeds by threefold the current consumption of energy worldwide. As early as the middle of this century, renewables are expected to meet 50 percent or more of the world’s energy requirements. To accelerate the exploitation of renewables, often cited as a key to combating climate changes, renewable energy sources must be incorporated into all structural plans relating to energy supply and they must be taken into account when making vital investment decisions in the field of energy supply.

On the global tourist market, the approach to preparing these indicators of sustainable tourism development is based on universally accepted standards of environmental control, as well as systematic quality improvement standards. Among these indicators, renewable energy sources are steadily becoming ever more important, and the application of sustainability indicators is becoming an indispensable information basis for managing tourism development in tourist regions.
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INTERNAL MARKETING FACTORS AND THE PERFORMANCE OF TRAVEL AGENCIES*

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Lorena Basan
University of Rijeka, Rijeka, Croatia

Abstract: As participants in creating a tourism offering and as initiators of tourist demand, travel agencies represent a key segment of the tourist market. Hence, the business results of these tourism companies will have a direct impact on realising tourism traffic in destinations. This makes it essential to analyse the business results achieved and the performance of travel agencies. The outcome of the analysis of business results and performance, together with the weaknesses and strengths identified in the operations of travel agencies based on an analysis of internal marketing factors, represent a basis for managers in making business decisions, as well as in carrying out analysis and research aimed at achieving enhanced business results and greater performance of travel agencies.

Key words: internal marketing factors, marketing, quality management, business results, performance, travel agency.

INTRODUCTION

A fundamental precondition to a company’s long-term survival in the marketplace and its success in business relates to the ability of its managers to analyse the business results achieved, understand these results relative to competition and market opportunities, and assess the company’s performance based on its performance indicators. Information obtained from analysing business results and performance indicators provides

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managers with a basis for making decisions concerning future business activities to be carried out and concerning action taken to perform successfully on the market.

1. TOTAL QUALITY MANAGEMENT – MARKETING AND THE PERFORMANCE OF TRAVEL AGENCIES

Because marketing is a segment of Total Quality Management (TQM) in a company, it follows that efficiently managed marketing also impacts on the performance of companies, travel agencies included. Hence, research in this paper focuses on the business results, performance and marketing of travel agencies.

Before continuing, a word should be said about the importance of managing the quality of travel agencies.

It was Ellsworth Statler (1863 – 1928) who introduced to the American hotel business a fundamental marketing principle: “The guest is always right. He is paying you and me”. So, the guest is right because he has money that he wants to spend. More than 100 years ago, this great hotelier understood what is today a basic principle of modern marketing and TQM!

In the TQM system, the consumer and customer is the king. He expresses his need and wish for specific products and services. On the other hand, there is the manufacturer who creates an offering. The offering should be constantly adjusted to change on the market, expressed through demand.

Figure 1. Creating product and service quality

![Diagram](source)

The Malcolm Baldrige National Quality Award contains, among other criteria, the criterion: the customer and customer satisfaction. Rated are items such as knowledge of customers and markets, customer-relationship management, customer satisfaction (this carries the largest number of points!) and how it compares to the customer satisfaction of competition.

American experiences show and demonstrate that the introduction of TQM can help to retain customers and enhance their satisfaction, improve the atmosphere within an organisation, and increase its business results. Not only is the quality measured by customer satisfaction the greatest competitive advantage and market strength a company can have, but it is also a condition for the company’s survival.

Marketing management can pertain to both the domestic and the foreign market, but the goal is always the same: finding and satisfying customers, consumers, guests, and tourists. This is not exactly an easy task, and it requires substantial knowledge of market mechanisms. Notably, what is important is to lessen the discrepancy between a customer’s real expectations and customer expectations as they are perceived by the company/manufacturer, because customer satisfaction depends upon this.\(^2\)

If we equate quality to expectations, then:

\[
\text{Quality} = \text{customer expectations} - \text{perceived customer expectations}.
\]

The smaller the discrepancy, the higher the level of quality.

If quality is what a customer wants, needs and expects, then TQM can be successful only if marketing management is successful. The following equation defines this relationship:

\[
\text{SERVICE QUALITY} \quad \frac{\text{CUSTOMER SATISFACTION}}{}
\]

A manager must know the answers to both of the below questions:

- What is quality? (What does the customer want?)
- How can quality be achieved? (How do we go about offering it to the customer?)

Marketing is the first step or the beginning of all activities. Because of the great importance it has for performance, marketing is a constant subject of analysis and managerial debate.

Doing the following ensures the quality of hotel and travel agency marketing:

---

\(^2\) SERVQUAL is a modern statistical method used to measure service quality from the customer’s perspective and customer satisfaction. SERVQUAL measure service quality by calculating the discrepancy (gap) between corresponding expectation in five dimensions: tangibles, reliability, responsiveness, assurance and empathy. Tangibles represent physical objects, equipment and the appearance of the staff. Reliability relates to the ability to provide the promised services in a credible and accurate way. Responsiveness is the willingness to help a customer and provide prompt attention. Assurance means friendly and professional staff that inspires security and trust. Empathy involves providing careful and personalised attention to a customer. This instrument is designed for applications across as broad range of services.
offering what we have and not offering what we do not have (regardless of whether a guest arrives at a hotel through independent travel arrangements or through a package tour purchased at a travel agency, he must find at the hotel everything that was offered and sold to him),

• selling all capacities at the most favourable terms,

• constantly being present on the market, keeping abreast of market trends and adjusting the offer to demand,

• being the first to offer a new service or an old one but in a new way, that is, being a leader in the marketplace,

• ensuring good promotion that will help to increase the reputation and profitability of a hotel or travel agency (bad promotion is selling a poor product and service or a good product and service at a low price),

• making a hotel or travel agency distinctive.

Information quality should provide a Marketing Manager with answers to the following questions:

• What pricing policy would make it possible to increase a travel agency’s revenue?

• Which marketing plans should be developed?

• What results do the newly set prices yield?

• Who are the tourists accounting for 80 percent of total sales?

• Which products/services account for 80 percent of total profits?

• What is the share of the revenue and gross profit (cover rate) of individual departments in a travel agency’s total revenue and profit?

2. RESEARCH METHODS AND SAMPLE

The survey method and the statistical method were applied in empirical research. The primary instrument used to gather data was a questionnaire. The information collected with the questionnaire pertained to the ratings of the business results and performance of travel agencies in the Primorsko-Goranska County (PGC) given travel agency managers.

Desktop research based on secondary data using the methods of analysis, synthesis and comparison was employed in analysing the business results and performance of the County’s travel agencies. The analysis was performed based on the data of the Financial Agency (FINA) of Rijeka on the basic financial results of businesses and the assets of businesses in the PGC in 2003, 2005 and 2007.

The research is based on Regulations on Classifying Business Entities as per the National Classification of Activities – NCA 2002 (Official Gazette 52/03). According to the NCA, the operations of travel agencies are monitored as part of Area of Activities I, entitled “Transport, Storage and Communications”; section 63 entitled “Supporting and Auxiliary Activities in Transport; Travel Agency Activities”; group 63.3 – “Activities of Travel Agencies and Tour Operators, Other Tourist Services.
The term “travel agency” refers to travel agencies with a developed network of branch offices within the territory of the PGC. Included in the research were travel agencies, the head office and branch offices of which are located in the PGC, as well as travel agencies, the head offices of which are not located in the Kvarner region but whose branch offices are.

The research sample was non-random and was defined based on a list of travel agencies, having a developed branch-office network in the PGC, obtained from the Association of Croatian Travel Agencies (ACTA). There are 19 travel agencies in the PGC according to this list. Based on the number of questionnaires completed and returned, the portion of travel agencies participating in the survey was calculated at 52.6 percent what can be considered satisfactory for making significant conclusions.

3. BUSINESS RESULTS AND PERFORMANCE OF TRAVEL AGENCIES IN THE PGC

In this paper, the business results and performance of travel agencies of the PGC is analysed from two perspectives. The first perspective is based on the survey conducted in the travel agencies of the PGC, which provided insight to how managers rate the business results and performance they have achieved, and how they rate the impact of internal marketing factors on their business. The second perspective refers to an analysis conducted based on secondary data of the business results that the travel agencies have achieved. Therefore, it is necessary to establish the extent to which managers of travel agencies are justified or not in considering their business results as being good or poor.

3.1. Rating Business Results and Performance

The survey was used to obtain ratings for the business results and performance of travel agencies. In rating the individual segments of business, as the basis for rating the business results achieved and performance indicators, an ordinal scale ranging from one to five was applied. The managers of travel agencies were asked to take an objective look at their businesses and then rate their business results and performance indicators.

From the average ratings obtained for the individual segments of travel agency operations, it is evident that all segments of business results, which are being considered, have been rated with an average score of Good. It should be noted that number of employees received the highest average score (3,4).

Table 1: Ratings for the business results of travel agencies in the PGC

<table>
<thead>
<tr>
<th>Business results</th>
<th>Average rating of business results of travel agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL REVENUE</td>
<td>3,3</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>2,9</td>
</tr>
<tr>
<td>GROSS PROFIT</td>
<td>2,9</td>
</tr>
<tr>
<td>NO. OF EMPLOYEES</td>
<td>3,4</td>
</tr>
</tbody>
</table>

Source: Author’s analysis of questionnaire
From the average scores for the performance indicators of travel agencies (Table 2), it is evident that *return on assets*, expressed as the ratio of profit and the average value of assets employed, has received the highest score of 3.8. This performance indicator is rated as Very Good. All other indicators have received a rating of good.

**Table 2:** Ratings of performance indicators of travel agencies of the PGC

<table>
<thead>
<tr>
<th>Performance indicator</th>
<th>Average rating of performance indicators of travel agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. PROFITABILITY</td>
<td>3.1</td>
</tr>
<tr>
<td>2. LIQUIDITY</td>
<td>3.1</td>
</tr>
<tr>
<td>3. PRODUCTIVITY</td>
<td>3.2</td>
</tr>
<tr>
<td>4. BUSINESS EFFICIENCY</td>
<td>3.0</td>
</tr>
<tr>
<td>5. RATE OF RETURN</td>
<td></td>
</tr>
<tr>
<td>a) return on assets</td>
<td>3.8</td>
</tr>
<tr>
<td>b) return on revenue</td>
<td>3.3</td>
</tr>
<tr>
<td>6. CAPITAL EFFICIENCY</td>
<td></td>
</tr>
<tr>
<td>a) revenue realised on total assets employed</td>
<td>3.3</td>
</tr>
<tr>
<td>b) revenue realised on fixed assets employed</td>
<td>3.2</td>
</tr>
<tr>
<td>c) revenue realised on current assets employed (turnover coefficient)</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: Author’s analysis of questionnaire

### 3.2. Analysing the Business Results of Travel Agencies

An analysis of the business results of travel agencies of the Primorsko-Goranska County (PGC) was made based on data on their realised total revenue, total expenses, gross profit and number of employees in the 2002 – 2007 period.

FINA’s calculations of the basic financial results of businesses in 2003 is based on the number of businesses in 2002; its 2005 calculations, on the number of businesses in 2004; and its 2007 calculations, on the number of businesses in 2006.

In Table 3 business results includes the following activities of travel agencies:
- a) Travel agencies as travel organisers and tour operators
- b) Travel agencies as intermediaries and
- c) Tourist guides and other tourist services.

At the level of the Primorsko-Goranska County (Table 3), an increase is evident in all segments of business results realised by travel agencies. Gross profit shows the highest index growth that is by 89 index points greater in 2007 relative to 2002. Revenue and expenses realised in the same period recorded an index growth of 71 index points.

The structure of gross profit of travel agencies in the PGC needs to be further analysed. The greatest index growth of gross profit was realised by travel agencies in the PGC in the segment of activities of travel agencies as travel organisers and tour operators in the amount of 95 index points in 2007 relative to 2002.
By examining the structure of total revenue and its index-based increase in the observed period in travel agencies in the PGC, it is evident that travel agencies in the PGC recorded the lowest index growth in the segment of activities of tourist guides and other services.

Table 3: Analysis of business results of travel agencies of the Primorsko-Goranska County

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. TOTAL REVENUE</td>
<td></td>
<td>201,064</td>
<td>211,271</td>
<td>188,011</td>
<td>210,063</td>
<td>236,625</td>
<td>343,768</td>
<td>171</td>
</tr>
<tr>
<td>a)</td>
<td></td>
<td>192,627</td>
<td>201,049</td>
<td>175,756</td>
<td>198,822</td>
<td>220,846</td>
<td>319,086</td>
<td>166</td>
</tr>
<tr>
<td>b)</td>
<td></td>
<td>8,372</td>
<td>10,126</td>
<td>12,197</td>
<td>9,765</td>
<td>15,490</td>
<td>24,583</td>
<td>294</td>
</tr>
<tr>
<td>c)</td>
<td></td>
<td>65</td>
<td>96</td>
<td>58</td>
<td>1,476</td>
<td>289</td>
<td>99</td>
<td>152</td>
</tr>
<tr>
<td>2. TOTAL EXPENSES</td>
<td></td>
<td>196,352</td>
<td>206,769</td>
<td>187,009</td>
<td>211,200</td>
<td>234,399</td>
<td>336,594</td>
<td>171</td>
</tr>
<tr>
<td>a)</td>
<td></td>
<td>188,245</td>
<td>197,058</td>
<td>174,384</td>
<td>199,420</td>
<td>218,505</td>
<td>311,327</td>
<td>165</td>
</tr>
<tr>
<td>b)</td>
<td></td>
<td>8,041</td>
<td>9,642</td>
<td>12,575</td>
<td>10,454</td>
<td>15,449</td>
<td>25,106</td>
<td>312</td>
</tr>
<tr>
<td>c)</td>
<td></td>
<td>66</td>
<td>69</td>
<td>50</td>
<td>1,326</td>
<td>445</td>
<td>161</td>
<td>244</td>
</tr>
<tr>
<td>3. GROSS PROFIT</td>
<td></td>
<td>7,752</td>
<td>8,595</td>
<td>7,052</td>
<td>8,281</td>
<td>9,106</td>
<td>14,023</td>
<td>189</td>
</tr>
<tr>
<td>a)</td>
<td></td>
<td>7,225</td>
<td>7,874</td>
<td>6,835</td>
<td>7,878</td>
<td>8,626</td>
<td>14,101</td>
<td>195</td>
</tr>
<tr>
<td>b)</td>
<td></td>
<td>523</td>
<td>679</td>
<td>206</td>
<td>236</td>
<td>472</td>
<td>522</td>
<td>100</td>
</tr>
<tr>
<td>c)</td>
<td></td>
<td>4</td>
<td>42</td>
<td>11</td>
<td>167</td>
<td>8</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>4. NO. OF EMPLOYEES</td>
<td>(Average number of employees per hours of work)</td>
<td>453</td>
<td>485</td>
<td>462</td>
<td>464</td>
<td>499</td>
<td>497</td>
<td>110</td>
</tr>
<tr>
<td>a)</td>
<td></td>
<td>415</td>
<td>454</td>
<td>412</td>
<td>419</td>
<td>436</td>
<td>429</td>
<td>103</td>
</tr>
<tr>
<td>b)</td>
<td></td>
<td>38</td>
<td>31</td>
<td>50</td>
<td>45</td>
<td>61</td>
<td>67</td>
<td>176</td>
</tr>
<tr>
<td>c)</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Basic Financial Results of Businesses in 2003 – Primorsko-Goranska County, Table 1 (1/3), FINA Rijeka, December 2006
Basic Financial Results of Businesses in 2005 - Primorsko-goranska County, Table 1 (1/3), FINA Rijeka, December 2006
Basic Financial Results of Businesses in 2007 - Primorsko-goranska County, Table 1 (1/3), FINA Rijeka, July 2008.

This makes it necessary to identify the reasons that contributed to achieving such a business result in this segment of travel agency operations for the purpose of:
- improving the potential of tourist guides,
- augmenting the quality of services provided by tourist guides, as an indispensable segment of any destination’s offering, and
- broadening the range of additional services that travel agencies can provide and creating added value for tourists, that is, for the buyers of these services.

This will help travel agencies not only to win and retain tourists, but to gain their loyalty as well.
3.3. Analysing the Performance of Business Agencies

A performance analysis was carried out using the performance indicators of profitability, productivity, business efficiency, return on revenue, and capital efficiency, which were analysed through revenue realised on total assets employed, revenue realised on fixed assets employed, and the turnover coefficient or revenue realised on current assets employed in the 2002 – 2007 period.

Table 4: Analysis of the performance of travel agencies in the Primorsko-Goranska County

<table>
<thead>
<tr>
<th>Performance indicators</th>
<th>PRIMORSKO – GORANSKA COUNTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. PROFITABILITY</td>
<td>3.86</td>
</tr>
<tr>
<td>2. PRODUCTIVITY</td>
<td>443,849.9</td>
</tr>
<tr>
<td>3. BUSINESS EFFICIENCY</td>
<td>1.02</td>
</tr>
<tr>
<td>4. RETURN ON REVENUE</td>
<td>3.14</td>
</tr>
<tr>
<td>5. CAPITAL EFFICIENCY</td>
<td>1.56</td>
</tr>
<tr>
<td></td>
<td>4.73</td>
</tr>
<tr>
<td></td>
<td>2.67</td>
</tr>
</tbody>
</table>

Source: Basic Financial Results of Businesses in 2003 – Primorsko-Goranska County, Table 1 (1/3), FINA Rijeka, December 2006
Basic Financial Results of Businesses in 2005 - Primorsko-goranska County, Table 1 (1/3), FINA Rijeka, December 2006
Basic Financial Results of Businesses in 2007 - Primorsko-Goranska County, Table 1 (1/3), FINA Rijeka, July 2008
Assets of Businesses in 2003 - Primorsko-Goranska County, Table 2 (1/3), FINA Rijeka, December 2006.
Assets of Businesses in 2005 - Primorsko-Goranska County, Table 2 (1/3), FINA Rijeka, December 2006.
Assets of Businesses in 2007 - Primorsko-Goranska County, Table 2 (1/3), FINA Rijeka, July 2008

From analysis of the performance of travel agencies at the County level (Table 4), a drop is evident in the index value of capital efficiency expressed through revenue realised on fixed assets employed, indicating the inefficient use of capital assets and necessity of further analyses. All other performance indicators of travel agencies of the PGC recorded index growth in the observed period. The turnover coefficient saw the fastest growth – a 75-index-point increase. Rate of return and profitability follow with a 56-index-point-increase and a 10-index-point increase, respectively.
4. INTERNAL MARKETING FACTORS OF TRAVEL AGENCIES

It is necessary to distinguish between two levels in a company’s marketing environment, based on its character and breadth: (Meler 1999, 35)

1. macro environment and
2. micro environment.

The impact of factors of the micro environment is analysed at two levels, one involving the impact of internal factors, and the other involving so-called immediate external factors (Meler 1999, 36), also known as the factors of business and industrial environments. (Morrison 2002, 111)

Internal marketing factors represent the second level in analysing a company’s micro environment, and they involve an analysis of the marketing system of travel agencies of the PGC. This analysis involves looking at those factors upon which travel agencies are capable of exerting an effect and whose impacts they can control. The aim of this analysis is to identify the internal strengths and weaknesses of travel agencies of the PGC on the tourist market in the segment of their focus on project-based operations and business travel projects.

For the purpose of studying the impact of internal marketing factors on the operations of travel agencies, these factors have been classified in seven basic groups: (Basan 2007, 240)

1. corporate and marketing strategies of travel agencies;
2. the marketing attributes of travel agencies;
3. project-based operations of travel agencies;
4. the business functions of travel agencies;
5. business travel projects;
6. information systems of travel agencies and
7. realised business results and performance.

The impacts of the individual factors were rated using an ordinal scale ranging from one to five, with one signifying that a factor’s impact is a major weakness; two, a minor weakness; three, neither a strength nor a weakness; four, a minor strength; and five, a major strength.

The impact of corporate and marketing strategies of travel agencies of the PGC is analysed through the influence of: flexibility, adaptability and innovativeness of strategic management (4,2), consistency of marketing goals with the corporate goals of travel agencies (3,8), strategic control and evaluation of the strategy of the travel agency (3,7) and application of projects in implementing a travel agency’s strategy (3,9). The travel agencies have rated the influence of all analysed factors as being a minor strength. The highest average score (4.2) was given to the flexibility, adaptability and innovativeness of a travel agency’s strategic management.

The impact of marketing on the project-based operations of travel agencies of the PGC is analysed through the influence of: using marketing segmentation to identify the target market segments of a travel agency (3,6), the possibility of adjusting the
offering of hotel companies to the needs of individual tour operators in business travel projects (3,7), negotiations between travel agencies and hotel companies to define the purpose, time schedule and costs of business travel projects (3,4), signing contracts with hotel companies – sellers of business travel projects, as a result of negotiations (3,8) and evaluating a project as a whole, in order to broaden the knowledge of travel agencies in realising future projects (3,6). The travel agencies have also rated the impact of all marketing factors examined as being a minor strength for their project-based operations, with the exception of negotiations with hotel companies, a factor that is considered as being neither a strength or a weakness.

The impact of factors of project-based operations of travel agencies of the PGC is analysed through the influence of: managing the business and development of a travel agency based on projects (4,4), marketing staff of travel agencies (4,2), the readiness of marketing staff in responding to compensatory demand (3,7), the organisational readiness of travel agencies to embrace project-based operations embodied in the organisation of marketing (3,6), using special financial arrangements in the project-based operation of travel agencies (3,5), the quality of entrepreneurship in travel agencies as the buyers of business travel projects (3,7), encouraging an entrepreneurial and innovative spirit within travel agencies (4,0) and the ability to evaluate development projects for new hotel products and assess their risks (3,6). The travel agencies have rated the influence of all analysed factors of project-based operations as being a minor strength. The highest average ratings were given to the impact of project-based development management of travel agencies, the marketing personnel of travel agencies and encouraging an innovative and entrepreneurial spirit within a travel agency, which can be seen as key factors in successfully managing project-based travel agency operations.

Business functions are analysed through: efficiency of business functions of travel agencies (3,8), relationships between the business functions of travel agencies (3,8) and the relationship of the marketing function and other business functions of travel agencies (3,7). The travel agencies have rated the analysed business functions and their interrelations as being a minor strength.

Rating the impact of individual types of business travel projects involved rating the influence that these projects have on the performance of travel agencies. The influence of business travel projects on the project-based operations of travel agency of the PGC is analysed through sales and delivery by hotel companies of: congress projects (3,2), conference projects (3,3), incentive travel projects (3,7), exhibition projects (3,2) and sports training projects (3,1). The travel agencies have rated incentive travel projects as being a minor strength while other projects representing neither a weakness nor a strength for them.

The influence of information systems on the project-based operations of travel agencies of the PGC is analysed based on: application of Management Information Systems in making tactical decisions (3,6), application of Transaction Information Systems in making operational decisions (3,6), application of Expert Systems (Intelligent Systems) in making strategic decisions (3,9), the efficiency of using marketing information in making marketing decisions (3,8) and information for marketing control (3,5). Concerning the information system factors examined, travel agencies have rated the impact of all such factors as being a minor strength.
Business results of travel agency of the PGC is analysed based on: market share of travel agencies on the business travel market (3,3) and profitability of individual types of business travel projects (congress projects – 3,1; conference projects – 2,9; incentive travel projects - 3,6; exhibition projects – 2,8 and sports training projects – 2,7).

Concerning the factors of business results, 70 percent of the travel agencies did not rate the impact that their market share on the business-travel market had on their overall business.

Travel agencies do not consider their market share on the market of business travel as being either a strength or a weakness.

In rating the profitability of the individual types of business travel projects, travel agencies see only incentive travel projects as being profitable and have rated them as a minor strength. The profitability of other business travel projects analysed is considered as being neither a strength nor a weakness to their businesses. This is in correlation with the earlier rating of the impact of individual types of projects on the performance of travel agencies, where incentive travel projects were rated by travel agencies as having the greatest influence on the success on the project-based operations of travel agencies.

CONCLUSION

An analysis of the business results of travel agencies at the national level and at the level of the Primorsko-Goranska County demonstrates that the index values of all analysed segments of business results in 2007 have increased relative to 2002.

Looking at the business results of travel agencies at the level of the Primorsko-goranska County by index-based increase of total revenue, it is evident the lowest index growth in the segment of activities of tourist guides and other services and it is to this segment that the travel agencies of the Primorsko-Goranska County need to direct additional attention. This is a segment of activities through which the travel agencies of the County could improve the quality of their services, create additional value for tourists, and gain the favour and loyalty of tourists.

The average rating obtained for the business results of travel agencies are consistent with the identified drawbacks of the realised business results. This is confirmed by the fact that the managers of travel agencies in the Primorsko-Goranska County have given the lowest average ratings to total expenses realised and gross profit. An analysis of business results points to the need for carrying out further analyses for the purpose of identifying the causes of higher index growth of total expenses relative to total revenue in the segment of the activities of travel agencies as intermediates, and tourist guides and other services, as well as the causes for the drop in the total gross profit realised.

For the travel agencies of the Primorsko-Goranska County, it is necessary to establish the causes for the exceptional drop in the index value of revenue realised on fixed assets employed, as an indicator of efficiency in using a travel agency’s capital assets, to ensure that they are employed more efficiently in the future.
Hence, the analyses conducted can serve as a source of information for travel agency managers in making business decision, undertaking concrete business activities, and carrying out further analysis and research aimed at augmenting the quality of the tourism offering and improving the performance of travel agencies.

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MARKETING ASPECTS IN THE OPERATIONS OF THE VELEBIT NATURE PARK*

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Lorena Basan
Diana Bokulic
University of Rijeka, Rijeka, Croatia

Abstract: The application of marketing in tourism involves marketing activities undertaken by all producers that are in any way connected to selling their products on the tourist market, as a means of earning revenue. Tourism marketing calls for a marketing concept to be implemented in companies in the tourism sector and other tourism-supply providers. Upon the adoption of the Management Plan of the Velebit Nature Park, a marketing concept, as an element of efficient park management, must be employed to help ensure the prosperity of Park operations in all areas and across all levels.

Key words: marketing concept in tourism, tourist market research, tourist market, segmentation, tourism marketing mix, Velebit Nature Park.

INTRODUCTION

With two national parks under its wing, the Velebit Nature Park is unique and lures many tourists to come experience its attractions. Today, there is a growing demand for such preserved nature sites.

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Because it covers a large area and its specific sites are scattered, this diversity is what distinguishes the Velebit Nature Park from other nature parks in Croatia. Therefore, applying a marketing concept and employing skilled marketing staff are indispensable in ensuring that the Park’s operations and development are efficiently managed.

1. THE MARKETING PROCESS IN TOURISM

Tourism marketing refers to the application of marketing given the conditions specific to a tourist market and tourism products. In tourism, this means that a customer must travel to the place where a service is provided. Tourism marketing calls for a marketing concept to be implemented in companies in the tourism sector and other tourism-supply providers.

1.1. Tourist Market Research and Segmentation

The advent of tourism has influenced the creation of the tourist market as a specific type of market. A market is a set of all products or services which clients perceive as being capable of meeting their needs. (McDonald 2004, 129) A market is also a set of interdependent relationships among businesses, supply and demand. The elements of a tourist market include a market subject, object and prices. This specific trait comes from the special attributes of tourism product and the characteristics of tourism supply and demand.

Market research is a marketing function used to gather information needed for decision-making, and to provide insight to a specific marketing problem. (Mc Donald 2004, 472)

Resulting from differing consumer preferences, heterogeneous tourist markets are becoming increasingly important and have brought about market segmentation. Market segmentation is a way by which a company seeks to gain an advantage over its rivals. (Mc Donald 2004, 133) It is a procedure of separating the overall tourism market into smaller, homogeneous units or segments. A market segment consists of groups of clients having identical or similar needs. Each segment may be selected as a target market on which a company will act using a different marketing mix.

The most often are used demographic, geographic or psychographic criteria for market segmentation. Specific criteria of tourist behaviour are also important. These criteria provide information on why tourists choose to vacation in a specific destination, which elements of the tourism product are they attracted to, what are their opinions of the destination, etc.

Market segmentation is, in fact, part of a broader strategic concept in modern marketing that is effected through so-called marketing STP (segmenting, targeting, positioning) that involves: (Senecic 1998, 44) segmentation, the selection of a target market and product positioning. After segmentation has been carried out and the various segments assessed, the company needs to decide which segments and how many segments to select as its target markets. It is vital that a tourism offering provider selects
the most appealing segments, and designs the promotion program, product brand, price and distribution channel policy accordingly. Attention should also be focused on the durability and profitability of market segments.

1.2. The Marketing Mix in Tourism

A marketing mix is a group of marketing tools that a company uses to accomplish its marketing goals on a target market. (Kotler 1994, 82) Marketing literature has established four basic marketing functions, known as the 4Ps of marketing: (Senecic i Vukonic 1997, 45) product, prices, place (distribution) and promotion. At the heart of marketing activities is the tourist, against whom marketing goals are set; marketing strategies, formulated; and the most favourable combination of marketing elements, selected. (Kotler 1994, 82)

Tourism has a complex product, made up of individual services and products. On the other hand, it is a product in progress, because it is subject to constant upgrading by tourism consumers. According to Kobasic (Senecic i Vukonic 1997, 85), “a tourism product is a set of available goods, services and conveniences that tourists can use to meet their needs in a specific area and in a specific time”. Other authors have called this complex product an integrated product. This integrated tourism product is a package tour, representing the basic product of travel agencies, and it comprises a number of primary products brought together to form a whole according to the interests and requirements of demand.

Price determines a tourist market, in particular the level of demand, and it is the only revenue-generating element of the marketing mix. It is vital to a tourism product’s policy because the demand for a specific product and the performance of tourism offering providers depend upon it. It follows that actual costs have a weaker impact on price than the purchasing power of individuals or segments of tourism consumers.

Distribution is a basic marketing function by which goods are marketed on the market. Distribution channels are used to transport the produced products from the manufacturer to the consumer. Distribution channels can be seen as a series of interdependent organisations involved in the process of producing products or services disposable for use or consumption. (Kotler 1994, 638)

On the tourism market, products cannot be transported, because services are stationary, while the consumer or tourist is mobile. Tourism supply providers have two ways of sending their product to the tourist market: (Senecic i Vukonic 1997, 136)

- **through direct distribution**, when tourists buy products directly from their manufacturers
- **through indirect distribution**, when tourism supply providers “distribute” their products on the tourist market through tourism intermediary companies, usually travel agencies.

Promotion is a form of communication with consumers. It is a very complex activity comprising numerous individual activities that help in sales efforts and winning
customers. These activities involve informing, persuading and reminding customers, and help supply providers to encourage sales on the market.

A promotional message must be true, easy to understand, and acceptable. Promotion helps a tourist or customer learn more about the particulars and advantages of a tourism product, makes choosing the type and time of consumption easier, and generates or maintains a positive image on the tourist market. A promotion mix can include advertising, personal selling, sales improvement and publicity. Special attention should be directed to the effectiveness of promotion and financial expenditures.

2. **GENERAL FEATURES OF VELEBIT NATURE PARK**

The Velebit Nature Park was proclaimed on 29 May 1981 based on the Act on Proclaiming the Velebit Range a Nature Park (National Gazette 24/81). As early as 1978, UNESCO declared the Velebit range an international biosphere reserve as part of a scientific program, the logo of which is a bear cub.

2.1. **Territory of Velebit Nature Park**

The park covers an area of 2,200 km². The Velebit (145 km) is Croatia’s longest and most interesting mountain range. The most valuable parts of northern and central Velebit are protected in the category of strict and special reserves. This is the Northern Velebit National Park, while the Paklenica National Park dominates the range’s southern part.

The Velebit range is divided into a **northern, central, southern and southeastern** part. This division is based on its natural geographical and relief features. (Pelivan 2003, 8)

The Velebit NP covers most of the Velebit range and Zrmanja River valley, and it is the largest protected nature area in Croatia. Parts of the Park are protected as national parks. These are the Northern Velebit National Park and the Paklenica National Park. A national park is just one of the forms of protection that legislation recognises, and it is the most popular category of protection.

For an area to be declared a national park, it must be a substantially large area of exceptional natural quality that meets the following conditions: (Bralic 2005, 10)

- Nature must be preserved in its original features or features that have undergone only minor change through human usage.
- It must possess multiple natural phenomena, that is, it is not enough to have only botanical or geomorphological features, because these are covered in other categories of protection.

For many areas, and even countries, national parks have become part of their identity, an essential part of their image and their “signature”. The culture of a people is reflected in the way the use of parks is protected and how parks are presented, that is, in the overall way they relate to national parks.
2.2. Tourist Traffic of Velebit Nature Park

Because of its large size, the Velebit NP has more than just one entrance and exit, making it difficult to keep records of all visitors. Although there are visitor books, on a dozen peaks, in which visitors can register, this is hardly the best way of record keeping, as visitors cannot be forced to register. In the next section, the tourist traffic of the Velebit NP is shown through the tourist traffic of the Northern Velebit and the Paklenica National Parks.

2.2.1. Northern Velebit National Park

Today, this national park has only one official entrance where visitors can buy tickets and get information. 9,370 tickets were sold in 2006. The actual number of visitors is considered to be higher, as it is not possible to control other entrances. Of the total number of visitors in 2006 (96%), most were domestic (73%), due to organised group visits from July to October. Foreign visitors generally visit in the high season. (Table 1)

Table 1. Visitor numbers and structure in 2006

<table>
<thead>
<tr>
<th>2006</th>
<th>No Visitors</th>
<th>Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tickets</td>
<td>Free</td>
</tr>
<tr>
<td>January</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>February</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>March</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>April</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>May</td>
<td>223</td>
<td>-</td>
</tr>
<tr>
<td>June</td>
<td>1,524</td>
<td>219</td>
</tr>
<tr>
<td>July</td>
<td>2,070</td>
<td>59</td>
</tr>
<tr>
<td>August</td>
<td>2,007</td>
<td>46</td>
</tr>
<tr>
<td>September</td>
<td>2,044</td>
<td>19</td>
</tr>
<tr>
<td>October</td>
<td>1,488</td>
<td>11</td>
</tr>
<tr>
<td>November</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>December</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9,370</td>
<td>354</td>
</tr>
<tr>
<td>%</td>
<td>96.36</td>
<td>3.64</td>
</tr>
</tbody>
</table>

Source: Business documentation of Velebit Nature Park

The data in Table 2 show that, of the total tickets sold in 2007 (94%), 69% and 31% were sold to domestic and foreign visitors, respectively. The season lasted somewhat longer, probably due to a mild winter and favourable weather conditions. Being located in a rainy region with winter temperatures going down to minus 6°C, the Northern Velebit NP is visited six months in average.
Table 2. Visitor numbers and structure in 2007

<table>
<thead>
<tr>
<th>2007</th>
<th>No Visitors</th>
<th>Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tickets</td>
<td>Free</td>
</tr>
<tr>
<td>January</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>February</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>March</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>April</td>
<td>222</td>
<td>10</td>
</tr>
<tr>
<td>May</td>
<td>1,297</td>
<td>87</td>
</tr>
<tr>
<td>June</td>
<td>2,831</td>
<td>358</td>
</tr>
<tr>
<td>July</td>
<td>1,766</td>
<td>20</td>
</tr>
<tr>
<td>August</td>
<td>2,133</td>
<td>86</td>
</tr>
<tr>
<td>September</td>
<td>2,109</td>
<td>134</td>
</tr>
<tr>
<td>October</td>
<td>801</td>
<td>18</td>
</tr>
<tr>
<td>November</td>
<td>2</td>
<td>35</td>
</tr>
<tr>
<td>December</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11,161</td>
<td>748</td>
</tr>
<tr>
<td>%</td>
<td>93.72</td>
<td>6.28</td>
</tr>
</tbody>
</table>

Source: Business documentation of Velebit Nature Park

The tables show that the number of visitors is slow in growing, with domestic visitors continuing to outnumber foreign visitors. Domestic visitors account for 73% and foreign visitors for 27%, indicating a need to intensify marketing activities and market research. It is evident that in 2007 the number of foreign visitors increased by 4% in comparison to 2006. The reason for such a low number of foreign visitors could be the fact that, being Croatia’s youngest national park, it is perhaps less accessible and less known.

Most visited are the Zavizan area, the Velebit Botanical Garden, the Premuzic Trail and Stirovaca. Visitors usually arrive in organised groups, among which there are many pilgrims, mountain climbers, scientists and residents. This is perhaps the reason why domestic visitors prevail. They are more familiar with the region and are faster in conveying their experiences to others. Action is required in promoting the national park abroad.

2.2.2. Paklenica National Park

At present, this park has two entrances: the main entrance at the beginning of the Velika Paklenica canyon and another one at Mala Paklenica, with all-day reception service.

The table 3 demonstrates the prevalence of foreign visitors (85%) in the June-September period. Domestic visitors account for only 15%, mainly in May and June. Many are mountain climbers, rock climbers, hikers, as well as school children and students on excursions.
Table 3. Visitor numbers and structure in 2006

<table>
<thead>
<tr>
<th></th>
<th>Tickets</th>
<th>Free</th>
<th>Total</th>
<th>Domestic</th>
<th>Foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>202</td>
<td>196</td>
<td>398</td>
<td>370</td>
<td>28</td>
</tr>
<tr>
<td>February</td>
<td>153</td>
<td>113</td>
<td>266</td>
<td>225</td>
<td>41</td>
</tr>
<tr>
<td>March</td>
<td>614</td>
<td>186</td>
<td>800</td>
<td>428</td>
<td>372</td>
</tr>
<tr>
<td>April</td>
<td>7,161</td>
<td>670</td>
<td>7,831</td>
<td>2,330</td>
<td>5,501</td>
</tr>
<tr>
<td>May</td>
<td>11,595</td>
<td>657</td>
<td>12,252</td>
<td>3,025</td>
<td>9,227</td>
</tr>
<tr>
<td>June</td>
<td>12,633</td>
<td>366</td>
<td>12,999</td>
<td>2,415</td>
<td>10,584</td>
</tr>
<tr>
<td>July</td>
<td>17,979</td>
<td>443</td>
<td>18,422</td>
<td>1,087</td>
<td>17,335</td>
</tr>
<tr>
<td>August</td>
<td>25,594</td>
<td>465</td>
<td>26,059</td>
<td>1,652</td>
<td>24,407</td>
</tr>
<tr>
<td>September</td>
<td>14,668</td>
<td>334</td>
<td>15,002</td>
<td>1,241</td>
<td>13,761</td>
</tr>
<tr>
<td>October</td>
<td>7,512</td>
<td>665</td>
<td>8,177</td>
<td>1,416</td>
<td>6,761</td>
</tr>
<tr>
<td>November</td>
<td>1,171</td>
<td>181</td>
<td>1,352</td>
<td>652</td>
<td>700</td>
</tr>
<tr>
<td>December</td>
<td>330</td>
<td>183</td>
<td>513</td>
<td>344</td>
<td>169</td>
</tr>
<tr>
<td>TOTAL</td>
<td>99,612</td>
<td>4,459</td>
<td>104,071</td>
<td>15,185</td>
<td>88,886</td>
</tr>
</tbody>
</table>

Source: Business documentation of Velebit Nature Park

A small increase in foreign visitors (876%) and a slight drop in domestic visitors (14%) are evident. About 87% of all visitors come to the park individually as hikers or climbers, and about 13% in organised groups. (Table 4)

Table 4. Visitor numbers and structure in 2007

<table>
<thead>
<tr>
<th></th>
<th>Tickets</th>
<th>Free</th>
<th>Total</th>
<th>Domestic</th>
<th>Foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>331</td>
<td>258</td>
<td>589</td>
<td>549</td>
<td>40</td>
</tr>
<tr>
<td>February</td>
<td>260</td>
<td>177</td>
<td>437</td>
<td>322</td>
<td>115</td>
</tr>
<tr>
<td>March</td>
<td>1,189</td>
<td>266</td>
<td>1,455</td>
<td>781</td>
<td>674</td>
</tr>
<tr>
<td>April</td>
<td>11,881</td>
<td>857</td>
<td>12,738</td>
<td>4,126</td>
<td>8,612</td>
</tr>
<tr>
<td>May</td>
<td>11,085</td>
<td>539</td>
<td>11,624</td>
<td>1,669</td>
<td>9,955</td>
</tr>
<tr>
<td>June</td>
<td>12,472</td>
<td>345</td>
<td>12,817</td>
<td>1,997</td>
<td>10,820</td>
</tr>
<tr>
<td>July</td>
<td>18,973</td>
<td>371</td>
<td>19,344</td>
<td>1,108</td>
<td>18,236</td>
</tr>
<tr>
<td>August</td>
<td>26,931</td>
<td>499</td>
<td>27,430</td>
<td>1,392</td>
<td>26,038</td>
</tr>
<tr>
<td>September</td>
<td>13,920</td>
<td>331</td>
<td>14,251</td>
<td>1,322</td>
<td>12,929</td>
</tr>
<tr>
<td>October</td>
<td>6,660</td>
<td>291</td>
<td>6,951</td>
<td>1,409</td>
<td>5,542</td>
</tr>
<tr>
<td>November</td>
<td>2,101</td>
<td>196</td>
<td>2,297</td>
<td>568</td>
<td>1,729</td>
</tr>
<tr>
<td>December</td>
<td>220</td>
<td>185</td>
<td>405</td>
<td>307</td>
<td>98</td>
</tr>
<tr>
<td>TOTAL</td>
<td>106,023</td>
<td>4,315</td>
<td>110,338</td>
<td>15,550</td>
<td>94,788</td>
</tr>
</tbody>
</table>

Source: Business documentation of Velebit Nature Park
Having a more favourable position relative to the Northern Velebit NP and being exposed to sub-Mediterranean, continental and mountain climates, the Paklenica NP can be visited all year round. Visitor data from 2006 and 2007 indicate that attendance is the lowest in February when temperatures are around 7°C, and the highest for both domestic and foreign visitors in August when temperatures reach up to 26°C.

The data show an increase in the number of foreign visitors in 2007 (86%) relative to 2006 (85%) resulting from favourable weather conditions.

Also, the Paklenica NP is more accessible by visitors who are in transit, enabling them to combine visits to the park with a day at the beach, thus impacting on the park’s visitor statistics. This is perhaps the main reason why the Paklenica NP receives more visits from foreign guests than the Northern Velebit NP.

The above tables illustrate the total annual number of visitors the Northern Velebit NP and the Paklenica NP, visitor patterns per months and the ratio of domestic to foreign visitors. Interestingly, in 2006 and 2007, foreign tourists accounted for 86% of visitors to the Paklenica NP, but only for 31% of visitors to the Northern Velebit NP, that is, the former is mostly frequented by foreign guests – arriving mainly from the neighbouring countries of Italy, Hungary and Slovenia, but also from the Czech Republic, Germany, France and Belgium – and the latter by domestic guests.

3. MARKETING APPLICATION IN VELEBIT NATURE PARK

Once a management plan has been adopted, the application of a marketing concept will become indispensable, helping to bring about improvements in all areas and levels of Park operations. The problem is the Institution’s failure to apply specific research methods and techniques of the market research. The interview method is applied to a certain extent. One-on-one interviews are generally conducted by telephone. The Institution receives most of its enquiries by e-mail from tourists and travel agencies, providing it with an opportunity to exchange information, comments and suggestions.

3.1. Tourist Offer of Velebit Nature Park

Apart from the two national parks that are a part of the Velebit Nature Park, there are numerous other places to visit, the beauty of which is a match to that of the national parks. In addition to nature viewing, bicycling along the many biking routes, the total length of which exceed 80 kilometres, is also popular.

During the winter, skiing and sledding is possible on the reconstructed ski trails of Krasno. There are also plans to open a trail for cross-country skiing.

Covered in dense spruce forests, Stirovaca is location of great appeal. It is one of the few Park locations with a water spring and countless little streams that irrigate the surrounding meadows. Close by is the primordial forest of Klepina Duliba, a forest reserve.
The park provides opportunities for sports fishing, hiking, mountain climbing and rafting. Visitors who are less keen on activity holidays may visit the Cerovacke Caves, the Zavratnica Cove, or the Terzerijana Instructive Trail.

A web of natural circumstances has created a diversity of habitats for a large number of animal and plant endemics and relicts of Croatia and the Velebit. Of great importance are the Park’s many endemic plants such as the Velebit Degenia, the Croatian Sibbirhacea, the Edelweiss, the Cuban Sand Rock cress, the Window Bellflower, Kitaibeli’s Primrose, the Croatian Grassy Bell, the Alpine Sea Holly and others. Diversity also marks the fauna of the Velebit, which display Mediterranean features in the Park’s maritime region; Central European features, in the Lika region; and mountain and alpine features, on the Park’s peaks. Most numerous among endemics are molluscs, butterflies, beetles, and cave insects, in general.

It should be noted that the areas neighbouring on the Nature Park are rather underdeveloped. Social and economic backwardness has caused the population to emigrate, resulting in the areas’ depopulation. Also, traffic infrastructure is rather lacking. This calls for measures to be taken in revitalising this region.

In the Velebit’s northern part, Krasno stands out as an atypically wealthy Croatian village, but also as a tourist, spiritual and cultural centre. Most of the villagers are employed. The village has a cheese factory, as well as the only Museum of Forestry in Croatia, ski trails, a post office, shops, a hotel and several small catering facilities. Lodging can also be found in the towns of Sveti Jurja, Jablanac and Senj.

Within the Northern Velebit National Park, accommodation is provided in mountain lodges and shelters. Accommodation facilities are modest, furnished with supplies as per demand, and have a poor gastronomic offering. The better-known accommodation facilities include the mountain lodges in Ravni Dabar with 50 beds, on Mt. Zavizan with 28 beds, and the Prpa lodge with 30 beds; the mountain lodges at Alan Pass with 40 beds, in Oltari with 30 beds, and the Vila Velebita with 24 beds; the mountain shelter Rossi’s Cabin with 10 beds, Tatek’s Cabin with 12 beds; and many others.

There are only two, elderly people who are permanent residents in the Paklenica National Park; all other villages have been abandoned. Tourism is developed only along the coast where accommodation can be found in hotels, holiday flats, private rooms, guesthouses, and motor camps. Efforts are being made to develop rural tourism; well known is the Varos Homestead.

In the Paklenica National Park, accommodation can be found at the Paklenica Lodge (45 beds), in the mountain shelters of Struga, Ivina Vodica and Vlaski Grad, as well as in private family homes in Ramici and Parici. Shelters are not intended for prolonged visits but rather for overnight stays for visitors on trekking tours or as a refuge from bad weather.

Camping, setting up tents or building a fire is prohibited within both National Parks. Camping is allowed only at the “Nacionalni Park” Motor camp that operates as part of the information and presentation centre of the Paklenica National Park.
Visitors mostly arrive by bus in organised groups, and they are usually school children and students on excursions, pensioners, employees on a company day trip, and pilgrims. For anyone keen on spending their leisure time actively outdoors, the Park provides for a variety of opportunities, including hiking, mountain climbing, bicycling or visiting sanctuaries.

The mountain-climbing opportunities that the Nature Park provides are countless and diverse. The Park’s characteristics include an abundance of karst forms, contrasts, slopes, a unique blend of land and sea, botanical and zoological rarities, numerous entrances that are easily accessible, 500 kilometres of forest roads, some 20 accommodation facilities, a well-marked mountain route along the length of the Velebit range, and the popular Premuzic Trail leading through the northern and central part of the Velebit with exceptional views of the sea from a bird’s-eye view. In the central part of the Velebit, the locality Ravni Dabar is well known as a mountain-climbing zone in which free climbing is allowed on the cliffs of Visibaba, Agin Kuk, Celina Kuk and Rajcicin Kuk.

Recreational fishing in the Velebit Nature Park is allowed on the Ricica, Opsenica and Zrmanja rivers, and on the Sveti Rok, Stikada and Muskovci lakes.

3.2. Pricing Policy and Sales

Prices of services provided in the Velebit Nature Park are set based on the prices of services in other nature parks, both in Croatia and abroad. In pricing certain type of tickets, the prices set by rival parks are also taken into consideration.

Ticket prices also depend upon a trail’s level of difficulty and the duration of time for which a guide is needed. Special attention is focused on pricing tickets for cave visits; in pricing, consideration is given to and comparisons made with the prices of other parks.

For example, a basic three-day ticket to the Northern Velebit National Park costs HRK 30. Tickets are marked with upper-case letters of the alphabet. The basic ticket is a B ticket. An A ticket is a discounted ticket for children, the disabled and members of alpine clubs, and costs HRK 15. A G ticket is for groups and costs HRK 20. An annual ticket, the F ticket costing HRK 100, and can be used throughout the year. A discounted annual ticket for the above-mentioned categories – an E ticket – costs HRK 50. A seven-day D ticket at full price costs HRK 50. A discounted seven-day ticket is a C ticket (HRK 25). Free-of-charge tickets are H tickets.

3.3. Promotional Activities on the Tourist Market

The efforts the Park’s employees make in developing promotional activities are great, because they must do everything by themselves. In the pre-season, they submit promotional material to tourist fairs or attend the fairs in person, and they advertise through the Croatian National Tourist Board.

Promotional printed matter includes leaflets describing various events or seasonal programs, and featuring prices, opening hours, etc. Leaflets are supplied to hotels, Info-Points and travel agencies in the Zadar, Sibenik and Kvarner regions. The
same applies to brochures. Magazines are also important, as they leave a better and enhanced impression on people. Billboards are set up in tourist resorts, town maps, at petrol stations and highway exits. During the summer, they collaborate with travel agencies that promote the Park on posters. Postcards play a minor role in promotion. In addition to Internet links, the Park also has a banner that enables immediate access the Park’s Homepage.

Promotional activities occasionally include advertising in newspapers and on tourist pages (the History of Judaism). In the future, promotional movies or video projections are expected to take on a leading role. Radio and television advertising is not used, as it requires considerably greater financial resources.

In addition to seeking to attract visitors and sell services, the Park’s employees are making great efforts to position their services and product in the minds of children and adults. When visitors come to the Park with the intention of visiting a specific locality, the Park’s employees endeavour to provide more information than is normally required to ensure visitors gain the best impression. They also carry out educational programs in local schools to acquaint children with the natural and cultural assets of the region in which they live. Also popular is the one-day School in the Outdoors, bringing children closer to nature through their active participation, instilling in them concern for and responsible behaviour towards nature, and teaching them about natural assets. On the occasion of Environmental Protection Day, World Planet Day, World Park Day and World Mountain Day, they organise expert lectures on climate changes and its impact, as well as various workshops. They underline the importance of preserving nature and encouraging tourism development.

CONCLUSION

It should be noted that the Velebit Nature Park is mostly located within the territory of the Licko-Senjska County, which, although possessing valuable natural sites, lags behind the other counties in terms of tourism and traffic development. This has had its effect on the Park’s attendance rate.

Accommodation facilities are one of the Park’s problems. Park visitors are usually people on a one-day trip and mountain climbers staying for a short time. The future construction of accommodation facilities should focus on small guesthouses and family-run hotels that are consistent with trends in tourism to prevent the devastation of outdoor spaces.

Encouragement should be given to developing traditional agriculture and motivating local communities to ensure a better quality of life for residents and the level of standard that tourists require.

The Velebit Nature Park abounds in natural and cultural assets. It has numerous types of plants, animals, forests, trails, cliffs, etc. It is a place where visitors can enjoy themselves. The Park seeks to capitalise on all its assets; it maintains them and invites visitors to come and enjoy them. However, the Park also has some drawbacks: it lacks facilities and services geared to children, a wider selection of souvenirs, indigenous homemade food, multilingual signs, and trails that can be accessed by the disabled.
In addition to cultural, recreational and adventure activities mentioned, the Park could also organise horse riding and paragliding, and make several more caves accessible to visitors. Depending on the offering, the price of tickets would be sure to increase. At present, prices are realistic and affordable, and there is no need for in-depth analysis of the pricing policy.

Data regarding the number of tourist overnights indicates an increase in attendance rates. There is a large discrepancy in the ratio of domestic to foreign visitors between the two national parks. Park authorities need to uncover the reason for this and find ways of evening out attendance rates. Greater collaboration is needed with local tourist boards and the Tourist Board of the Licko-Senjska County, to ensure that the Park has more frequent and easier access to leading tourist fairs.

Local hospitality facilities, as well as bus and train stations in the extended area, should be supplied with promotional printed matter. In addition to posters, billboards, neon signs, banners, etc. could also be used. Seeing how television advertising calls for considerable financial resources, video films could be used as a convincing substitute. Organising the celebration of anniversaries in honour of renowned scientists who have contributed towards the Park’s development in the past would make for interesting events.

Hence, to improve the operations of the Velebit Nature Park and enhance its future development and competitiveness, it is necessary to apply marketing activities.

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DEVELOPING HUMAN RESOURCES’ SKILLS 
AND KNOWLEDGE IN TOURISM AND 
HOSPITALITY INDUSTRY THROUGH THE 
DETERMINATION OF QUALITY OF TRAINING 
PROGRAMS

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Abstract: Research into tourism and hospitality training field has been focused on the subjects of training need assessments, training evaluation models, training within organizational frameworks and useful training techniques. Despite the significance of the above aspects, less afford has been made in the field of training quality and particularly in defining those factors that the quality of a training program consists of. Taking into account that training is a service which the organization, the producer, delivers to its employee, the consumer, this research is going one step further and not only exams SERVQUAL in the training field, but tries to examine inductively at distinctive training quality dimensions from the perspective of trainees point of view that are not subject of other service industry. The definition of training quality dimensions can lead those who develop a new training program to use those dimensions as a framework for greater training outcomes. Moreover, this research tests how the GAP model is compared with the measurement of perceptions merely and the measurement of expectations lone of training quality, as defined by the trainees.

Key words: hospitality and tourism industry, GAP model, training program quality dimensions, SERVQUAL.
INTRODUCTION

The purpose of this article is to describe the development of a training quality measurement scale, and presents the scale’s properties and potential applications. According to Alliger, Tannenbaum, Bennett, Traver, and Shotland (1997) and Kirkpatrick (1998), employees are the customers of training. As a result, this research tries to find resources and theories through several fields of study such as quality of services, human resource development, hospitality and tourism management, education and training and organisational behaviour.

In this research figured out which are the dimensions that determine the trainees’ perceptions regarding training quality and how the GAP model compared with the perceptions and the expectations measurement, individually, which synthesize the GAP model of training quality, as defined by the trainees’ perceptions. Furthermore, the research revealed relationships between training quality, as defined by trainees, and an intention of those trainees to transfer their knowledge gained on the training class to their jobs. Consistent with Kirkpatrick (1959), these reaction measures deal with trainees’ attitudes regarding their opinion for a training program.

Although Eddie, Cheng, and Danny (2004) and Alliger, et al., (1997) mentioned the difficulties of the above issue, nobody had tried to study a comprehensive training measure instrument like this. The importance of defining and measuring a reaction factor, related to training efficiency through the identification of training quality dimensions, deals with the fact that people who are responsible for the planning and implementation of a training program to conduct it with the maximum transfer of knowledge, attitudes and skills back to trainees’ jobs.

Service quality and training issues in the hospitality industry

The service nature of the hospitality product sets down how consumption is required to take place. Services are generally described as having three unique attributes-features, specifically: ‘intangibility’, ‘inseparability’ and ‘heterogeneity’ (Lashley and Taylor, 1998; Schneider, 1994). In addition, there is another attribute of services called ‘perishability’ referring to the fact that services cannot be stored for future sale. Intangibility refers on how the product may only be experienced or participated in instead of owned. Inseparability is a consequence of the way that production and consumption are synchronized due to the significant interaction (points of contact) between producer and consumer. Those points of contact Czeipel, Solomon and Suprenant (1985) had described as ‘service encounter’, Armistead (1994) as ‘service stars’ and Carlzon (1987) as ‘moments of truth’. Heterogeneity means that it is difficult for service organizations to standardize the many ‘moments of truth’ coming from a typical service encounter. Moreover Clements and Josiam (1995: p.15) note how “damaging an unsuccessful ‘moment of truth’ can be in the hospitality industry”. More measured and less dogmatic accounts of the service encounter are regarded to recognize a number of elements that pose several issues for organizations. This is a particular issue of quality assurance where “the consumer finds it difficult to isolate service quality from the quality of the service provider” (Enderwick, 1992: p.139).
In this vein, Gronroos in 1984 (p. 38) suggested a framework “whereby two types of quality were distinguished: the technical quality and functional quality”. In other words, what the consumer receives as a result of his interactions with a service firm and the way that the service is provided. In addition to the above, Gronroos in 1988 defined another five factors of service quality. Namely, professionalism and skills; reputation and credibility; behavior and attitudes; accessibility and flexibility; and reliability and trustworthiness. The professionalism and skills identified are being familiarized more as service outcome while the other four factors as process dominated. Additionally, a distinction of four dimensions of service quality was recommend by Edvardsson, Thomasson and Ovretveit (1994), which are the technical quality, the integrative quality, the functional quality, and the outcome quality. In another work, Mels, Boshoff and Nel (1997) identified two particular determinant factors that service quality could be defined, the functional and the technical quality, in line with Gronroos’ research findings. Relative to the above distinctions in service quality, the scale developed by Parasuraman, Zeithaml and Berry (1985; 1988; 1991) and called SERVQUAL consisted of five principal components of service quality; the Tangibles; Reliability; Responsiveness; Assurance; and Empathy. Due to the significance of their research, this scale has been replicated across different kind of services, with the unique nature of the hospitality industry to offer great research opportunities for various SERVQUAL tests. For example, Saleh and Ryan in 1991 examined the scale in hotels premises by following SERVQUAL rational and they identified five dimensions (conviviality, tangibles, reassurance, avoiding criticism and empathy) that did not confirm the SERVQUAL dimensions. The study of Getty and Thompson (1994), again in the hotel industry, reached the same conclusion with the Saleh and Ryan (1991) research (SERVQUAL dimensions were not fully met). Following once more the SERVQUAL rational they developed a scale called LODGSERV constituted of three dimensions (tangibility, reliability and contact).

In 1997, Ekinci and Riley (1997: p.163) compared the above scales in a resort hotel sample and their results were that “both scales fail to replicate the proposed dimensions and to provide content validity in this specific application”. In 1991, Knutson, Stevens, Wullaert and Patton replicated SERVQUAL in hotels and motels and further verified LODGSERV. Moreover, Johns and Tyas (1996) replicated SERVQUAL in the fast-food sector resulting that all of the six dimensions identified by Parasuraman et al (1991) were verified in the outcome of their research. In a relevant survey Mei, Dean and White (1999) aimed at identifying the most predictive dimension of overall service quality in three to five stars hotels by using an adapted version of the SERVQUAL scale, namely the HOLSERV. According to their findings there are three significant dimensions in the hospitality industry (employees, tangibles and reliability); they also argued that “the employees’ dimension emerged as the best predictor of overall service quality, hence effective training of employees is a prerequisite for sustaining high service quality.

A study by Johns and Lee-Ross (1997: p.351-352) on hotel services identified that in the service context “services differ in the proportions of tangibles they contain. It would be reasonable to hypothesize that the importance of tangible aspects is higher in customer experiences such as hotel services, which contain a high proportion of clearly differentiated tangible components”. In reference with Gronroos (1988) and
Parasuraman et al (1991) models, the professionalism and the skill of Gronroos’ (1988) service quality determinations’ and the tangibles and the reliability of Parasuraman et al (1991) service quality determinations’ items can be part of a process-development or outcome-result in the hospitality industry strongly dependant on the skills and competencies of the human resources.

As far as the concept of training, it includes all formal learning actions, which may perhaps, or not lead to qualifications and possibly will be obtained at any time in a working line of business. Training becomes perceptible from some authors as costly (Cheng και Ho, 2001) since the problem has to do with the fact that that hardly the 10% of cost for the training correspond in the transfer of knowledge in the working environment (Georgenson, 1982). Also, Patrick (1992) claimed that the greater part of training is unable to be transferred in terms of work.

The deficiencies in research regarding the evaluation of training have as result that only 15% of enterprises try to evaluate the transfer of training (Haywood, 1992). Thus, the evaluation of transfer constitutes a chance for research from the moment that the human resources executives will need more than never to prove that their investments on training have as result either the improvement of output or the financial benefits. The skills and the knowledge that are acquired through the training process should lead to visible changes both to behavioral and working terms (Caravanglia, 1993).

According to the need for improving the criteria and methods of evaluation regarding the transfer of training, Goldstein (1982) proposed that the research should define variables capable to predict positive transfer. The research of Baldwin and Fold (1989) regarding the transfer of training reveals the existence of gaps between the relative scientific knowledge. This deals with the training inputs such as the characteristics of trainees, the planning of training session and the working environment and the relations between those.

**RESEARCH METHODOLOGY**

The first step in the development of any scale is to construct a conceptual specification of the construct being scaled (Churchill, 1979). The conceptual framework of this research was derived from the studies of Kirkpatrik (1959) regarding training evaluation criteria; Ajzen’s (1991) theory of planned behavior; the model of training and transfer of Baldwin and Fold (1989) and Parasurman’s, Zeithaml’s, and Berry’s (1985) service quality dimensions and a service quality measure instrument.

The research was developed in two phases. At the first phase the scales were developed, while at the second phase the extended instrument of the training quality, which developed by the trainees’ point of view, were tested. Although different guidelines were tested to develop the scale (Churchill, 1979; Rossiter, 2002; Ulaga, and Eggert, 2001; Gerbing, and Anderson, 1988; Tepper Tian, Bearden, and Hunter, 2001; Brotheridge and Lee, 2003; Diamantopoulos, and Souchon, 1999; DeVellis, 1991), the steps employed in constructing the scale provided by Hinkin, Tracey, and Enz (1997).
This guide of developing measurement instruments judged as the most proper due to the fact that referred directly to the hospitality industry and provides clear and helpful steps for developing such a kind of scale, like in the case of Hei-Lin Chu and Murrmann (2006), that they developed a hospitality emotional labor scale, following the same guideline.

**FIRST PHASE**

Due to the fact that there is no any other scale to assess training quality, the first phase deals with the development of such a measurement scale. The research is conducted through the use of questionnaires. As mentioned above, although there is a number of scale development instruments, the process that is used by this research is suggested by Hinkin, *et al.* (1997).

According to the first step that deals with the item generation and the items creation, this research is emphasized on issues of reliability and validity, because, as Hinkin *et al.* (1997) stated, reduces the likelihoods for methodological problems that probably would controversy the final results. According to DeVellis (1991), the ideal size of the item pool should be four times larger than the final scale, or as small as 50% larger than the final scale. To generate a large item pool, two sources were used to generate scale items: the existing literature and focus groups. As far as the items generation is concerned, eighth educators and four employees of the hospitality and tourism industry were examined through interviews. Even if the items generated were somewhat redundant, DeVellis (1991) indicated that having multiple and redundant items is important since items’ irrelevant idiosyncrasies will cancel out during the scale purification process. Consequently, considerable redundancy in the item pool is desired when developing a new scale.

Next, the qualitative methodology required for words or concepts that defined to be grouped into classes or categories. This process successively led to nine categories of determinant factors/dimensions. These nine categories/factors were correspondently named: Applicability, Consistency, Enjoyment, Interaction, Touchable, Homogeneity, Environment, Politeness, and Responsibility.

An inductive approach was used to concentrate the specific information for training. The subjective choice of the researcher as far as the titles and the names of the nine dimensions are concerned, directed from the results of the interviews’ concept analysis. The final step on the qualitative process was to develop the attributes or the items that support or explain further each dimension of the training quality (Hinkin, *et al.*, 1997). The items that were created were based on interviewees’ comments and the understanding of the scientific content by the researcher. Sixty-eight items were created for the nine dimensions of training quality.

As far as the content adequacy assessment is concerned, the second step, forty-five students of the Department of Tourism Management of the School of Management and Economics of the Technological Educational Institute of Thessaloniki completed the corresponding questionnaire. Regarding the analysis of the students’ answers, the
choice of the items is based on an acceptable agreement index of .60 (Hinkin et al., 1997). Using the same criteria, 35 items were defined (51%). This process led to thirty-six items for the nine dimensions of the training quality.

Regarding the third step, the thirty-six items that were developed in the 2nd step were incorporated in a questionnaire and each item was presented in two ways. One, in a training expectation, on the first part, and, in a perception way for the reality that presented during the training session, on the second part of the questionnaire. The developed questionnaire was delivered to five training programmes in the broad area of Macedonia (Greece) and Cyprus in academic subjects related to tourism and hospitality (Katerini, Thessaloniki, Kilkis, Cyprus, Halkidkiki). The researcher with the trainers’ assistance delivered the questionnaires at the end of each training session. Due to the fact that this stage of the research was a step on the scale development and not a real test of the final instrument, the perceptions and the expectations were tested synchronously at the end of the training season (Hinkin et al., 1997). From the 182 trainees that attended the sessions, 155 of the questionnaires were able for analysis (85.6%). According to Guadagnoli and Velicer (1988), in the most of the researches, the sample size of the 150 observations are adequate for the achievement of the exact solution in an exploratory factor analysis since the correlations between items are strong.

After finishing data collection, it is important and crucial to evaluate the items’ efficiency for the determination whether compose adequately the scale (Siardos, 2004). The factor analysis is repeated for the GAP measurement, for a perceptions and expectations measurement of training quality, individually. In this final stage of factor analysis for the GAP measurement of the training quality from the trainees’ point of view, the Measure of Sampling Adequacy (MSA) and the Bartlett’s test of sphericity were used to ensure that the data had inherent sufficient correlations to perform the scale. The MSA index was .617 and the Bartlett’s test of sphericity rejected the null hypotheses that the matrix of elements was an identity matrix, proposing that existed important correlations between at least certain variables, which justified the use of the scale. The first factor analysis resulted in a 9-factor solution, which explained 62.80% of variance. To attain a further meaningful solution, items were deleted if they loaded regularly heavily on more than one factor, and their loadings were smaller than .55, in consideration of the small sample size (Hair et al., 1998). After the factor analysis, 26 items were found to determine the nine dimensions of training quality.

Regarding factor analysis for the measurement of trainees’ perceptions, the MSA index was .791 and Bartlett’s test of sphericity rejected the null hypotheses that the matrix of elements was an identity matrix, proposing that important correlations between at least certain variables exist, which justified the use of the scale. The first factor analysis resulted in a 9-factor solution, which explained 73.28 % of variance. After the factor analysis, 23 items were found to determine the nine dimensions of training quality from the trainees’ point of view.

As far as the measurement of trainees’ expectations factor analysis is concerned, the MSA index was .802 and Bartlett’s test of sphericity rejected the null hypotheses that the matrix of elements was an identity matrix. The first factor analysis
resulted in a 9-factor solution, which explained 71.65% of variance and 24 items were found to determine the nine dimensions of training quality.

At the fifth step and by examining firstly the internal consistency results, the overall Chronbach alpha score for all of the items for the GAP measurement scale of training quality was .7903 (high). The dimension of homogeneity had the higher internal consistency score and the dimension of enjoyment had the lower. Regarding the internal consistency scores for the measurement of trainees’ perceptions, the overall Chronbach alpha score for all of the items was .8650 (very high). The dimension of interaction had the higher internal consistency score and the dimension of touchable had the lower. As far as the internal consistency scores for the measurement of trainees’ expectations, the overall Chronbach alpha score for all of the items was .7998 (high). The dimension of interaction had the higher internal consistency score and the dimension of politeness had the lower. As far as the internal consistency scores for the measurement of trainees’ perceptions, the overall Chronbach alpha score for all of the items was .7998 (high). The dimension of interaction had the higher internal consistency score and the dimension of politeness had the lower. A test of Internal Consistency Assessment took place as well regarding the three items that comprise the scale to measure the construct of intention of the trainees to use the skills and knowledge they obtained through the training sessions back to their jobs. The Chronbach alpha score was very high (.9340).

Although both consist a good base for Construct Validity, the further test of them was necessary according to the sixth step. The scales that were developed until this point were further tasted for Construct Validity and internal consistency (Hinkin et al., 1997).

SECOND PHASE

At the second phase of the research, the exploratory factor analysis for the scales that developed in the first phase was replicated. The scales that were developed during the distillation process in the first phase were integrated in an instrument that delivered to 239 tourism and hospitality trainees in 8 training sessions in Central Macedonia, Greece. Before start testing the three null hypothesis, the factor analysis was repeated for the three scales for the further analysis and distillation of the dimensions that were defined in the first phase.

After the second factor analysis for:

- the GAP measurement of the training quality from the trainees’ point of view, the MSA index was .785 and the Bartlett’s test of sphericity rejected the null hypotheses that the matrix of elements was an identity matrix, proposing that existed important correlations between at least certain variables exist, which justified the use of the scale. The first factor analysis resulted in a 6-factor solution, which explained 66.8% of variance and 16 items in total were defined the GAP measurement of training quality scale. The dimensions of Touchable, Politeness and Enjoyment that were appeared in the first phase they rejected in the second phase during the replication of factor analysis for the GAP measurement of training quality. Then, the reliabilities of the construct indicator for each dimension were tested with the use of Cronbach Alpha and the overall reliability for the six dimensions that compose the GAP measurement of training quality was .7986.
the measurement of trainees’ perceptions, the MSA index was .813 and the Bartlett’s test of sphericity rejected the null hypotheses as in the previous measurement. The first factor analysis resulted in a 7-factor solution, which explained 67.9% of variance 15 items in total defined the measurement of trainees’ perceptions of training quality scale. The dimensions of Politeness and Enjoyment that were appeared in the first phase, they couldn’t succeed to appear during the replication of factor analysis for the measurement of trainees’ perceptions of training quality in the second phase. The overall reliability for the seven dimensions was .8789.

the measurement of trainees’ expectations, the MSA index was .698, and Bartlett’s test of sphericity rejected the null hypotheses, which justified the use of the scale. The first factor analysis resulted in a 6-factor solution, which explained 61.5% of variance and 13 items in total defined the measurement of trainees’ expectations of training quality scale. The dimensions of Politeness, Environment and Enjoyment they rejected after the replication of factor analysis. The overall reliability for the six dimensions that compose the perceptions Measurement of training quality was .7678.

RESEARCH HYPOTHESIS

First Null Hypotheses (1): The dimensions that define training quality are similar to the service quality dimensions (tangibles, reliability, responsiveness, assurance, and empathy). The research approached inductively and didn’t try to plan and present the training quality dimensions in order to reflect those of service quality dimensions. On the contrary, the qualitative research was opened to appoint the unique training quality items, and the titles and definitions of the final dimensions, were resulted from the research data illustration.

As far as the contrast between service quality and training quality, the service quality scale was found to have five dimensions whereas the training quality scale was found to have six dimensions with the measurement of GAP model, seven according to the measurement of perceptions and six in reference with measurement of expectations. To the extent that the training quality measured by:

- the GAP: three out of six dimensions are related with those of service quality,
- the measurement of perceptions: four out of seven dimensions are equalized with those of service quality, and
- the measurement of expectations: three out of six dimensions are matched with those of service quality.

Accordingly, four out of five dimensions of service quality matched with two or three dimensions of the three scales. Since:

- four out of seven (57.14%) dimensions of training quality that were found according to the measurement of perceptions; three out of six found with the GAP measurement (50%); and three out of six found with the expectations measurement (50%) of training quality, and
• four out of five (80%) dimensions of service quality come through the 
  training quality dimensions according to the measurement of perceptions 
  and three out of five (60%) come through the measurement of 
  expectations and GAP measurement,

a greater homogeneity between the dimensions of service quality and those of the scale 
of the measurement of perceptions of training quality rather than between the GAP and 
effects of expectations measurement scales, so the null hypothesis was rejected and the first 
hypotheses was confirmed.

Second Null Hypotheses (2): The correlation of the GAP result, in all 
dimensions, is not equal with the correlations of the measurement of perceptions or 
effects in all dimensions of the total quality of training. A correlation measure it 
was the most proper statistical test in order to define if the three variables were linked 
(Bora-Senda and Moediades, 1997; Moore, Duckworth, and Sclove, 2002; Phagan, 
2002; Gnardelis, 2006). In this case, the correlation between training quality of the 
GAP measurement scale and the general training quality was compared with the scale 
of the measurement of perceptions and expectations with the same, general, training 
quality. The simple correlation analysis produced a correlation matrix that defines:

- a statistically significant positive correlation (.365) between training 
  quality as determinate through the mean of GAP scores for each 
  dimension of training quality and the general training quality that 
  indicated by the trainees,
- a statistically significant positive correlation (.567) between training 
  quality as determinate through the mean of the measurement of 
  perceptions scores for each dimension of training quality and the general 
  training quality that was indicated by the trainees, and
- a statistically significant positive correlation (.411) between training 
  quality as determinate through the mean of the measurement expectations 
  scores for each dimension of training quality and the general training 
  quality that was indicated by the trainees.

Accordingly, the second research question was confirmed due the fact that the 
correlation between the three measures of training quality and the general trainees’ 
training quality estimation wasn’t equal. Due to the fact that the correlation coefficient for 
the perceptions measurement was higher from the other two correlation coefficients, it 
was evidence to prove that the training quality that was defined through the measurement 
of perceptions associated more with the general training quality than the measurement of 
the GAP or expectations. This result supported the validity of the training quality 
measurement scale as defined through the seven dimensions of training quality.

Third Hypotheses (3): The greater the trainees perception regarding the 
quality of training, the greater their intention to transfer the skills and knowledge they 
obtained during their training in terms of working environment. Simple correlation 
coefficient was used to test hypothesis on the .05 level (H0: \( \rho = 0 \), H2: \( \rho > 0 \)). The 
hierarchical nature of this research dictated that the measurement method that would 
have found to be the most highly correlated with overall training quality via the testing 
of second hypothesis would be used to test the third hypothesis. Consequently, training 
quality as defined through the measurement of perceptions correlated with the scores of
the three items of the intention to transfer training concept. The scores indicated a statistically positive correlation \(r = 0.568\) (level \(p = 0.01\)) between training quality through the measurement of perceptions of trainees in a seven dimensions scale and the intention to use training. As a result, the third hypotheses was confirmed.

Discussion

The overall purpose of this study was to develop an instrument that emerged as a result from the scale determination process. The development and validity process of the scale were presented in detail. Two studies were conducted to establish and confirm scale unidimensionality, reliability and validity. The first study with 155 hospitality and tourism trainees was conducted with the purpose of item purification. The results of the first study derived a 31 item scale. The first phase included the development of the items that further examined the measurement of GAP, expectations and perception on training quality, individually. To further examine the scale’s property, a second study was conducted and data collected from 239 hospitality and tourism trainees. The test of second phase further filters the scales while support the three null hypothesis. As a result from this research, a scale of fifteen items and seven dimensions that were based on the measurement of trainees’ perceptions were developed. These are the following:

1. **Interaction**
   1. Training session involves active learning.
   2. Training session features small group work.
   3. Trainees are active participants in training.

2. **Consistency**
   4. Trainer is knowledgeable about the field of study.
   5. Training session is developed by people who have done the trainee’s job.
   6. Training session is well-planned.

3. **Homogeneity**
   7. Trainees come from the same professional sector
   8. Training session refers to trainees with the same development prospects

4. **Applicability**
   9. Training session directly related to trainees’ jobs.
   10. Training session presents a realistic picture of the job.

5. **Responsibility**
   11. Trainees understand the rewards of implementing training.
   12. Training session includes a test to evaluate what trainees have learnt

6. **Touchable**
   13. The written material of the training session is professionally prepared
   14. The training classroom provides the natural comfort for the trainees

7. **Environment**
   15. Trainees feel comfortable during the training session

This research considered a new framework for training assessment. Based on the fact that training is a service, the theories of service quality; training; education; human resource development; and planned behavior consisted the basis for the development of a multidimensional model of service quality that could matched on Kirkpatrick’s (1959) model as the first level or reaction measurement of training effectiveness.
In reference with the theoretical applications of the research on the one hand, the scale that was result of this research had presented positive validity and consistency scores in the primary stages of the research. Possibly, the further research will confirm these primary results facing as well as the generalization issue of the scale in the various types of training programs. This research expands the range of the knowledge regarding training with the integration of new data adopted from various scientific fields. Furthermore, it contests the methodology used by the researchers who used one or two measures of training quality through the use of SERVQUAL items. As resulted from this research, to measure expectations; perceptions; and perceptions minus expectations it produced different scores and different dimensions which derived from those measurements.

On the other hand, the direct practical contribution of this research is the understanding of the qualitative principal components of a training program that potentially will improve the quality of the training programs that offered from the organizations. Even without the practical instrument’s use, every constructor or educator of a training program can use these seven principal components as a framework/template for qualitative training programs. According to the research findings, any training program that adopts these training quality’s seven principal components/dimensions will result in greater training transfer in the working environment.

As well as, it could be used to evaluate the employees’ perceptions regarding the organization’s training programme annually or in a particular manner. Moreover, the scale could be used to assess the success of a training programme regarding each individual dimension. A low score individually in a dimension could be used as an index for better efforts to achieve the desirable results.

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Abstract: Tourism represents an important originator of economic activities in Croatia, particularly in its seaside destinations. However, it is developed quite unevenly. The overall Croatian territory can be divided into three different natural and geographic regions, with different levels in tourism development: lowland or Pannonian and peripannonian Croatia, highland Croatia, and seaside Croatia.

From the tourism development point of view, lowland and highland Croatia have been neglected, and therefore their comparative advantages have not been used to their advantage or not used at all because of the lack of interest in local inhabitants and poorly educated economists.

Thermal spa tourism of North-West Croatia has been developing for a long time, so nowadays thermal sources of Krapinske, Stubicke, Tuheljske, Varazdinske, and Sutinske spas are situated in the area. All those thermal spas have natural prerogatives for tourism development, but their tourism product is outworn and has lost its quality and attraction it had in the past. Therefore the repositioning of tourism product of the area is necessary in order to make it desirable in the tourist markets of both Croatia and Europe.

Key words: thermal spa tourism, Croatia, repositioning, Europe.
1. EUROPEAN THERMAL SPA TRENDS

Following the European tradition, particularly from the first half of the 20th century, thermal spa tourism has been developing in conjunction with the overall social development. As the result of constant changes in demand, tourism is undergoing constant changes too, the main trends being: increase in tourism consumption, increasing number of shorter vacations instead of one long vacation, and attractiveness of senior age clientele with higher payment possibilities. Tourists are spending even more on their vacations, with growing consumption within the place of stay and diminishing accommodating and travelling costs. Considerable trend in deciding on several vacations instead of the unique longer one spent in one place is noticeable, particularly in highly developed countries. (Trendovi u turizmu, [http://www.dugirat.com], 18.03.2009.). Such tourism trends are reflected in particular selective tourism forms, and consequently in thermal spa tourism as well. The thermal spa tourism trend is reflecting the trend in shifting from the traditional thermalism towards the modern, complete, and complex health and recreation tourism (Figure 1).

**Figure 1. Traditional and contemporary health tourism concept**

<table>
<thead>
<tr>
<th>TRADITIONAL THERMALISM</th>
<th>CONTEMPORARY HEALTH TOURISM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common denominators</strong></td>
<td></td>
</tr>
<tr>
<td>• Fulfilling of health needs</td>
<td></td>
</tr>
<tr>
<td>• Importance of hospitality in hotels</td>
<td></td>
</tr>
<tr>
<td>• Medical and rehabilitation services and equipment</td>
<td></td>
</tr>
<tr>
<td><strong>Guests</strong></td>
<td></td>
</tr>
<tr>
<td>• Higher age average</td>
<td></td>
</tr>
<tr>
<td>• The sick and the old</td>
<td></td>
</tr>
<tr>
<td>• Guests of lower average income</td>
<td></td>
</tr>
<tr>
<td>• Permanent length of stay</td>
<td></td>
</tr>
<tr>
<td>• Domestic guests – patients and reconvalescents</td>
<td></td>
</tr>
<tr>
<td>• Paid medical treatments</td>
<td></td>
</tr>
<tr>
<td>• Seasonal arrivals: May to October</td>
<td></td>
</tr>
<tr>
<td>• Returning regularly once a year</td>
<td></td>
</tr>
<tr>
<td>• 30- and 40-year old guests dominate</td>
<td></td>
</tr>
<tr>
<td>• Younger, but exhausted</td>
<td></td>
</tr>
<tr>
<td>• Higher average income</td>
<td></td>
</tr>
<tr>
<td>• Varying length of stay</td>
<td></td>
</tr>
<tr>
<td>• Well-market international clientele/guests of various provenance</td>
<td></td>
</tr>
<tr>
<td>• Paying for the services</td>
<td></td>
</tr>
<tr>
<td>• Travelling throughout the year</td>
<td></td>
</tr>
<tr>
<td><strong>Contents</strong></td>
<td></td>
</tr>
<tr>
<td>• Curative treatments</td>
<td></td>
</tr>
<tr>
<td>• Exclusively main and additional medical stays</td>
<td></td>
</tr>
<tr>
<td>• Medical therapy</td>
<td></td>
</tr>
<tr>
<td>• Pension alimentation</td>
<td></td>
</tr>
<tr>
<td>• Prevention in addition to the cure</td>
<td></td>
</tr>
<tr>
<td>• Differentiation of typical medical therapies and recreational programmes*</td>
<td></td>
</tr>
<tr>
<td>• Various therapies and more other contents**</td>
<td></td>
</tr>
<tr>
<td>• “Healthy food”</td>
<td></td>
</tr>
<tr>
<td><strong>Tourism industry</strong></td>
<td></td>
</tr>
<tr>
<td>• Developed limited infrastructure</td>
<td></td>
</tr>
<tr>
<td>• Standardized offer</td>
<td></td>
</tr>
<tr>
<td>• Hospital type curative establishments</td>
<td></td>
</tr>
<tr>
<td>• Wider offer</td>
<td></td>
</tr>
<tr>
<td>• Various and specialized offer</td>
<td></td>
</tr>
<tr>
<td>• Healing establishments and/or hotels</td>
<td></td>
</tr>
<tr>
<td><strong>Health tourism policy</strong></td>
<td></td>
</tr>
<tr>
<td>• Pursued marketing – narrow segment</td>
<td></td>
</tr>
<tr>
<td>• Local healing establishment policy</td>
<td></td>
</tr>
<tr>
<td>• Aggressive marketing – acquiring of new segments</td>
<td></td>
</tr>
<tr>
<td>• Policy of the destination as a whole</td>
<td></td>
</tr>
</tbody>
</table>

*Recreational programmes can be: manager programmes, active recreation, prevention of stress, etc.
**Along with the medical, thalassotherapy, etc., sports, entertainment, congress and various other contents are offered during the stay in medical destinations.
Dynamic growth in thermal spa tourism can be observed. The annual growth by 8-10% in this particular tourism segment (Canadian Ministry of Tourism) can be noticed throughout the world. According to the World Tourism Organization estimate, thermal spa tourism is predictably the most important occupation of the 21st century. Dynamic growth in thermal spa tourism is registered in all European countries. More than thousand thermal spas can be found in Europe, spread in almost all countries (with exception of Scandinavian and Baltic countries, this number includes the countries of the European continent and the Mediterranean), with innumerable contents and specific programs for various purposed groups of visitors, and various lengths of and reasons for their stays in spas (European Spa Industry, [http://www.visiteuropeanspas.com/], 14.05.2009.).

The most visited destinations are in Germany, Italy, France, Austria, Switzerland, Czech republic, Slovakia, Hungary, Slovenia, Finland, Romania, and Turkey. There are approx. 900 spa resorts in Germany alone (including mineral and mud spas, climate health resorts (known for fresh air), sea-side resorts, and Kneipp hydrotherapy spa resorts). Approx. 320 thermal spas are registered (Pancic Kombol 1999, 149), the most famous among them being Baden Baden with its hot mineral spring, with its founding recorded in the 18th and 19th centuries, when it was visited by European royalty and aristocracy (Spa Resorts in Germany, [http://spas.about.com], 04.05.2009).

The importance of German thermal spa resorts is noticeable in the fact of approx. 40% of tourism overnight stays realized in thermal spas alone. Up to 3-4 % of Germans spend their vacations in thermal spas and make use of the thermal services (Augé 1995, 68). 261 health spas are registered in France (Bucar Peric 2002, 123), the most famous one in year 2008 being Evian Royal Resort, spreading over 19 ha near thermal springs on Lake Geneva (Favorite Spa in France, [http://www.spafinder.com], 4.05.2009).

Switzerland, geographically positioned in the Alps, with its widely spread health services network and rich in mineral waters, is known as one of the “healthiest” countries of the world. Natural resources form the prerogatives for the development of numerous thermal spas. Some of the well-known spa destinations in Switzerland are Adelboden, Apenzellerland, Engadine/Scuol, Valais/Leukerbad i Weggis/Lake Lucerne (Spa and Wellness in Switzerland, [http://www.tsitours.com], 17. 04.2009.).

More than one hundred resorts in Austria tied up their offer to the available thermal waters. The leading Austrian spa destinations are: Wienerwald (Baden), St. Kathrine in the Bath, and others (The Spas of Austria, [http://www.traveldailynews.com], 11.05.2009.). Austrian Alpine spas have extensive hot, cold and wet areas, some with five different types of saunas, crystal or salt grottos and indoor/outdoor swimming pools. Hungary is the country of thermal spa sources (approx. 1.500), for which it is named “Land of Spas”. Approx. one half of the overall thermal sources are used for thermal spas. Approx. 450 public baths exist within the Hungarian territory today, which are, according to the contemporary trends, introducing new contents within their offer (Hungary (Magyarország) – spa resorts & hotels, [http://www.visiteuropeanspas.com], 4.05.2009.).
The largest number of thermal spa baths is situated in Budapest (approx. 80), which has tradition in thermal spa tourism longer than 2000 years. The thermal spas and the spa tourism play an important role in the Hungarian tourism. A large number of bathing establishments are registered as historical sights which, due to their specific atmosphere, healing medical waters, medical services, and their attractiveness, attract tourists from the whole world. The most famous and the most important thermal destination is Héviz, situated 6 km from Lake Balaton (Héviz is largest biologically active natural thermal lake in the world). Slovenian thermal spa tradition also descend from the Roman Empire, but the largest number of spas was beginning to develop in the New Era. 15 thermal spa destinations are registered today (thermal healing places), almost all of them situated in the Eastern part of the state (Bucar Peric 2002, 125). The most important spa resorts are: Terme Olimpia, Terme Rogaska, etc.

Based on classic and traditional therapy programs, thermal spas, as key European tourism centers continually implement new, alternative, and modern trends, including Indian, Chinese, and Oriental therapeutic methods. Cure is replaced by prevention, with recreation, sports, entertainment, congress, and other contents added to the basic and traditionally present medical care. Various offers, like water parks, beauty centers, etc. are even more often included in thermal spa offers nowadays. Thermal spas are not the places visited by “old and sick” any more. They represent busy tourism destinations, visited by both young and older population, individuals, families with children, even becoming convenient places to organize conferences and congresses. Along with the basic multi-week stay, short stays are becoming even more frequent. The length of tourist stays in thermal spa tourism is determined by their individual needs. Beside the primarily medically preventive services, the orientation towards “week-end” visitors is even more pronounced. The potential service users in thermal spa tourism are offered special package arrangements (Razvojno−marketinski plan turizma Opatijske rivijere 2002, 46).

The European Waterpark Association (EWA) exists nowadays in Europe. Waterpark tourism offer is based on thermal waters, emphasizing resting and entertaining component rather than medical. Their offer is mostly thematic (tropical setting, water toboggan, underwater massage). The largest number of such parks is registered in Germany (51).

Consequently, European spa centers combine health and beauty care, resting and recreation as their basic offers and an important segment of tourism movements and needs of the contemporary individuals.

2. THE CONDITION OF NORTH-WEST CROATIA THERMAL SPA TOURISM

Although the combination of rest and medical impacts has been practiced in thermal spas of Croatia for over two thousand years, the contemporary thermal spa development in North-West Croatia can be followed only from the second half of the 19th century. At that period the thermal spa popularity was spread by publications made known by doctors, elaborating on their healing effects. The most famous thermal spas in the North-West area of Croatia at the beginning of the 20th century were Varazdinske spa
(Varazdinske toplice), which entertained a large number of foreign guests. Along with the Roman thermae the modern thermal spas were developing, with their medical healing tradition lasting uninterruptedly until today.

2.1. Analysis of the North-West Croatia thermal spa tourism offer

Tourism started to develop early in the area of North-West Croatia, but because of political and insufficiently stimulating economic reasons, the elements forming the tourism product were not following the contemporary European and the world developing flows in thermal spa tourism, so the tourism product entered the phase of obsolescence and lost its former significance. Therefore the present condition must be analyzed in order to realize the comparative advantages and comprehend the tourism product which will make the North-West area of Croatia competitive within the tourism market.

Most of the thermal sources are situated in North-West Croatia (Termalni izvori, [http://www.vz.hgk.hr], 11.05.2009.): Harina Zlaka (32,8°C), source near Marija Bistrica (17,8°C), Jezercica by Donja Stubica (38°C), Krapinske spas (Krapinske toplice) (40,8°C, thermal well 60°C), Krizeve (65°C), the source of Podevecevo (16,4°C), Stubick spas (Stubicke toplice) (49,8-57,2°C), Sutinske spas (Sutinske toplice) (37,4°C), Semnicke spas (Semnicke toplice) (31°C), Toplicica nearby Gotalovac (27,4°C), Toplicica by Madjarevo (22°C), Tuheljske spas (Tuheljske toplice) (33,1°C, thermal well 33°C), Varazdinske spas (Varazdinske toplice) (57,6°C), Zelina (24,1°C), Lunkovec (140°C), Vuckovec (40°C), Merhatovec (120°C), which form the good developing base of thermal spa tourism.

Thermal and mineral water sources form the base for the medical offer of North-West Croatia. Quality medical employees, contemporary diagnostic equipment, quality and well-organized programs form the thermal spa health offer. Within the long-lasting spa tourism tradition connected to the thermal spa medical role, investments were made into education of employees, in accentuating medical employees, while at the same time no adequate attention was devoted to the education of personnel supplying tourism services. In distinction from the personnel, the thermal spa tourism infrastructure was neglected, and there were no significant investments in accommodating and recreational facilities for a long time. However, efforts were made in modernization of the preventing, healing, and rehabilitation equipment, as well as in organizing various programs which follow the needs of contemporary individuals.

All North-West Croatia thermal spas have organized medical programs, with the only distinction of Varazdinske, Krapinske, and Stubicke spas mostly oriented towards healing and rehabilitation of patients, while Tuheljske spas oriented towards medical prevention. A lot of importance is paid to the medical prevention programs in Varazdinske, Krapinske, and Stubicke spas.

Along with the natural resources, the important development factor of thermal spa tourism is formed of direct tourism resources: (Cetinski 2000, 260): receptive component (accommodation and alimentation) and environment component consisting in tourism out-pansion offer (catering objects (regional cuisine, special offers)), excursion resorts (tourism rural estates, wine cellars), cultural offer (museums, galleries, libraries, etc.), sports objects, entertainment centers, shops, services). Medical and tourism offer
consists of new contents included within wellness tourism, like “wellness centers”, “beauty farms”, “gesundheistfarme”.

North-West Croatia disposes of poor accommodating offer, both in quality and quantity. Accommodating offer mostly consists of basic capacities – three star hotels with the total capacity of 3,135 beds (in 2005), and the small range of complementary capacities – mostly private accommodation rooms, in the total capacity of 167 beds. Most of those accommodating capacities are situated within thermal spa destinations – in Varazdinske, Krapinske, Tuheljske, and Stubicke spas. Beside in those destinations, considerable accommodating objects are available only in the towns of Varazdin, Kapina, and Marija Bistrica. Restored hotels are oriented towards wellness offers (the Terme Tuhelj hotel).

Table 1. Accommodating capacities of the North-West Croatia thermal spas

<table>
<thead>
<tr>
<th>Thermal spas</th>
<th>Number of beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Varazdinske spas – Special hospital for medical rehabilitation</td>
<td>973</td>
</tr>
<tr>
<td>Objects:</td>
<td></td>
</tr>
<tr>
<td>Stari Grad</td>
<td>6</td>
</tr>
<tr>
<td>Konstantinov dom</td>
<td>195</td>
</tr>
<tr>
<td>Lovrina kupelj</td>
<td>117</td>
</tr>
<tr>
<td>Terme</td>
<td>214</td>
</tr>
<tr>
<td>Minerva</td>
<td>441</td>
</tr>
<tr>
<td>Krapinske spas</td>
<td>245</td>
</tr>
<tr>
<td>Objects: hotel Aquae Vivae</td>
<td></td>
</tr>
<tr>
<td>Stubicke spas</td>
<td>220</td>
</tr>
<tr>
<td>hotel “Matija Gubec”</td>
<td></td>
</tr>
<tr>
<td>Special hospital</td>
<td>340</td>
</tr>
<tr>
<td>objects: Maksimilijan, Toplice i Dijana (63 beds)</td>
<td></td>
</tr>
<tr>
<td>Termae Jezercice</td>
<td>108</td>
</tr>
<tr>
<td>Object: hotel “Terme Jezercice”</td>
<td></td>
</tr>
<tr>
<td>Tuhelj spas</td>
<td>231</td>
</tr>
<tr>
<td>object: hotel “Terme Tuhelj”, 3 stars</td>
<td></td>
</tr>
</tbody>
</table>

Source: The authors.

Catering offer consists of 55 restaurants, 13 coffee-shops, 17 night-clubs and discotheques, and a large number of coffee bars, inns, and taverns. When comprehending the overall catering offer of the area, the conclusion can be drawn, with several exceptions only (the restaurants “Slamnati krovovi”, “Zelenjak”, “Dvorac Mihanovic”, “Presa”, “Zlatne gorice”, “Zlatna guska”, “Beli konj”, “Kneginjecka hiza”), of the monotonous and gastronomically non-inventive catering offer. The offer is somewhat improved by the even stronger orientation towards rural tourism with its offer of traditional home-made gastronomically non-inventive catering offer. The offer of traditional home-made and gastronomically non-inventive catering offer. The offer is somewhat improved by the even stronger orientation towards rural tourism with its offer of traditional home-made and gastronomically non-inventive catering offer. However, the lack of well-organized gastronomic offer capable of fulfilling the needs of particular medical tourism segments (vegetarian menu, “healthy food” menu, etc.) is noticeable.

Tied to the thermal spas is also the sports and recreational offer. It mostly deals with recreational contents related to thermal water swimming pools, which in most cases fall behind the contemporary concept of “attraction pool” building, characterized by various contents (i.e. toboggans, waves, “jacuzzi”, waterfalls, etc.).
Within accommodating objects tourist have on their disposal various contents, like trim-cabinets and fitness, bowling alleys, shooting ranges, table tennis, tennis courts, volleyball and handball grounds, and mini-golf. Apart from thermal spas, sports and recreational contents can be found in rural households as well, which try to expand their offer. A large number of mountain trails is also offered, part of them well-arranged and adequately marked, and others unadjusted and still waiting to be put in order. In spite of everything stated, poor and insufficient sports and recreational contents are still present, and investments into their building and organizing should be made in order to satisfy even the most demanding guests.

The thermal spa tourism offer is completed with various entertainment contents organized within the destination (Spancirfest in Varazdin, International lace festival in Lepoglava, Krapina festival in Krapina, etc.). Thermal spas are orienting towards congress offer as well, with considerably large capacities in congress halls. The area of North-West Croatia has approx. 1.100 sitting places in congress halls of Varazdin, Krapina, Stubicek spas, Varazdinske spas, Krapinske spas and Tuheljske spas and in Jezercica Thermae, with potential in congress tourism development in Kumrovec, within the “Kumrovec memorial park” (Strateški marketinski plan turizma za zupaniju Krapinsko-zagorsku, 1996, 14-15).

With its poor offer, the thermal spa tourism of North-West Croatia dissatisfies completely or satisfies to a smaller extent the tourists’ needs, and suffers the consequences of the long-lasting falling behind the similar European destinations. Thermal spa resources are by no means put to profitable use, and thermal spa capacities are too small. Implementation of new contents suitable for contemporary trends of European thermal spa tourism is significant in renovated thermal spas.

2.2. Analysis of tourism demand in thermal spa tourism of North-West Croatia

Medical tourism demand is before all formed by healthy persons, and after that by individuals with particular chronic difficulties; the letter are mostly persons with damaged locomotive system, particular heart and blood vessel diseases, respiratory organ diseases, specific skin diseases and allergies, and gastroenterologic problems (Pancic Kombol 2000, 153). In year 2008 thermal baths of Croatia had 1.2 million visitors, an increase by 14.1% in relation to the year 2006, or approx. by 4.7% annually (Tab. 6).

In the county Krapinsko-zagorska, which had 6 thermal baths functioning in 2008 and participated with 55% in the total number of thermal baths of Republic of Croatia, more than 40% of the total number of thermal bath visitors was effectuated. Together with the county Varazdinska, it has a share of approx. 49% of the total thermal bath visitor number for the Republic of Croatia (Priopcenja vaznijih turistickih znamenosti i atrakcija, [http://www.mint.hr], 09.05.2009.). For the county Krapinsko-zagorska, the growth in the number of visitors by 17,8 % is perceptible.

Surveys undertaken in the area of North-West Croatia thermal spas during September, October, and November of years 2004 and 2005 comprehended the guests in
Varazdinske spas, Stubicke spas, Krapinske spas and Tuheljske spas. The surveys were undertaken on the sample of 230 questionnaires for the year 2004, and on 255 questionnaires for the year 2005 (Fister 2007). The aim of the research was to obtain the socio-demographic profile of guests, the characteristics of their voyages, and the level of guests’ satisfaction in North-West Croatia thermal spas. Basic instruments for data gathering were the questionnaires printed in two different languages (Croatian and German). Casually selected tourists and hotel guests were interviewed.

Table 2. Thermal bath visitors in the Republic of Croatia by counties

<table>
<thead>
<tr>
<th>County</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Krapinsko-zagorska county</td>
<td>429,037</td>
<td>510,810</td>
<td>505,445</td>
</tr>
<tr>
<td>Sisacko-moslavacka county</td>
<td>130,409</td>
<td>157,058</td>
<td>144,859</td>
</tr>
<tr>
<td>Varazdinska county</td>
<td>95,334</td>
<td>83,587</td>
<td>78,343</td>
</tr>
<tr>
<td>Bjelovarsko-bilogorska county</td>
<td>77,416</td>
<td>70,672</td>
<td>67,578</td>
</tr>
<tr>
<td>Osjecko-baranjska county</td>
<td>229,149</td>
<td>225,147</td>
<td>210,310</td>
</tr>
<tr>
<td>Istarska county</td>
<td>9,824</td>
<td>13,081</td>
<td>14,708</td>
</tr>
<tr>
<td>Medjimurska county</td>
<td>84,237</td>
<td>114,757</td>
<td>182,450</td>
</tr>
<tr>
<td></td>
<td>1,055,406</td>
<td>1,175,112</td>
<td>1,203,693</td>
</tr>
</tbody>
</table>

Source: Information gathered from important tourist sights and attractions, http://www.mint.hr (11.04.2009.)

The survey result indicate the North-West Croatia thermal spas are mostly visited by older age group tourists (56 years of age and more), by 56% (by 48.6 % within the overall tourist number). Within the tourist gender structure, women prevail (by 52.6 % in year 2004, and by 52.2% in year 2005). Most of the domestic guests arrive to the North-West Croatia thermal spas individually (56.1 %), while foreign tourist practice organized arrivals. The arrivals to thermal spas are mostly undertaken by proper vehicle (58.8 %). Tourists’ stays in thermal spas last 8 to 10 days on average. However, younger age group guests practice shorter stays (1 to 3 days).

In spite of low quality service level in North-West Croatia thermal spas, guests express their satisfaction with the expected services, and financial means invested lately into service quality resulted in the growing number of tourist arrivals.

3. REPOSITIONING OF THERMAL SPA TOURISM OF NORTH-WEST CROATIA

Quality development indicators of thermal spa tourism for the area of North-West Croatia can be sublimated by SWOT analysis (figure 2) and by guests’ preferences. The main motive of tourists' arrivals are the medical reasons, followed by rest and recreation (Table 3.).
Table 3. The motives of tourist arrivals to the North-West Croatia thermal spas

<table>
<thead>
<tr>
<th>Motive</th>
<th>2004 (in %)</th>
<th>2005 (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical reasons</td>
<td>30.0</td>
<td>29.8</td>
</tr>
<tr>
<td>Rest and recreation</td>
<td>29.6</td>
<td>31.2</td>
</tr>
<tr>
<td>Natural beauties</td>
<td>12.0</td>
<td>13.3</td>
</tr>
<tr>
<td>Proximity of the destination</td>
<td>8.0</td>
<td>7.3</td>
</tr>
<tr>
<td>Cultural sights</td>
<td>8.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Business obligations</td>
<td>5.2</td>
<td>7.2</td>
</tr>
<tr>
<td>Other motives</td>
<td>2.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Entertainment</td>
<td>2.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Sports</td>
<td>2.0</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Source: Authors' research

The largest number of tourist retain the North-West Croatia thermal spa offer satisfactory and in accordance with their expectations. The elements marked by average grades are: personal security, accommodating comfort, ecologic preservation, climate and weather, hospitality of local inhabitants, and place neatness. Tourists are particularly satisfied by cordiality of personnel in accommodating objects and by medical services quality, while they find insufficient cultural offer, offer in organized excursions and entertainment offer.

Figure 2. SWOT analysis of North-West Croatia thermal spa tourism

<table>
<thead>
<tr>
<th>Strengths:</th>
<th>Weaknesses:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• richness in thermal and mineral sources</td>
<td>• old-fashioned product</td>
</tr>
<tr>
<td>• favourable natural and geographical conditions (climate, vegetation)</td>
<td>• obsolete concept of accommodating offer and the overall tourism infrastructure</td>
</tr>
<tr>
<td>• proximity of emissive markets</td>
<td>• thermal spa identity crisis: hospital-healing or preventive-recreation concept</td>
</tr>
<tr>
<td>• cultural heritage</td>
<td>• falling behind the competition</td>
</tr>
<tr>
<td>• tradition of thermalism and quality medical personnel</td>
<td>• insufficient marketing, non-organized and passive promotion and sale</td>
</tr>
<tr>
<td>• competition</td>
<td>• low level in cooperation between hospital and other tourism offer potentials</td>
</tr>
</tbody>
</table>

Opportunities:                                                             Threats:
• finishing of Croatian thermal spas privatization process               • growth in competitiveness
• investments into infrastructure                                        • competitiveness of thermal spa destinations in immediate proximity (Austria, Hungary)
• growing segment in tourism demand for thermal spa services             • vague tourism policy towards thermal spa tourism
• further improving of traffic infrastructure                             • limited capital access
• constant improving of integral quality                                   • world recession, weaker purchasing power
• year-round tourism managing                                             • sustainable development
When the strengths are affirmed, the weaknesses limited, the opportunities valorized, and the threats minimized, the prerogatives can be formed for the creation of competitive position of thermal spa tourism in the foreign market.

Medically elaborated programs offered in thermal spa tourism of North-West Croatia are highly attractive, but no high competitiveness can be obtained within the segment of medical tourism of Croatia. Within the medical tourism service market, wellness and spa have particularly significant places. However, particularly weak competitiveness of Croatia is shown within this particular segment of medical tourism, although some changes in wellness and spa service development can be noticed recently. Thermal spas which tend to become competitive in both domestic and foreign markets, invest large financial means in their offer enlargement, particularly in wellness and spa service segments. Into the Tuhelj Thermae, which from 2003 form part of the Slovenian Olimpia Thermae and have the largest wellness center in this part of Europe, more than EUR 15 million were invested. In the next three years half a billion of kuna should be invested into the medical tourism of the Stubicke therms by the Sunce Concern, the private partner of the county Krapinsko-zagorska. Building of luxury class hotel, restaurant, sports center and polyclinics is planned (Kontinentalni turizam novi adut u turistickoj ponudi, [http://www.pazin.info], 3.03.2009.).

From the aspect of its thermal tourism, North-West Croatia is positioned as the curative destination, with dominant medically programmed services. Although it represents a great attraction within this segment of medical tourism, it nevertheless cannot obtain competitiveness within the foreign market. This is indicated by facts according to which most of the tourist arrivals and stays in Croatian medical spas are obtained by domestic tourists (57.5 % of tourist arrivals and 63.6 % of tourist stays for the year 2008) (Priopcenje, Turizam – kumulativni podaci, [http://www.dzs.hr], 11.05.2009.).

The thermal spa product is directed towards older population with health problems. Changes appearing within the segment of thermal spa tourism in the area of North-West Croatia indicate the necessary repositioning of thermal spa tourism in the potential tourist's perception. The product must be formed according to the thermal spa tourism market trends, stressing the wellness contents. The already existing products must necessarily be improved in quality and adopted to the requests of tourism demand, and such thermal spa tourism modalities must be developed by which the market competitiveness can be obtained. Such well-proportioned product must be necessarily directed towards the pursued groups of tourists. With offer differencing the impact on various pursued groups can be obtained and thus the demand enlarged for thermal spa tourism services. Priorities of activities in repositioning the tourism product of North-West Croatia within the tourism market are the following:

- Defining the plan of actions for enlarging the physical turnover for the already existing tourism supra-structure in thermal spas,
- Enlargement in average consumption of all thermal spa visitors, to the level obtained by thermal spas in neighbouring, competitive countries,
Operational marketing plan in order to contribute to the comeback of North-West Croatia thermal spa tourism product to the tourism market and to occupy the place it deserves.

Main strategies for the repositioning of North-West Croatia thermal spa tourism product must derive from the basic values of natural and social resources’ balance, accentuating the traditional values, the quality of tourism and medical personnel, and high thermal water quality. The basic goals must be the following:

1. Innovative thermal spa offers based on health prevention, rest, entertainment, trends implemented from the European market and accentuating the autochtonous values, socio-cultural dimension, and sustainable development.

2. Building of recognizable identity which can associate with North-West Croatia thermal spa preferences and their repositioning within the perception of potential tourists as the destination suitable for contemporary tourists’ needs.

Without the complete valorization of the already existing natural sources and the corresponding organizational and personnel thermal spa destination profiling, the thermal spa tourism undoubtedly cannot count on positive trends in the future. Re-conception of thermal spa managing must be based on new relation towards tourists, and on enlargement and diversification of the tourism offer.

The contemporary tourism development particularly stresses the prevention program offer, which will primarily ensure the active participation of tourism in program of quality free time use, stressing the health preservation and/or invigoration, implementation of various pursued program demanded by the market, which obtain even more preferences of up to now highly accentuated rehabilitation and recuperation programs, and of the pursued medical programs (Persic 2000, 39).

The product must be oriented towards the new segment in tourism demand, accentuating the younger population and families with children. Effective thermal spa tourism development in North-West Croatia implements the acceptance of contemporary trends (not only declaratively), along with the stimulation of personality and recognition. The development must be based on the valorization of competitive advantages, autochtonous values, differential offer, original contents, quality improving offer, and sustainable development.

CONCLUSION

The long-lasting tourism tradition representing the result of a number of quality thermal water sources in the area of North-West Croatia has been attracting visitors from ancient times. Two essential motives brought to the tourists’ visits to the thermal spa resources of North-West Croatia: medical reasons and sports and recreation. Most of the tourists visit the spas accompanied by a partner, coming either by personal vehicle or by bus, with their stays lasting from 8 up to 14 days. Longer
stays in the thermal spas of North-West Croatia demand a high-quality and better organized offer, in order to fulfill all the wishes and the needs of their visitors. Such a situation demands the shaping of North-West Croatia thermal spa tourism offer in accordance with the trends existing in the tourism market, and its repositioning within the perception of tourists as an attractive tourism destination. Moreover, in order to prevail all the existing shortcomings, to accentuate its advantages, and make the most of the possibilities for the development of tourism in North-West Croatia, the described situation must be objectively considered. The spa offer, as an essential positioning factor, must be adequate and suitable for the immediate market objective.

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THE EUROPEAN DIMENSION OF PUBLIC-PRIVATE PARTNERSHIP AND EXPERIENCES IN TOURISM OF THE REPUBLIC OF CROATIA

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Abstract: Public-private partnership (PPP) is a method for developing sustainable development that has been proven worldwide and endorsed in practice, and its ultimate aim is to increase the overall well-being of society. In a variety of ways, it brings together the interests of the public, private and civil sector in meeting specific needs for augmenting the quality and/or availability of services and products. The European Union (UN) has not always supported the co-financing of projects devised as PPP. Recently, however, it has begun to encourage a wider application of this form of financing that demonstrates a huge potential in accomplishing public services, that is, projects intended for the public. Marketing and promotion, product development, education, financing and investment, and environmental protection are but some of the areas of public-private collaboration in tourism in a global setting. The purpose of this paper is to provide an outline of world experience and practice in PPP with emphasis on the EU, so that Croatia, by taking under consideration these experiences, advantages and disadvantages, may define an appropriate legal and business framework and identity the criteria for the successful implementation of PPP in its economy, and in particular, in tourism, one of its highest-growth industries.

Key words: public-private partnership, EU, partnership models, tourism, criteria.

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INTRODUCTION

Although the beginnings of public-private sector cooperation can be traced back to the distant past, and partnership has an almost century-old tradition in developing infrastructure projects, only in recent times, in particular, in the 1980s, has the collaboration of these two sectors evolved into a specific, widely applicable form and method for optimising social development.

Acting on synergy based on consensus regarding a shared vision, the public and private sectors are capable of bringing about what is proclaimed from political podiums as a knowledge society. Whether society is seen as a local, regional or broader community, a tourism destination, as the economy at large, culture, science or any other sector, what it needs is continuity in learning and in development, with the availability and timeliness of information being of crucial importance.

Where a destination is concerned, its attractiveness and the way visitors perceive its attraction attributes result from a set of values, those related to the range of services, from experiences, value for money and efforts invested, to a sense of comfort and/or safety, or the lack thereof. A destination’s attractiveness has a deciding influence on visitor/guest/tourist loyalty.

Public utilities and infrastructure facilities also provide a platform for building the quality of a destination as a whole. This quality is an inseparable part of the lives of residents, the economy at large, as well as, the tourist industry.

The Destination Management Network (DMN), a model of quality management in Croatian tourism, assumes public-private sector cooperation and partnership and represents a so-called learning organisation. Its internal functions include: defining a destination’s vision and reaching a consensus; devising a destination’s development strategies; continuous benchmarking, learning and the application of new knowledge; ongoing communication, information exchange and discussion (forum) among stakeholders; market research and marketing; communicating with the public (Internet portals); accurate and updated information on all that is happening in a destination; and other joint activities. External DMN functions relate to various forms of collaboration and partnership – in particular, those within the European Union and with EU regions, various institutions and projects – as well as to horizontal (with other networks) and vertical (tour operators, transport providers, and others) integrations.

1. PUBLIC AND PRIVATE SECTOR SYNERGY

Synergy means a situation where two different activities (processes or subjects) stand one to other in such a complementary way that their combined result is bigger or more significant than a simple sum of their single results. Accordingly, the

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synergy between the public and private sector needs to achieve such a result that could not have been achieved without it. Public-private partnerships are one type of such a synergy.3

Public-private partnership (PPP) can be defined as collaboration between people or organisations in the public and private sector for the purpose of gaining specific benefits. 4 In this sense, public-private sector synergy means that each partner is enabled to fulfil its own natural motivations and position in the long range. This includes:

- the interest of the public sector in achieving goals that it would not be able to accomplish independently and in filling the ‘void’ in goods or services for which there is a social demand, but for which it lacks the resources (financial, organisation, managerial...) needed to respond to in an economically rational way,
- the interest of the private sector in achieving goals that are immanent to the nature of private ownership in economy, that is, making an appropriate profit on money invested, at least in the order of alternative investment opportunities or the ROI rate of the branch in which they otherwise operate,
- the effect of collectiveness (collaboration, cooperation) that provides a positive contribution to meeting various needs at a local, regional or national level. At a national level, this is mostly about large (major) projects that are demanding and costly, such as infrastructure projects, while at a local level, partnership can be seen as a network of companies, representing the synergy of different organisations and local authorities in maximising the efficient allocation of resources.

Following on the above, a set of basic principles and goals for economic cooperation, in general, and PPP, in particular, can be identified and should be adhered to:

- the well-being of a community (society) is the highest ranking factor according to a holistic approach;
- the original interests of each partner are a precondition to integration (general interests – private interests – particular interests);
- economic rationality and efficiency;
- long-term economic and social justification;
- (relative) autonomy of partners and their relative independence upon heterogeneous influences;
- reciprocity, in terms of mutual support between partners;
- controlling corruption, especially where contracting and awarding concessions is concerned;
- controlling service quality and price, especially in cases when a producer/provider of goods of services holds a monopolistic position.

It can be concluded that partnership is a method for devising sustainable development that has been proven worldwide and endorsed in practice, and its ultimate aim is to increase the overall well-being of society. In a variety of ways, it brings together the interests of the public, private and civil sector in meeting specific needs for augmenting the quality and/or availability of services and products.

However, partnership can also be seen as a way of solving those problems in society for which the public sector, on its own, does not have the resources (financial, first and foremost), and the private sector has no interest to invest on its own (insufficient returns).

Also, partnership can be understood as a method for increasing total social efficiency in cases where the management role of the state, being, as a rule, less efficient (in terms of finance, organising, marketing), is by consensus (in common agreement) transferred to the private sector that is, as a rule, more efficient.

2. EU EXPERIENCE AND PRACTICE – THE EUROPEAN DIMENSION OF PARTNERSHIP

The European Union (EU) encourages and promotes PPPs as a form of collaboration between public administration and the economy, primarily through projects for the construction of massive infrastructure and the provision of public services. There are several European Commission documents that serve as guidelines for PPP application. In 2003, the European Commission, through the Directorate General for Regional Policy, published the Guidelines for Successful Public-Private-Partnerships. The Guidelines focus on four key topics:

- ensuring open market access securing and fair competition,
- protecting the public interests and maximising value added,
- defining the optimal level of grant financing both to realize viable and sustainable project but also to avoid any opportunity to windfall profits from the grants, and
- selecting the most effective type of partnership for a given project.

The Guidelines are structured in five thematic parts:

- PPP structures, suitability and success factors,
- legal and regulatory structures,
- financial and economic implications of PPPs,
- integrating grant financing and PPP objectives,
- conception, planning and implementation of PPPs.

For a better understanding of the issues and activities involved in delivering (financing) large projects, in particular, infrastructure projects in the EU, there is the

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7 Ibid
EU Green Book on PPP. In the context of this paper, recounting the contents of the Green Book seems needless. However, it should be pointed out that this document deals with PPP as a form of cooperation between public bodies and the business world with the purpose of securing the funding, construction, reconstruction, management or maintenance of infrastructure or the provision of services.

In addition, the Green Book distinguishes between PPP forms of a contractual nature, in which partnership between the public and private sector is based solely on contractual links (such as concession, BOT or PFI) and PPP forms of an institutional nature, including public-private collaboration within the framework of a special body and/or new legal entity (a joint venture, for example). Also, the Green Book makes recommendations regarding procurement procedures and how to negotiate PPPs. Generally, the aim of the Green Book is to open a debate as to whether interventions at the EU level are needed to ensure that the economic entities of its Member States have better accessibility to various PPP forms in a situation of legal security and market competition.

Despite possible inconsistencies, the EU is seeking to harness the private sector in accomplishing international policy and economic goals. The original interest of the EU for promoting PPPs comes from its endeavours to achieve its specific goal – European integration. For example, not one of the noted EU integration policies – such as the Single European Market Program and the Economic and Monetary Union (EMU) – could be attainable without the implicit and explicit collaboration of the public and private sector. Moreover, PPP is increasingly being cited as a major means of realising EU goals in the trans-European traffic network, employment, industrial development (revitalisation), and research and development of regional association. Since recently, the EU is actively engaged in spreading this idea to the field of education and training.

There are several reasons why the EU sees PPPs as a useful tool in promoting its development goals. First, there is growing gap between the EU’s ambitious goals of development and its available resources. The EU’s sources of financing are too limited to cover large development projects. Second, disagreements regarding the size and composition of the EU budget are a matter of constant debate among Member States. Third, national governments (inside and outside of the EU), too, see PPP as a means of attaining economic and social goals, and because the budgets of these countries are also spread thin, a trend is evident in encouraging the involvement of the private sector in ventures that are considered typical public-sector projects.

Hence, it is clear that the EU has the role of PPP promoter, that is, the role of promoting projects that represent a form of formal partnership between public and private organisations. The EU’s other roles can be summarised as follows:

- a “catalyst” for PPP projects that involve Member States, by generating ideas and promoting feasibility studies, for example
- a “broker” that mobilises and brings together institutional and national actors, thus enabling international and intersectoral collaboration
- a “target setter” that defines guidelines, goals and project priorities
- a “provider” of additional financing, by providing additional funding and support to the financial costs of Member States and the private sector
- an “educator”, by disseminating good-practice information across the EU
- a “reinforcer”, by supporting and strengthening the role of national governments in promoting projects
- a “troubleshooter” when projects come upon an obstacle
- a “monitor” of EU projects.

These roles are seen as complementary to, instead of, different from the roles of national governments. Despite certain drawbacks (differing national interests, state priorities and the obligation level of Member States, and legal, technical and administrative difficulties), it looks that the EU will continue to promote PPPs as tools for achieving its development goals.

2.1. PPP advantages and disadvantages

Every form of financing has its advantages and disadvantages with regard to the interest-based relationships of stakeholders (creditors, investors, private and/or public sector), the way a business system operates and the special features it has relative to other business systems, the composition of the source of funding, the ROI rate, etc.

The advantages that PPP provides include:

- Cost savings – including faster project delivery (construction) and lower operational costs – Because the private sector is responsible for design and construction and because payment by the public sector is linked to the availability of services, the private sector has an incentive to carry out works as fast as possible in order for usage to begin as soon as possible. It is in the interest of the private sector to reduce costs over the entire period of project operationalisation.

- Risk Mitigation or Risk Sharing – A basic PPP principle is the allocation of a specific risk to the partner that can carry the risk at the least cost. Notably, the aim is to optimise, rather than maximise, the transfer of risks to ensure that the highest value is created. As a rule, the private sector carries the greater risk and for this it receives a corresponding premium, which is a minimal amount for the public sector considering how much it would cost the state to finance projects in a conventional way and carry all the risks of project delivery.

- Improved service levels or maintaining existing levels of services – risk allocation should encourage the private sector to improve the quality of services provided. For example, in most projects of this category, payment is linked to meeting predetermined service standards.

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Enhancement of revenues – The private sector must be able to generate additional revenue from third persons, thus scaling down the funds (subsidies) allocated by the public sector.

More efficient implementation – By transferring responsibility for the provision of services, the states takes on the role of a regulator and focuses on planning and control instead of on managing the daily provision of services. Also, by introducing competition to the public sector, the provision of public services can be compared with market standards to ensure the best value is obtained for funds invested.

Other economic benefits (increased employment and economic growth, “export” of expertise, innovativeness, etc.).

Importantly, despite all its advantages, PPP should not be seen as an easy and simple solution, because public sector financing by private capital also has its disadvantages. Likely disadvantages for PPP are reflected in the following:

- a high fixed price (“turnkey”) of the entire project as a result of:
  - costly preparation of bids and protracted negotiations, as well as the time required for the formation of a PPP model,
  - additional knowledge and financial resource required for forming partnerships that may limit the number of potential bidders,
  - the long period needed for loan servicing and generating revenue,
  - large individual and costly risks to which lenders and sponsors are exposed,
  - complex financial structures and costly loans,
- potential price increase for service users,
- loss of the public sector’s control over the provision of services and the possible decline in the reliability, quality and efficiency of service provision,
- lack of competition,
- possible misusage of PPPs (bidding procedures, corruptions, etc.).

2.2. Possible public-private partnership models

International experience and history demonstrate that a certain period of time is needed for the development of specific PPP forms. This development should be understood to be a process of gradual application, specialisation, and building relationships and interests, rather than a process in which specific forms are created. This means that, today, it is possible and justified to consider, on the one hand, simpler partnership forms such as a long-term management contracts, and on the other, more complex form such as privatisation (Figure 1). In between these two extremes are many PPP models, each of which is defined, in its own way, by specific social and other preconditions.
In worldwide practice, the following models of public and private integration are frequently adopted and recognised:\textsuperscript{10}

- **Operations & Maintenance Contract (O&M)** – The private sector renders a specific service or procures assets, which it has the obligation of maintaining. The public sector retains the ownership of assets.

- **Lease** – Under this arrangement, the private partner does not invest its own capital, but instead manages and maintains the assets that remain in the ownership of the public sector, and it collects, for its services, a fee from end consumers.

- **Private Finance Initiative (PFI)** – The private partner is invited to design, finance, build, maintain and manage, during its usage stage, a facility for a public sector unit. Emphasis is placed on the private sector providing full services to the public sector, and not just on construction. Instead of receiving compensation in the form of fees paid by end consumers, the private partner receives regular payments from the public partner.

- **Concession** – The public partner grants the private partner a concession, that is, land building rights for which the private partner pays a fee. Characteristic of this model is the direct relationship between the private partner and end consumers, by which the private partner, “instead” of the public partner but under its control, directly provides a service to end consumers. Another feature of this model is the concession fee that consists of charges imposed on the end consumers of services and, if required, additionally supported by subsidies from state bodies.

- **Build – Operate – Transfer (BOT)** – This a concession-based model in which a private company takes over the organisation of and responsibility for financing, building, maintaining and operating a facility for a specific period (usually from 10 to 30 years) based on a concession contract. Once the concession term has expired, the private company transfers management and maintenance rights to the public sector, and the facility is returned to the public sector for usage and in full ownership.

Build – Own – Operate (BOO) – Similar to BOT, except that the private partner retains ownership and control over the project, that is, the assets are not transferred to the public partner.

Temporary Privatisation – The private partner takes over assets from the public sector, and improves upon and manages these assets for the period of time that it takes to settle investments costs increased by an acceptable ROI rate.

The above forms are of a contractual nature, that is, they are based on a contract between a public and a private partner. However, private capital can also take part in projects of public importance through so-called institutional partnership forms, that is, by founding a new company in which a public sector unit and a private partner together have stocks or shares, with risks and responsibilities being divided according to the division (ratio) of ownership (Joint Ventures, for example).

It can be concluded that the development and application of specific models are conditioned by social conditions and, above all, by a state’s legal regulations. Hence, today, it is not necessarily the complex models of partnership that should be exclusively pursued; instead, depending upon the case at hand, it may be justified to apply the simpler partnership forms such as the long-term management contract.
2.3. Areas of public and private sector collaboration in tourism

According to the research of the World Tourism Organisation WTO and partners\textsuperscript{11}, the role of the State in tourism has changed substantially in the past 40 years. At the onset of the second half of the last century, the State played a pioneering role in tourism that was considered exceptionally important, in particular with regard to major infrastructure projects. At that time, the private sector was unable to undertake such huge investments. As tourism developed and its commercial value grew, so did the interest of the private sector in the business opportunities that this provided. All this resulted in a virtual explosion of activity in constructing hotels and establishing travel agencies and tour operators. That was when the state took on the vital role of being a moderator of growing supply and in preventing and checking unscrupulous business. In many countries, legislation began to develop rapidly, even to the extent of making the tourist trade “over-regulated” – ultimately resulting in a boomerang effect.

Today, the tourism sector of advanced countries is organised in a far more liberal way; there is even talk of \textit{laissez-faire}. With the aid of fiscal and other incentives, states are increasingly taking on the role of stimulators of private sector investments, instead of being major investors.

Collaboration through PPP in tourism today is mostly being developed in the fields of marketing and promotion. This collaboration is about defining and building a destination’s image and undertaking joint action in promoting the destination on the global tourism market. Many case studies indicate that opportunities for collaboration have emerged in other fields as well, such as in infrastructure projects, product development projects, education, financing of and investment in sustainable tourism development, environmental protection and protection of cultural and historical heritage. The importance of partnership is growing in the field of the safety and security of tourists and residents, in which the public services (police, fire brigade, health service, etc.) must also play a role. Equally important and necessary (and inevitable) is collaboration in strategic planning, standardisation and quality management.\textsuperscript{12}

However, because of its complexity, multidisciplinary nature and efficiency, the tourism industry demands, expects and requires collaboration not only within a destination, but beyond the destination, as well. In this sense, a practical role of the State is evident through major investment in public transportation, municipal infrastructure, traffic routes (highways) or through tourist taxes that are an integral part of tourism.

To this can be added partnerships (networked) of all interested and creative individuals (in the public and private sector) and their association with specific projects, in which a well-organised information system is the binding agent that ensures that the development of any system, a tourism system included, will be managed successfully.

\begin{itemize}
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In brief, the above considerations lead to the conclusion that the public and private sectors have four major areas offering opportunities for collaboration:13
- improving the attractiveness of a destination,
- improving marketing efficiency,
- improving destination productivity,
- improving destination management.

3. PPP EXPERIENCES IN CROATIAN TOURISM

In July 2006, the Government of the Republic of Croatia adopted the *Guidelines for the Application of Contractual Public-Private Partnership (PPP) Models*. This document interprets what a PPP is, who represents the public partner and how the public partner participates in the partnership. It specifies the procedure for selecting a private partner and takes control over the process.14

It is essential to point out that these *Guidelines* refer only to “purely contractual PPP models (PFI and concession models) and do not consider the following types of long-term contracts between public sector units and private partners as being a “purely contractual PPP model”, or even as being a PPP:
- long-term service contract,
- contract for the design and construction of structures for the public sector,
- establishment of a new company,
- establishment of a new contractual joint venture,
- State Guarantees,
- lease agreements,
- partial or complete privatisation of assets.

In the Croatian economy, several examples can be singled out of projects for the construction of public buildings and infrastructure that have been delivered through a model of “purely contractual PPP forms”, such as the construction of the Istrian Ypsilon motorway, elementary schools and sports halls in the Varazdin County, secondary schools and sports halls in Koprivnica, etc.15

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13 WTOBC, *Public-private Sector Cooperation: Enhancing Tourism Competitiveness*, op. cit., 2000, p. 58 and Faculty of Tourism and Hospitality Management, research within the framework of the scientific project “Quality Models and Public Private Partnership in Croatian Tourism” (project no. 116/1162459-2456), conducted with the support of the Ministry of Science, Education and Sport of the Republic of Croatia.
14 Government of the Republic of Croatia, *Smjernice za primjenu ugovornih oblika javno-privatnog partnerstva (PPP)*, Zagreb, NN 98/06.
15 One of the first PPP-based projects delivered in Croatia was the construction of the Istrian Ypsilon Motorway. On 21 September 1995, the Republic of Croatia and Bina-Istra signed a concession contract with the purpose of developing Croatia’s traffic infrastructure. The Istrian Ypsilon Project involves the financing, designing, construction and management of a 145-kilometre long road network. The contract also involves taking over the existing 54-kilometre leg of the motorway and the Ucka Tunnel that had to be renovated. The concession contract was signed for a 32-year term, upon which the motorway will be transferred to the state of Croatia without compensation. After: http://www.binaistra.com/Default.aspx?id=38 (29.11.07.). Also, elementary schools and sports halls in the Varazdin County and secondary schools and sports halls in Koprivnica were built through Private Finance Initiatives (PFI) based on 25-year contracts. The concession model has been used in delivering infrastructure projects for the construction of water treatment plants in Zagreb (25-year concession term) and for the construction of the Zagreb-Macelj motorway (part of the Trans-European network, 10A) with a 25-year concession term. In addition to Varazdin and Koprivnica, other towns in Croatia have begun to think about PPP (Cakovec – marketplace; Rijeka – Zamet Sports Hall, new City Library building, business and commercial complex in the area of the former factory “Rikard Bencic”, new bus terminal).
Where tourism and tourism-related projects are concerned, PPPs are considered capable of ensuring faster construction and better management of hospitality and tourism facilities that would have a number of positive effects on tourism and on the economy in general. Some of the effects are:

- an impact on raising the general level of quality of hospitality and tourism services,
- an impact on enhancing a destination’s quality,
- the possibility of year-round hospitality and tourism activities in a specific region,
- the arrival of growing numbers of satisfied guests,
- the creation of new jobs in tourism and in related industries and enabling a greater number of unemployed people to find jobs
- the revival and launching of secondary economic activities directly or indirectly linked to hospitality and tourism,
- an increase in the income and standard of living of the inhabitants of a specific destination.

However, despite these considerations in which tourism is recognised as a very powerful engine of economic development, practical experience in implementing the PPP model in tourism is very limited. Although some experience does exist on a national level such as the collaboration of the Croatian National Tourist Board with the tourism industry\(^\text{16}\), in Croatia, various types of PPPs in tourism are considered as being more appropriate for lower levels of management, such as the regional, local or city level. A distinction is made between partnership in planning tourism development – the Master Plan of Tourism Development in Istria\(^\text{17}\) and the Master Plan of Tourism Development of the Primorsko-Goranska County\(^\text{18}\) – and the PPP-based delivery of individual projects in tourism (such as in the Town of Sibenik and the Zagorsko-Krapinska County\(^\text{19}\)).

In a way, the case of the hotel company \textit{Suncani Hvar} has triggered distrust in the implementation of PPP “the Croatian way”. Namely, analysts and journalists have reported this partnership model as representing “ordinary” privatisation, with the PPP being but a front for the privatisation of \textit{Suncani Hvar}.\(^\text{20}\)

With regard to Croatia’s lack of experience and potential problems, it is considered justified to take a critical look at the experiences of countries around the world and then clearly define a legal and business framework, as well as the criteria for implementing partnerships.


\(^{19}\) The example of tourism project of the Town of Sibenik delivered through the BOT model and the health-tourism projects of Stubicke Toplice through collaboration with the private partner selected

\(^{20}\) The non-transparency (secrecy) of the contract between the Croatian Privatisation Fund and the company Orco of Luxembourg lends to the misgivings that this contract favours the Orco Group to a greater extent than allow by law and business practice.
3.1. Legal and business framework of partnership

In a country that wishes to introduce and embrace the PPP method of development and funding, a clearly defined legal, business and entrepreneurial framework inspires great trust in private companies and investors to decide to finance and deliver a project. The private sector wants to see the basic elements of these two frameworks unambiguously defined, which will give them an unfailing and legal state guarantee for their investment and expected profit.

Clearly, the private sector does not wish to invest its financial resources in projects that do not offer clearly stated and favourable business conditions. An analysis of market conditions and prices is inevitable, because private investors make decisions based on the security of investment and the potential for gaining profits. In its forecasts and project evaluations, the private sector wants as much information and data possible to get the most accurate idea of costs, revenue, risks, etc. Regulations that define the business framework and operations should comply with the principle of market liberties and fair conduct, as well as with the goal of State business policies regarding PPPs. The development strategies of a target sector and the economy are important as they enable potential private investors to evaluate the overall situation, plans, measures, individual economic categories such as the price policy, interest rates, inflation rates, other major projects, etc.

The business framework is closely and inseparably linked to the legal framework. Potential investors also want clearly defined legal measures and regulations that can provide them with a sufficient level of security. This refers to a broad range of measures and regulations (Property Rights Protection Act, Act on Protection against the Expropriation and Nationalisation of Equipment and other Property, banking and financial regulations, regulations relating to security, Labour and Worker Rights Act, Environmental Protection Act, etc).

It is vital to understand that partnership goals should be carefully considered, parallel with the business and legal framework, as this will make it possible to detect any potential financial obstacles to delivering a project. In the case of Croatia, these goals may include the following:

- contracting and executing a greater number of projects;
- a natural market distribution of risk between private entrepreneurs and public authorities to ensure the efficient and effective use of tax payers’ money;
- taking advantage of the greater efficacy of private entrepreneurs, that enable them to build efficiently and effectively and to manage the delivered projects more efficiently and effectively than the bodies of public authorities;

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21 After: Peric, M., Projektni menadžment i javno privatno partnerstvo u turizmu, research as part of a doctoral dissertation (in progress), Faculty of Tourism and Hospitality Management Opatija.


23 Government of the Republic of Croatia, Smjernice za primjenu ugovornih oblika javno privatnog partnerstva (JPP), Zagreb, NN 98/06.
creating value added by bringing together the resources, efforts and knowledge of the private and public sector;
- enhancing productivity, market competition, the rational use of the economic capacities of private and public entities;
- ensuring transparency in selecting and negotiating projects,
- finding new solutions for constructing and maintaining public infrastructure;
- stimulating economic activities in the short to long range;
- rationally using public funds for the well-being of all public-service consumers.

3.2. PPP implementation criteria

In traditional financing systems, decisions are made based on policy assessments and the criterion of indirect benefits and, as a rule, they are focused on the development of a specific area or region, giving projects a broader social significance. However, when private capital is engaged, its interests must be taken into account as well. This means that, on the one hand, we have the interests of the public sector and, on the other, the interests of the private sector.

According to a holistic approach, the first and basic (elimination) criterion that the public sector needs to adhere to in executing PPP-based projects in tourism is the well-being of the community (society). However, when deciding upon public private partnership in a specific area, it is necessary to take into account the multiple development effects of such partnership that will mobilise other components of life, a fact that is particularly important for strategically vulnerable tourism regions. In this respect, the criterion of community well-being can be viewed from a number of perspectives, the most important being the environmental, economic, socio-cultural and political perspectives.24

The private sector, that is, the owner, is directly concerned with the financial assessment of a tourism project and its potential for yielding profits. So, a project’s profitability, cost-efficiency and financial sustainability are the common criteria based on which the private sector selects investments and projects. The value of a project is largely evaluated using the internal rate of return (IRR), a project’s net present value (NPV), a liquidity assessment and other specific static indicators.

It can be concluded that the criteria of the public sector (economic, legal and political, socio-cultural and environmental) must always be taken into account. Partnerships, which are not in compliance with the country’s laws and regulations, fail to contribute to accomplishing the strategies and policies of tourism development, have an adverse impact on the environment or health of people, or cause society considerable financial costs, should be brought to a stop in the initial stages of planning and under no circumstance should they be allowed to form.25

24 After: Peric, M., Projektni menadzment i javno privatno partnerstvo u turizmu, research as part of a doctoral dissertation (in progress), Faculty of Tourism and Hospitality Management Opatija.
25 Ibid
In tourism, however, the interests of the end users – the tourists without whom the long-term survival of a partnership simply is not possible – must also be taken into account alongside the interests of both sectors. Ultimately, public-private partner collaboration must result in improvements to the overall quality of a destination, as well as to the quality of the tourism product and tourist experience, because without satisfied tourists who will repeatedly visit a destination, neither will the system be sustainable in the long run nor will the well-being of the community be long-lasting.  

CONCLUSION

Public-private partnership represents collaboration between the public and private sector, with each partner achieving its long-term interests. From a historical point of view, since the 1980s, PPP has evolved into a specific, widely applicable form and method of optimising social development.

To achieve its specific political and economic goal – European integration, the European Union is seeking to capitalise on the advantages the private sector, through collaboration with the public sector, has to offer. Primarily because of the growing gap between ambitious development goals and available resources, the EU is encouraging and promoting PPP as a form of collaboration between public administration and the economy, foremost with regard to major infrastructure projects and to the provision of public services.

The advantages that PPP provides relate foremost to cost savings (faster execution and lower operational costs), an optimum allocation of risks, product and service promotion, etc. However, these projects also have disadvantages that are reflected in the high fixed price of the entire project (mostly as a result of protracted and costly preparation of bids and negotiations, the need for additional knowledge and financial resources, a long period needed for loan servicing and generating revenue, large individual and costly risks, and a project’s complex financial structure), the loss of the public sector’s control over the provision of services, the lack of competition, the possible decline in the reliability and quality of services, and a price increase for end consumers.

Drawing from experience not just in Europe, but from around the world, an entire array of various PPP models can be distinguished, ranging from the simplest such as a long-term management contract to the more complex such as privatisation. Also, public-private collaboration in tourism today is mostly being developed in the fields of marketing and promotion, but also in many other fields such as in infrastructure, product development, education, financing and investment, environmental protection, and the cultural and historical heritage.

The Destination Management Network (DMN), a model of quality management in Croatian tourism, assumes public-private sector cooperation and partnership and represents a so-called learning organisation.

Because of the insufficiency of knowledge and practice, it is considered that Croatia should re-examine its needs and development goals, take a critical look at world
experiences, and parallel to this, define a comprehensive legal and business framework, and identify criteria for implementing various PPP forms.

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REAL WAGES AS DETERMINANT OF LABOUR PRODUCTIVITY IN TOURISM

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Abstract: This paper examines the effect of real wages on labour productivity for the case of tourist sector. Since, tourist sector is widely a service-oriented sector based on personal employment characteristics, we propose a theoretical model of Cobb – Douglas productivity equation which accounts only for labor. The paper aims at calculating the productivity-income elasticity of tourist sector based on the aforementioned model.

Key words: Labor Productivity, Real Wages, Tourist Sector.

INTRODUCTION

Productivity is the index reflecting the upward or downward trend of a country’s economy. An increase of productivity coincides with an upward trend which also improves life standard. Therefore, productivity measures the economic return of the productivity factors involved. The most well-known and essential expression of economic productivity is labour productivity, which is defined as the value-added per employee. Moreover, “returns per employee”, is usually used as a productivity measure because of its calculation simplicity, given that data (total returns and labour) are directly available and could be linked with improving total returns. Apart from that, productivity drives competition to some extent. It also determines economy’s market share based on the quality, price and consumer satisfaction, comparing with others who produce or provide similar products.

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Literature shades light on basic parameters which determine productivity and competition. The methodology of logistics development explains that productivity growth is due to increases in physical capital, employee qualifications and production factors (Porter and Ketels, 2003). This factor is the part of productivity which is not assigned directly to capital and labour force, even if it reflects high innovation levels, efficient technology use and high enterprise level (Crafts and O’Mahony, 2001).

Oulton (2000) found out that human capital including education, qualifications and training inside and outside workplace, consists 60% of enterprise productivity in the UK.

Gordon (1987) investigates the impact of productivity and wage changes and prices in the case of USA, Japan and Europe, proves that the shift from high to low real wages is responsible for the substantial reduction of industrial productivity in respective countries.

Hibbs and Locking (2000), study the dispersion of wages and productivity in Sweden, proving that the decrease of wage gap contributes positively towards efficiency and productivity in general.

As on other economic sectors so in tourism, productivity refers to the efficiency in which resources are being allocated, linking the quality of productivity factors (mainly labour force and capital) to outflows.

Many studies have recently been focused on the productivity of tourist sector. Blake et al. (2006) identifies three measures of productivity in tourism; productivity per employee, productivity per working hour, and productivity per outflow unit known as absolute factor of productivity. The latest has the advantage of considering more outflows rather than labour and capital. Productivity per employee is widely used as the main measure since it can easily be quantified, because productivity and labour data are available and could easily be linked to total GDP growth.

Blake et al. also highlighted that wage and profit growth could be achieved by increasing competition which is due to incremental productivity. In the case of tourism, productivity refers to efficiency and optimal resource allocation, by linking labour quantity and capital to efficiency.

There are many inequalities within tourist destinations, in which developed countries experience major labour productivity. Based on growth levels, labour productivity in terms of tourism could be either bigger or lower comparing to economic productivity overall. In most tourist-developed countries, the value-added per employee is lower than the general productivity level.

Tourism tends to be regarded as a low-earning industry. Seeing that every successful tourist industry should train people with the appropriate qualifications, who in turns if are high-qualified should be highly-paid, then returns and profit deriving from tourist sector are being improved.
The basic part of tourist expenditure is related to hotels and restaurants, both consisting of major labour services. For this reason, the current paper will focus on a production function of tourism, which depends only on labour. A theoretical model is being proposed in order to investigate the relationship between real wages and labour productivity in the case of tourist industry.

**THEORETICAL MODEL**

Since tourist sector is essentially a service sector with intense personal labor features, we assume that productivity function of tourism depends only on labor and we propose the following model:

\[ Y = f(L) = AL^\alpha \]  
(1)

If we divide equation (1) with \( L \) we get the following equation:

\[ \frac{Y}{L} = AL^{-(1-\alpha)} \]  
(2)

Assuming an unbalanced labour market and the labour level being determined by labour supply and demand, the following equation (3) represents the labour demand to be negatively related to real wages \( W \).

\[ L = L^d(W) = kW^{-\beta} \]  
(3)

Taking the logarithmic transformation of equations (2) and (3) and by replacing labor function in the productivity function, we get the relationship between labor productivity and real wages.

\[ \frac{Y}{L} = \alpha_0 + \alpha_1 W \]  
(4)

Where \( \alpha_0 \) is he constant and \( \alpha_1 = (1 - \alpha) \beta \) is a positive term and defines the elasticity of labour productivity in terms of real wages. One should clarify at this point that labour productivity is positively determined by real wages. This is explained by the fact that since labour is determined by demand, an increment of real wages results to a decline in labour demand. Hence, the decrease in labour demand results in an increase of productivity due to marginally decreased earnings in the productivity function.

Figure 1 presents graphically the theoretical relationship between productivity and wages. Assuming that the curve is convex, then for high levels of productivity, the productivity-wages elasticity is very high and then decreases as the productivity level falls down. In low productivity levels, wages seem to be quite stiff, not responding to any changes in productivity.
Figure 1: Relationship between productivity and wages

From the above figure we notice that an increase of labour cost results in a move to the right of the production curve. That implies that individual productivity should increase in order to achieve the same wage level or alternatively the wage should decrease if the productivity is not adjusted. In other words the value of employee from the employer point of view, should be increased as long as his external labour cost increases. If the productivity-wage curve is convex (as shown in Fig. 1), then substantial wage reductions are possible only in case of highly productive employees. But when productivity is increased real wages should be increased as well.

RESULTS

Labour productivity is defined as the returns per employee. In the long run, labour productivity is one of the major factors of employee quality of life and its contribution to total productivity is deterministic. More specifically, labour productivity holds an important role in tourist productivity since this sector is greatly labour-oriented. The current paper investigates the relationship between real wages and labour productivity in the case of tourist sector, by proposing a theoretical model where labour quantity is determined by demand due to unbalance in labour market. Moreover, we assume that they are reduced earnings in productivity function and that is the reason why the proposed model generates a positive relationship between the underlying variables. A decrease in real wages causes a decrease in labour demand, which in turns increases labour productivity due to reduced wages.
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HUMAN RESOURCE MANAGEMENT IN THE HOSPITALITY INDUSTRY

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Abstract: An enterprise’s human assets or, put more conventionally, its human resources tend to be one of the most significant costs for most hospitality enterprises. In most hotels the payroll is the single biggest cost item, whilst in restaurants and bars it is usually second only to material costs. Furthermore, human resources are usually the first point of contact between an enterprise and its customers. The effective management of these human resources is therefore vital to the success of the enterprise.

Key words: hospitality, motivation, growth, personnel, incentives.

INTRODUCTION

Since the middle of the twentieth century, in spite of many economic ups and downs, the leading developed nations of the world have seen many fundamental and far-reaching changes within society. The major one, with little doubt, must be a vast improvement in economic wealth, which, in turn, has led to considerable improvements in standards of living for the majority of the people living and working in these countries. These changes have involved improved productivity and a redistribution of the workforce away from the primary and secondary sectors into service industries and, increasingly symbolic of the twenty-first century, into knowledge (information) industries and occupations.

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From the hospitality industry’s perspective, there are many accompanying societal changes with great significance for the industry’s operators. These include increased disposable incomes, more time for leisure (although it is reported that this trend is reversing in some countries), easier and cheaper travel and, as a consequence of improved lifestyles and medical services, increased longevity, resulting in increasing populations and demographic restructuring. Alongside this, the media in their many forms are informing and shaping people’s behavior as never before.

It is, of course, to be expected that some aspects of working in the hospitality industry may be unattractive when considered alongside other sectors. There are intrinsic and largely unavoidable challenges such as having to work evenings, weekends and bank holidays. Other problems, however, can certainly be reduced or eliminated by determined management action. These problems include unnecessary split-shift working, staff reliance on tips, ignorance of methods of calculating pay and distributing service charges, and management’s reluctance to involve staff in matters that affect their working lives.

A number of reports have highlighted these difficulties which, together with some management attitudes and practices, undoubtedly cause much of the industry’s labor problems. Even today, for example, many employers and managers expect all employees, whatever their position and wage rate, to be dedicated to their jobs, to have a vocational fervor towards their work and to sacrifice leisure time for pay that is not high by general economic standards. This attitude is not confined to the commercial and more entrepreneurial sectors of the industry but is found as a discordant element in many organizations. These same employers and managers fail to recognize that their own motivation to work is usually completely different from that of their staff, and that many work people throughout the community are becoming less work orientated for various reasons.

Employers in industry must reconcile themselves rapidly to the fact that the majority of potential staff are less likely to be singularly and vocationally committed unless ways and means are found to harness what some researchers claim is a natural motivation to work. And employers in the hospitality industry must recognize this position. Staff, if they are to stay and develop, expect competitive conditions of employment and motivational management approaches, and unless these are offered the industry’s staffing problems will persist.

The increased demand for tourism and international travel services is a worldwide development and one consequence is the internationalization of many of the leading hotel companies. One consequence of this for the Croatian hospitality industry’s employers is that many potential employees now look overseas for employment. At the same time many foreigners come to the UK, in many cases, to learn English.

The industry is, of course, responding to major changes in the demand side of the industry, i.e. the consumer side. Demographic changes alone, such as the increased proportion and number of older people, have created demands for more products catering for their needs, and the reduced number of young people is creating both
demand and labor market problems. Among the younger population, changes in eating habits – a shift to ‘grazing’, for example- have created opportunities for many different types of fast food outlets. The move to healthy eating too is responsible for a range of new products and a related growth in vegetarianism.

A breakdown in the traditional socioeconomic usage of different catering products is probably of significance. No longer are most different products used exclusively by particular socioeconomic groups. Instead, the use of catering products, to a greater extent than previously, is determined by the occasion (behaviorally determined) rather than by the socioeconomic group.

1. HUMAN RESOURCE MANAGEMENT

An enterprise’s human assets or, put more conventionally, its human resources tend to be one the most significant costs for most hospitality enterprises. In most hotels the payroll is the single biggest cost item, whilst in restaurants and bars it is usually second only to material costs. Furthermore, human resources are usually the first point of contact between an enterprise and its customers. The effective management of these human resources is therefore vital to the success of the enterprise. In smaller enterprises, management of the staff is by line managers who are often also the owners of the business. In larger enterprises the line managers will be assisted in staff management issues by human resource or personnel managers.

Human resource policies are normally a part of an organization’s overall policy, which will consist of a number of components. The extent to which they are a sub policy or an essential component of the overall policy may be a key indicator of how an organization values its human assets and its human resource or personnel function.

Virtually every management decision affects, to a greater or lesser extent, the people working in the organization. Most decisions are made within an organization’s policy framework, explicit or implicit. Policies represent the aims, purposes, principles or intentions of an organization and provide the framework or guidelines for management decisions. Policies, sometimes expressed as ‘mission statements’, may be written down, as is the case with many larger organizations. Alternatively they may be merely inferred by decisions taken. Some companies in the hotel and catering industry, such as McDonald’s, have a policy to operate within a narrow product sector. Other companies, such as Whitbread and Accor, have a policy to operate within many market sectors. These policies provide the management with the framework within which they make their decisions; e.g. where to expand, what to divest, how to expand, such as through organic growth, franchise, or merger and acquisition.

1.1. Personnel management as a specialist function

Personnel management, as a distinct specialization of management, is relatively new and consequently its specialist role and definition vary much more than is the case for older established specializations such as management accounting. In
addition, because it leans heavily on the social sciences, its definitions and duties are more fluid.

Frequently the personnel manager is seen, particularly in the private sector, as no more than a cost centre, or as the company’s social conscience, by those managers who have to ‘make the profits’. This should not be the case, because it must be recognized that for most organizations, there are two major functions: one is to achieve the ‘group goals’ such as increased sales or profits or, in the public sector, to provide services; the other is ‘group maintenance’, i.e. the role of creating and maintaining the group so that it can achieve its goals. Personnel managers assist management to achieve their objectives in the most effective manner by ensuring conditions of employment that attract, retain, motivate and obtain the commitment of the appropriate labor force.

1.2. Human resource policies

Human resource policies do not develop in a vacuum, however. They are an expression of the style of management of an organization, an expression of its values. Human resource policies should be dynamic, both changing with and bringing about changes in the behavior of the workforce and the organization. The part a personnel department can play in helping to formulate human resource policies will depend crucially on its current standing in the organization. However, its importance can often be estimated by looking at the levels of risk with which the function is involved.

1.3. People at work

The study of people at work falls within the province of the social sciences which are concerned with studying the relationships between individuals, groups of individuals and their environment. The knowledge obtained can be used in two principal ways, namely to understand and predict changes, i.e. to focus on ‘content’, and to bring about change, i.e. to focus on ‘process’. The fundamental conclusion to be drawn from the work of behavioral scientists, and Abraham Maslow in particular, is that humans are satisfaction seeking animals motivated primarily by their biological needs. Hotel and catering managers should be more conscious of the truth of this than most others. In addition, and unlike most animals once humans’ biological needs are satisfied, further needs emerge - mainly of a social nature. This manifests itself in the pursuit of status, security, power and other outward signs of success. Most people may not be conscious of these needs that drive or motivate them. If, however, management can recognize them, they can take appropriate steps to ensure that these driving forces can be used to the advantage of both the organization and the individual.

2. RECRUITMENT

The hospitality industry appears to have recruitment problems associated with a poor image as an employer. At the international level this has been highlighted by the International Hotel and Restaurants Association resolutions in Israel in 1995 and The
S. Ivanovic, M. Blazevic: HUMAN RESOURCE MANAGEMENT IN THE HOSPITALITY INDUSTRY

Netherlands in 1999 that national associations should take initiatives to improve the image of the industry as an employer.²

2.1. Primary labor market

The primary labor market consists of those people who through education, training and experience are committed to an industry, sometimes even a sector of an industry. In the hospitality industry these include hotel managers, chefs, hotel receptionists, hall porters and cocktail bar staff. Such people intend to develop their careers in the industry and in many cases view their opportunities nationally, even internationally. As a consequence many of these people are mobile, both geographically and organizationally.

2.2. Secondary Labor Market

The secondary labor market consists of people, on the other hand, who have skills of use to an employer, but who may not be committed to a career in a particular industry. They probably attach more importance to a geographical area than to a career. Typically the secondary labor market contains housewives, students and unskilled working people who choose to work in a particular industry in order to earn a living rather than because of a strong commitment to that industry. The secondary labor market also includes people with skills that may be common to many industries, such as secretaries, maintenance people, book-keepers and accountants.

2.3. Discrimination

Whatever the reason for recruitment, plans have to be prepared in the context of employment legislations, which covers issues such as the employment of children and women, sex, age and race discrimination and the employment of disabled people.

In addition to the statutory obligations of not discriminating on the grounds of gender, race or disability, there are employers who decide not to discriminate in other ways also, for example, on the grounds of a person’s age. In any event, with the demographic increase of average age of people in Croatia, employers may find that discrimination on grounds of age is no longer a practical proposition, since the older age groups will provide an increasingly important source of labor in the future, although the employers’ forum on age reported in 1999 that little real progress was being made in changing attitudes to the employment of older people.

2.4. The recruitment process

Recruitment is the process used to attract suitable applicants from whom the most suitable person may be selected for a particular job. It depends upon having the proper information available, including a job or role description, a personnel

² Dimitrios Buhalis, Carlos Costa, (2006), Tourism management dynamics
specification and a knowledge of the labor market. The process starts with the production of a personnel specification, based on a job description or job specification and ends with the appointment of a successful candidate.

2.5. Personnel specification

From the job description a ‘personnel specification’ – a description of the type of person most likely to be able to carry out the job described by the job description – can be prepared. The precise nature of a personnel specification will depend upon the degree of sophistication or otherwise of an organization.

2.6. Internal recruitment

The first step always in filling a position is to consider promoting or transferring existing employees. Considerable dissatisfaction can be caused by bringing newcomers in over the heads of present staff, which is often done with the intention of causing as little disturbance as possible to the organization. Unfortunately, because the hopes of some individuals in the organization may be frustrated, they may leave or behave in other unsatisfactory ways and the long-term effect is therefore far more damaging.

2.7. External recruitment

The next step, if no existing staff are suitable, is to go on to the labor market. This is where most problems arise and where most money and effort can be wasted. The numerous and varied means of recruitment include:

- Newspapers: national, local and trade
- Agencies
- Executive selection and management consultants
- Posters
- Colleges
- The armed forces
- The internet

3. THE SELECTION PROCESS

One of a manager’s major responsibilities is to initiate action but to do this he or she has to receive and interpret information in order to arrive at conclusions that will lead to the right action. The further up the hierarchy of management that people move the more they exercise skills of judgment and the less they carry out routine and supervisory tasks. In fact, a senior manager’s job should normally be devoted almost entirely to making decisions that implement action and to designing systems that enable better decisions to be made. The skill of selecting staff is concerned entirely with this same process.

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1 Michael Boella, Steven Goss-Turner, (2005), Human resource management
Selection procedures attempt to predict, as accurately as possible, a person’s likely performance in a particular job or, where there are several vacancies, the job in which he or she is most likely to be successful. Most selection methods are of a ‘historical nature’, i.e. they base their predictions about future performance on a person’s past performance.

4. TRAINING

There are three main components that an individual requires in order to do a job effectively: knowledge, skills and attitudes. Each of these can be developed or improved upon by effective training. Each component, however, needs a different training approach. Knowledge, for example, can be imparted by talks, lectures and films, but these techniques would prove almost valueless in imparting the second component, skills such as handling a knife. In this case, practice is necessary. The third component, a person’s set of attitudes, is the most difficult to impart or to change, even with soundly based training, and it requires deep understanding of human behavior among those responsible for training. Training techniques in this field may include discussions, case studies and role playing. It is agreed, however, by many behavioural experts that because attitudes are extremely difficult to modify, it is better to select people with the right attitudes rather than attempt to train people who have attitudes that conflict with those of the employer.

In order to design effective training programs the following principles should be known and understood:4

1. training can only be successful if it is recognized that learning is a voluntary process, that individuals must be keen to learn and consequently they must be properly motivated; for example, if trainee waiters are losing earnings in the form of tips in order to attend a course, they may well begrudge the time and therefore may be unwilling to participate actively.

2. people learn at different rates and, particularly in the case of adults, often start from different levels of knowledge and skill and with different motives and attitudes.

3. learning is hindered by feelings of nervousness, fear, inferiority and by lack of confidence.

4. instruction must be given in short frequent sessions rather than a few long stints; for example, if a trainee is being instructed in the use of kitchen equipment, ten lessons lasting forty-five minutes are obviously far better than one lesson lasting seven and a half hours.

5. trainees must play active roles- they must participate; for example, lecturing puts the trainees into a passive role, whereas discussions or practical work gives them active roles.

4 Peter Mason, (2003), Tourism impacts planning and management
6. training must make full use of appropriate and varied techniques and of all the senses, not just one, such as the sense of hearing.

7. trainees need clear targets, and progress must be checked frequently.

8. confidence has to be built up by praise, not broken down by reprimand. Learning has to be rewarding.

9. skills and knowledge are acquired in stages marked by periods of progress, standstill and even a degeneration of the skill or knowledge so far acquired. Instructors must know about this phenomenon, as it can be a cause of disappointment and frustration for many trainees.

5. WHAT DO MANAGERS DO?

Before designing detailed management development plans it is important to consider what managers do so that the development plans meet the needs of the organization and of the individual. The Council for Management Education and Development suggested that there are a number of management competences which fall into three main levels. These are concerned with different issues according to the seniority of the managers concerned.

As a person moves up the organizational hierarchy, tasks will change from mainly routine ones, concerned with supervising operations, to non-routine interpretation of management information and organization of change. The question of management competencies also needs to be seen in the context of the international, multi-cultural nature of many hospitality firms, though such competencies could be seen as essential in any environment.

6. FORMAL WAGES ADMINISTRATION

In the hospitality industry a major responsibility of owners and their managers is to decide how to distribute fairly among all employees the money set aside for payment of staff. This may range from as little as 10% of revenue in some efficient public houses to over 40% in top-class hotels. This money may derive from normal revenue or may also come from retained service charges.

Managers may decide by looking at what competitors are paying, what has been historically the employer’s practice and, in many cases, what is necessary to overcome a current crisis. The result is that considerable anomalies exist in many hotels, catering establishments and, indeed, whole firms. Newcomers may be paid more than similar staff with long service and more-senior staff may earn less than some juniors.
7. PRINCIPLES OF INCENTIVE SCHEMES

In designing an incentive scheme, whether for the hospitality industry or any other, there are several principles that should be adhered to for it to be effective in the long term.\(^5\)

1. Take into account cultural differences—some forms of incentives just do not work in some cultures.

2. The undertaking’s major business objectives should be promoted and their achievement assisted by incentive payments. These payments should enable individuals to identify with the success of the undertaking; for example, if food gross profit is vital, the chef and maybe his staff as well should be rewarded for achieving gross profit targets. But only elements over which a person exerts control should be included. A chef, for example, has no control over the rent and the rates, so there is no point in including these in a scheme for the chef.

3. When an incentive scheme is to be introduced, all workers should be considered because of the effect the scheme may have on existing earnings differentials and the possibility of creating friction between staff.

4. Payments should be related to results by comparing actual performance with forecasts, targets, standards or budgets. This may be done individually or on a group basis.

5. Targets should be realistic, i.e. achievable with reasonable effort and agreed with the person or group concerned.

6. Targets should be reviewed regularly, and at least annually, so that payments are something to be earned with effort rather than something that becomes a matter of right. They should also be reviewed if circumstances change considerably; for example, if a vast new office opens next door to a snack bar, trade will probably increase greatly, through no effort of the manager. The turnover and other targets should, therefore, be reviewed at the same time, bearing in mind that extra work will be created and that wages and salaries may have to be increased.

7. An incentive scheme should be simple and clearly understood by those within the scheme.

8. Payment of the incentive should be made as near as possible to the period in which it was earned. Long delays in payment cause irritation and reduce the incentive element.

9. All elements of a scheme and any rules should be objective. Management should not incorporate discretionary rules such as ‘management reserves the right to withhold payment without giving a reason’. Incentives, if earned, should be a matter of right, not for management to dispense on a discretionary basis, and the terms of the incentive scheme should become part of the contract of employment.

\(^5\) Michael Boella, Steven Goss-Turner, (2005), Human resource management
CONCLUSION

As in many parts of the hospitality industry, this paper could have been very long. We have seen an overview of what the human resource department covers and what its responsibilities are in general. The individual that wishes to pursue himself further into this branch must see that there is no limit to the knowledge and skills that one can acquire. Furthermore we must use this knowledge to bring better quality into the hospitality industry through our best assets, ourselves. Being careful to implement proper action in certain situations can better a companies image with the customer as well as with the employees, and the only proper action is to use proper knowledge of what it is that we are doing.

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KNOWLEDGE MANAGEMENT AS A NEW MANAGERIAL PARADIGM*

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Abstract: Knowledge management research in Croatian hotels shows that it has become a new pattern of management, but only in cases of managements that handle the hotel product that is a brand (a protected hotel product with a trademark). Knowledge management as the property of a hotel organization entails the management of a series of processes associated with knowledge, such as: the advancement of the organization's knowledge, protecting the organization's knowledge, utilizing knowledge and sharing knowledge among everyone in the organization.

Although the percentage of branded hotels in Croatia has significantly increased, from 2% in 2003 to 5% in 2007, the number of unbranded hotels still remains very high and adds up to 499 hotels. These are mainly hotels that still fall short of wholly using their knowledge and experience (know-how) as a license or franchise of the hotel product with a brand.

Key words: knowledge and experience (know-how), know-how license contract, product brand image, unbranded hotels.

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1. KNOWLEDGE MANAGEMENT IN HOTEL ORGANIZATIONS IS RELATED TO MANAGING THE HOTEL PRODUCT

Knowledge management on handling hotel organizations includes the integral knowledge and experience (know-how) that is required to conduct modern business management relevant to planning, organizing, personnel replenishment, guidance and control of the hotel product.

The hotel product and its image are recognized and differentiated as a branded product (protected by brand-mark, seal) or as an unbranded hotel product. The difference between a branded and unbranded product represents the first personal determining factor of a guest prior to any booking. Therefore recognition and differentiation of the branded hotel product image from the unbranded product is of special importance.

The branded product image includes all the concepts about it in the mind of the guest and of the public. Thus, besides the physical perception, the guest as a consumer also forms a symbolical perception based on the actual product or on the information about it. Contributions to a product's image are its brand, design, packing and selling services, and these are formed through publicity, placement, and other patterns of one's own psychological differentiation in comparison to the competitor's hotel products (Vujonic i Cavlek 2001, 131). The image of the hotel product incorporates the image of the organization, its staff and the tourist destination. On account of the importance of the growing hotel product image for the guest, on the market and in public it is of significance to differentiate the management of hotel products with recognizable and firm images from similar hotel products with unrecognizable images. This means that managerial knowledge in hotel organizations can be distinguished in compliance with their strategic marketing commitment for a branded product image or a unbranded product.

Is a new managerial paradigm (pattern, epitome, example) coming forth in the economics of knowledge management?

We got a positive response and found good examples of knowledge management in the hotel organizations that chose to run business on basis of managerial knowledge direction of the branded hotel product. In Croatia today these are predominantly international hotel business organizations that have extended the management of successful hotel products worldwide. For all that, it is clear that besides selling the hotel product, they also sell their „package of knowledge and know-how“ on how to run the management of their successful brand hotel product that is networked within a group or chain of hotels.

We got a negative response to knowledge management predominantly among the Croatian hotel firms that are still unresolved concerning the company's marketing policy on the issue of the branded hotel product. Thus, precisely the brand product, that is to say, the hotel product with a brand, conveys a clear symbol of recognition and distinction, not only of the hotel product brand, but of the managers and owners of hotel business organizations who handle the knowledge of both branded and unbranded.
products. The term hotel product with a brand is reference to the hotel bearing a protected brand mark; a hotel seal indicating it as a protected product on the market.

An analysis of the structure of the most successful hotel brands worldwide detects a connection between the names of hotel organizations, the names of hotel brands and of knowledge managements and know-how. The connection between names of hotel organizations and names of hotel brands, based on managerial knowledge and know-how, is demonstrated in the following examples of leading hotel brands and their accommodation facilities (Hayes and Ninemeir 2005):

- **Marriott International** is a hotel organization that manages hotel brands under the name *Marriott Hotels, Resorts & Suites*, Courtyard by Marriott, Marriott Conference Centers but likewise under other names such as the Ritz Carlton, Residence Inn et al.,

- **Hilton Hotels Corporation** manage the brand *Hilton Hotels*, Hilton Garden Inns but also under the names Conrad International Hotels, Hampton Inns et al.,

- **InterContinental Hotels and Resorts** manage the brands *InterContinental Hotels and Resorts*, but likewise others such as Holiday Inn, Holiday Inn Express, Crown Plaza et al.,

- **Disney** is the organization and brand name of *Disney Hotels*, round-trips, amusement parks, and a more all-inclusive producer of toys, television shows, animated films, etc.

The connection between names of hotel organizations with a brand and names of hotel brands is based on hotel knowledge and „know-how“ experience. This means that the branding of a strong and sure hotel product involves applied knowledge and know-how. The trinity of the hotel product with the brand simultaneously makes branding: the product, the organization, and the staff connected to management and know-how. Further, this means that the managerial knowledge of a brand hotel product, in addition to the brand hotel product, includes the managerial knowledge of directing the branded organizations and staffs with the same standards of knowledge that are further networked in hotel chains or hotel groups.

Nowadays it is deemed possible to acquire hotel know-how as soon as knowledge and established experience is accumulated in one place. Such accumulated knowledge and know-how is formed as one's own, from an external source, or a combined hotel know-how. In the first place it is asserted through the business of one's own facilities as competitive knowledge and know-how, which means that it is partially well-known already, and as a rule unpatented, but well-protected nevertheless.

By means of hotel know-how license contracts, as well as binding agreements on hotel franchise, management and leasing, knowledge is protected from further selling, whether singly or as whole packages, of knowledge on management of hotel products, business organizations, personnel staff and destinations.
An analysis of structures of certain representative Croatian hotel organizations shows the nonexistence of connections between the name of a hotel organization, name of a hotel product and managerial knowledge and know-how. This is the consequence of an inheritable commitment by a management that is not focused on a hotel product's brand development but rather on the generally unbranded hotel product. This nonexistence of a strong connection between the hotel organization, name of the hotel product and managerial knowledge and know-how is evident in the following examples:

- **Liburnia Riviera Hotels** manage the unbranded hotels under the names Ambasador, Admiral, Kvarner, Kristal, Istra, Excelsior et al., and managerial knowledge and know-how are not connected to hotel products with a brand.

- **Ugo Hotels** manage unbranded hotels Grand, Four Opatija Flowers, Agava together with the branded Millenij Hotel World Hotels Opatija. A changeover of unbranded Ugo Hotels into branded hotel products under the brand name **Milenij** Hotel Opatija, Milenij Grand Hotel and Milenij Agava Hotel is currently under way, developing their own management organization to handle facilities of their own, as well as facilities belonging to others.

- **Imperial d.d. Rab** manage the hotels Padova, Imperial, Eva, Karolina et al., and is accumulating knowledge and know-how so as to regulate the rules and procedures of hotel standards through the development of their own brand name of Imperial Hotels Rab.

- **Jadran d.d. Crikvenica** manage the hotels International, Kastel, Omorika et al., but their managerial knowledge and know-how are not connected with a hotel product brand, but with the unspecific hotel type.

In the case of hotel organizations that have chosen the policy of a brand hotel product it is evident that this kind of business management supports the brand of human capital having the hotel chain knowledge to run the business of a hotel product brand. Likewise, hotel organizations that produce the unbranded hotel product, their management is directed in favor of the unspecific unbranded hotel product.

2. **MANAGERIAL KNOWLEDGE OF HOTEL ORGANIZATIONS ON THE BRANDED HOTEL PRODUCT BRAND AND THE UNBRANDED HOTEL PRODUCT**

Managerial knowledge is formed in a standard way as a „package of knowledge“ protected as intellectual ownership for the purpose of further sale in the form of a hotel franchise with a brand of either singly or wholly directed management of the hotel brand. In the case of unbranded hotels the managerial knowledge of the hotel organization is unprotected since, as a rule, it is not transmitted outside of the organization anyhow.
Present-day managerial knowledge of hotel organizations in Croatia, linked to their introduction of international hotel standards, have been developing since 1996. This knowledge has been developing within the framework of hotel organizations Istraturist Umag, Jadranturist Rovinj et al., under the ownership of the Zagrebacka bank and management of Hrvatskih Hotela i Ljetovalista - Croatian Hotels and Resorts (CHR). CHR was founded as the first Croatian international hotel organization for management of hotel brands. After a successful sale of the CHR organization to the Spanish Sol Melia organization in 1999, managerial knowledge continued development within the framework of hotel organizations Istraturist Umag, Maistra Rovinj, Valamar Porev, Rabac, Dubrovnik, Horwath Consulting Zagreb, Karamarko Consulting Rijeka, et al.

The knowledge of hotel organizations can be defined in general as an assemblage of all practical knowledge (know-how or cognition) necessary for optimal management of development and business dealings of the organization, and which are linked to: the tourism and hotels market, brand products and services, managers and staff, technology and organization of work, and so on.

For example, the knowledge of hotel organization Milenij Hoteli Opatija was constituted and shaped within a system of 10 reference manuals for managers, in accord with the realms of their responsibilities for business results and quality. The manuals prescribed the proper Standards of Rules and Procedures (SRP) of the Ugo Group that formulates its hotel products with the Milenij & Solaris brand. In this way the SRP Administration manual also prescribed their own standards for the Management and utilization of the hotel organization's knowledge, and this was executed as follows:

The knowledge of hotel organization Milenij & Solaris is the property of the organization and is managed by the Administration in the interest of development and business management of the organization.

The Administration of the organization is responsible for the management and utilization of the organization's knowledge and for coordinating it with: the vision of running the organization's business, with the accepted strategies, and with the team of company employees who work in a coordinated manner on knowledge management and know-how as a skill of their own.

The Administration strives to discover better ways of how to maintain and increment the knowledge that it has.

In doing so, particular emphasis is on the importance of:
- Present-day information science and technological support,
- good communication, and in the process, security is of exceptional importance,
- feedback information on results of knowledge applied in hotel business activities,
- the Managerial Information System (MIS) and
- the program of guest and clientele loyalty to the organization.
The management and staff of an organization must have perpetual insight into the knowledge that the organization has access to. Thus practical knowledge becomes the property of the organization and its most important organizational resource, enabling strategic advantage in front of the competition.

Only the knowledge made use of in business dealings and of a kind that is incessantly being bettered and brings gains on the market becomes the property and organizational resource of the organization.

The Management must know how to handle and make use of business knowledge, because a competitive business result is based on a constant utilization of better and more competitive knowledge.

The Management should be aware of the cognition that it is most difficult to know how to be and stay competitive in managing business results and product development under conditions when:

- the market is exceptionally competitive, and innovations are ever more rapid so that knowledge has to be continually enriched;
- competitor organizations are increasingly focused on creating additional values for the guest, and while doing so they are decreasing the number of employees, whereas the remaining staff has to know more and more (the making of universal employees and household work organizations);
- fewer and fewer employees on the labor market have the required knowledge, therefore hotel organizations must use their own knowledge for a better and faster management in the interest of better business activity;
- the adoption of knowledge requires time, and knowledge itself depends on the employees' experience;
- employees have less and less time for studying, therefore the importance of organizing, i.e. enforcing standards as to who and what one ought to know, as well as applying self-education and self-evaluation of employees through work;
- in the trend of heightened fluctuation of manpower, knowledge management is of importance to ensure decentralization of knowledge in keeping with the segments of the hotel business, instead of a knowledge monopoly by the management;
- successful knowledge management calls for a clear understanding and defining of the meaning of knowledge as the property of the hotel organization – "an assemblage of all knowledge on the market, products/services, employees, technology and work organization, which are necessary for optimal development of the business."

Knowledge management as property of the hotel organization, has in mind the management of a series of processes connected to knowledge, such as:
enhancement of the organization's knowledge,
guarding the organization's knowledge,
utilizing the knowledge and
sharing knowledge among everybody in the organization.

The purpose of knowledge management is identification and analysis of all the utilized knowledge in the processes of planning activities to enhance knowledge for the furtherance of the procedure and fulfillment of the company's organizational goals.

The available knowledge of the hotel organization can be found and identified on several databases, knowledge bases, card files et al., and is also contained in the heads of the managers and staff.

The list of business knowledge of the hotel organization Milenij & Solaris, which is found in several databases or with the management and staff, is identifiable as:

- the knowledge base system of documented Standards, Rules and Procedures (SRP) of hotel brand Milenij, Solaris – includes a system of obligatory manuals with prescribed (SRP) for the integral managerial handling of the hotel brand on levels of organization, product / services and staff, in keeping with the segments of hotel business and in line with the individual responsibility of managers and wholly on the level of the brand product,

- the database system on the Managerial Information System (MIS) of Milenij, Solaris – a system of Reports contrived to instigate managers to undertake action to achieve quality enhancement of business results in the segments and fields of individual responsibility for such business results, as well as cumulatively,

- the database on guests and business clientele of the hotel organization – is potentially the greatest capital that the organization has at its disposal and which it has to actively manage in order to hold on to the existing customers and gain new guests, who are currently amongst our market competitors.

- the database of suppliers and partners of the hotel organization – covers all information and relations with our suppliers and partners,

- knowledge of managers and hotel organization staff – all the knowledge on how to know, and be able to, and want to get abreast of the competition's attending to business, is contained in the heads of the employees. Employees depart from the organization with this knowledge or bring it to the organization, which gives evidence of the importance of managing them.

At this point it is necessary for the Management, within the framework of this SRP, to identify and make a list of all other business knowledge so that everyone in the hotel organization can recognize, utilize and guard it in a more proficient manner. It is especially important that all involved in the organization's business know how to
recognize and utilize the knowledge contained in the heads of the organization's managers and staff.

For better management and utilization of business knowledge it is necessary for all associated members of the Milenij & Solaris organization:

- to speak the same language as spoken in the organization, when it comes to knowledge and know-how, so as to prevent misunderstandings,
- to be capable to identify, shape and implement all of their own knowledge and the know-how of the organization,
- to enable the sharing and mutual utilization of the best knowledge in all sections of the organization and for various applications, according to the adopted brand standards,
- to develop a culture of knowledge and instigate employees to a creative practice of cognitive exchanges.

There are several methods and tools that are helpful in exercising knowledge management. Here we single out the application of the SWOT analysis, benchmarking, branding, etc. that make knowledge easier to: identify, form, evaluate and maintain in all sections of the organization in the same manner and in accordance with the same standards.

Information science technologies are increasingly helpful in applying contemporary methods of managing the competitive business activities of hotel organizations, in particular nowadays when the best information science systems in the world used by leading hotel products with a brand are available.

In the course of management and utilization of an organization's knowledge, it is important to distinguish:

- identification of knowledge,
- analysis of knowledge,
- application of knowledge, and
- estimation of knowledge quality.

Identification of knowledge in the organization – means to define the kinds of knowledge that the organization has at its disposal, where that knowledge is located, what is its quality, how is it used, what is its form, how to get hold of it and make it better.

Analysis of knowledge – an evaluation of how knowledge can be of help in creating new values; what are the chances to benefit from the knowledge; what effects would application of knowledge achieve in making greater profit; what knowledge does our competitor use, and what does the best organization in our field of business use, etc.
Application of knowledge – defines the manner and deadlines for carrying out the Action planning and controlling of carried out activities in practice.

Estimation of knowledge quality – revision of making use of knowledge.

In the process of managing and utilizing knowledge, the Management should answer the following questions:

- has application of knowledge achieved the desired effect on the branded product,
- has the method for maintaining the knowledge level on competitive brand management been defined; as well as
- the method of creating new knowledge for a successful management of the quality and profit of the hotel brand? 2

3. THE STATE OF AFFAIRS AND DIFFERENCES IN KNOWLEDGE MANAGEMENT OF BRANDED AND UNBRANDED HOTELS IN CROATIA

Exploring the state of affairs and difference in knowledge management of branded and unbranded hotels, we analyzed the official „List of categorized hotels (and branded hotels) in years 2003 and 2007, published by the Ministry of the Sea, Tourism, Transport and Development (MMTPR). In the cited lists an analysis was made according to the name of the branded hotel product and the unbranded hotel respectively.

The results of the performed research in years 2003 and 2008 show the following:

- In year 2003 Croatia had only 8 hotels with a brand product, or a share of less than 2% of all hotels, namely a share less than 5% in relation to the number of accommodation units (hotel rooms and apartments). On the whole, managerial knowledge on the branded hotel product was related to the strategic decision of the hotel owner. The hotel owners, upon proposal of the hotel management, from the very beginning of handling the development of the hotels' real estate have to bring a strategic decision on the competitive standards of the hotel. The decision on the selected standard for the hotel's development is often, due to the ignorance of the owner or the team working on the hotel project's development, not brought in time, even when it is a matter of compulsory national hotel standards for the type of accommodation facility. 3 In addition to the compulsory national hotel standards, which are oriented towards a hotel's physical structure and beauty, hotel owners have to bring decisions on the choice of other non-obligatory standards that are essential for the hotel's

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2 Pursuant to the SRP system for competitive management of the quality and earnings of branded hotel products developed by Karamarko Consulting for the Hotel Industry & Tourism.

3 Piramida hotel standard according to model Karamarko Consulting.
quality and profitability. It is a question of formally nonobligatory standards such the ISO standards, USALI standards and specific standards for hotel brands, oriented towards business excellence of the hotel product with a brand. In 2003, decisions on development of branded hotel products were brought forth by the following owners:

− Zagrebacka banka d.d. as the owner of hotels Istraturist d.d. Umag and Jadran-turist d.d. Rovinj for hotel brand „Sol Elite Koralj“, „Melia Eden“, „Sol Park“, „Sol Club Istra“, „Sol Inn Adriatic“ (previously from 1996 to 1999 under the management of „Croatian Hotels & Resorts“, the first Croatian international management company),

− Ugo Hotels d.o.o. for hotel brand „World Hotels Millennium“ Opatija,

− Uzel Turizam d.o.o. for hotel brand „Sagrada The Pucic Palace“ Dubrovnik,

− H.B.I. d.o.o. for hotel brand „Sheraton-Zagreb“.

Of the total of 8 branded hotels in 2003 in Croatia, 5 branded hotels were located in Istria, and one each in the counties of Primorsko-Goranska, Dubrovacko-Neretvanska and Zagrebacka.

• In 2007 in Croatia 25 branded hotels were identified, which constitutes a share just a little underneath 5% of all hotels, and their placement throughout the counties was as follows:

− Istria, identifies 8 hotels with brand names, of a total number of 79 hotels, which constitutes a share of 10.1 % branded and 89.9% unbranded hotels in Istria. New brand names after year 2003 were „Valamar Rubin Porec“, „Valamar Bellevue Rabac“, Valamar Snifior Rabac“, „Sol Umag“, „Sol Aurora Umag“, „Sol Garden Istra“ Umag,

− Primorsko Goranska county identifies 3 hotels with brand names, besides World Hotels Milenij there is the new brand Lifestyle Grand Hotel Adriatic Opatija and Adriatic Luxaly Hotels (ALH) Bonavia Rijeka,

− Zadarska county has one brand „Funimation Dalmacija“ Zadar, Borik

− Splitsko-dalmatinska county has two „Riu Borak“ and „Le Meridien Lav“,

− Dubrovacko-neretvanska county has 6 hotels „Valamar Club Dubrovnik“, „Iberostar Albatros Cavtat“, Hilton Imperial Dubrovnik“, ALH „Dubrovnik Palace and Excelsior,

− The City of Zagreb has 5 brand name hotels „Best Western Premier Hotel Astoria“, „Arcotel Allegra Zagreb“, „Four Points Panorama“, The Regent Esplanade“, The Westin Zagreb“.
The differences between the number and structure of branded and unbranded hotels in Croatia in 2003 and 2007 can be summarized into the following facts:

- Istrıa has maintained the largest number of branded hotel products in Croatia; introduced the new hotel Valamar brand, but likewise the county where the first cancellation of contract on the Management brand occurred with the Solmelia company of hotels in Rovinj, due to a change of hotel ownership.

- The number of Croatian counties with hotel brands has increased from four to six counties;

- The share of branded hotels in Croatia has increased significantly from a 2% to a 5% participation among all the categorized hotels in Croatia;

- The share of unbranded hotels in Croatia still remains very high and adds up to 499 hotels, in other words, of all hotels, slightly more than 95% belong to the category of unbranded hotels.

CONCLUSION

Knowledge management in hotel organizations is related to management of a hotel product with a brand. This knowledge includes a comprehensive cognition and know-how that is required for cutting-edge management in the hotel business. The hotel product and its image is firstly identified and distinguished as a brand product (protected trademark, seal) or as an unbranded hotel product.

The same goes for managerial knowledge of hotel organizations, between which distinguishing differences are contingent upon whether the managed hotel product is a branded or unbranded hotel product. Managerial knowledge is formed as „a package of knowledge“ that is protected as intellectual ownership for the purpose of further sale, or as unprotected in the case of unbranded hotels.

The state of affairs and differences in knowledge management of branded and unbranded hotels in Croatia can be related to the decision on the trademark and image policy regarding a product. The structural analysis of the world's most successful hotel brands takes notice of the link between a hotel organization's name, the names of the hotel product's brand, and the knowledge management and know-how of the brand. Contrary to this, the structural analysis of some of the most representative Croatian hotel organizations shows that there is no link between the names of the hotel organization, names of the hotel product and knowledge management and know-how.

The differences between the number and structures of branded and unbranded hotels in Croatia in 2003 and 2007 can be digested into the fact that the share of branded hotels in Croatia has increased significantly. This increase is a 2% to a 5% participation among all the categorized hotels. In spite of this, the share of unbranded hotels in Croatia still remains very high and adds up to 499 hotels, in other words, slightly more than 95% of all hotels are unbranded hotels.
Knowledge management is a new example of managerial handling of hotel business in Croatia. Examples of knowledge management are still related to a smaller number of organizations, and predominantly to those that have strategically taken the side of commitment to a branded hotel product policy, as opposed to the majority of unbranded hotel products. The contemporary knowledge economics are increasingly establishing the development and management of the hotel product on the invisible property of the hotel brand as a product hence it includes the organization's development, human capital and potential of the tourist destination. In general, the large majority of Croatian hotels do not yet wholly handle their knowledge and know-how as a license or a brand hotel product franchise.

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EFFICIENCY OF INTELLECTUAL CAPITAL IN HOTEL BUSINESS*

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Abstract: The strategic goal of Croatia is “to become a knowledge-based economy and society.” However, many companies, which includes hotels as well, still do not have any idea of how to cope with the challenges imposed by knowledge economy in everyday business practice. Therefore, it is vital that managers receive education on that matter, so that they can understand in which way economy is changing and how this effects them, why intellectual capital is becoming a key factor of business success and what they can do in order to create value and not destroy under the new circumstances. The Croatian IC Center has developed the PIENIC program and worked on its implementation with over 60 companies, private and state owned, from different sectors and regions.

Key words: Knowledge economy, intellectual capital, strategy of IC management in companies/hotels, evaluation of human capital performance.

INTRODUCTION

A major strategic goal, set by the EU, is the transition into knowledge based economy, in order to ensure global competitiveness in the 21. ct. In accordance with

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this are the guidelines set by Croatian government and featured in Croatian strategy: development of knowledge based economy and transition into knowledge society.

However, many Croatian managers do not see any connection between the above and their current business, referring it to education and school reform. This is a weak base for the realisation of strategic guidelines, and makes it an imperative to inform and educate as many managers as possible, including those working in hotel business and in the development of Croatian tourism.

They have to learn about knowledge based economy, understand in which way global economic changes affect business and how they can cope with it.

In this context, knowledge, that is, intellectual capital is considered key economic and development factor. The former editor of «Fortune» magazine, Thomas Stewart, described it as «Something that cannot be touched, although it slowly makes you rich». According to Dr. Ante Pulic, an IC pioneer, intellectual capital represents the sum of all knowledge and capabilities existing in companies, regions and nations, enabling efficient value creation.

Managers, who have focussed on tangible assets primarily, now find themselves facing a true challenge: in the future, it will be their ability of managing intangible assets that will determine business success of their companies/hotels.

In general, the term «intellectual capital (IC)» is used to refer to intangible assets or intangible business factors of the company, which have a significant impact on its performance and overall business success. As the name already implies, the source of IC is intellect, that is knowledge, whereby we refer to applied knowledge, which is in the function of value creation.

1. CLASSIFICATION OF INTELLECTUAL CAPITAL

Since we are dealing with a non material/intangible resource it has to be visualised in order to be successfully managed. Any classification of intellectual capital (IC) creates a base for understanding, talking and doing. Although various models have developed during time, the following basic classification is popular in European/Croatian business practice.

Human Capital (HC) encompasses all the employees with their individual and collective knowledge, capabilities, attitudes, capacities, behaviour, experience and emotions. All the employees represent a certain potential but do not represent human capital per se for the employer. Only in the case, when they are able to apply their knowledge and capabilities at work and thus contribute to corporate value creation. Therefore, even the most intelligent people could be dead capital if they do not know how to do that.

Due to characteristics like intellectual agility, creativity, innovativeness, capability of solving problems, persistency and initiative, human capital becomes the
key value creator of knowledge based economy. Therefore it is not appropriate to treat employee expenditures (salaries, taxes, bonuses, training, motivation programs) as cost, since it is actually investment, which should be expressed not only in words but also in accounting terms, through the balance sheet.

Some companies had to come to terms with the painful fact that employees are not just business inventory like machines, computers and real estate the company owns, when it was too late. During the reengineering process, aiming at cost reduction and achieving competitive advantage, they had made numerous employees redundant and consequently lost precious knowledge, experience, capabilities - precious capital they were unaware of.

With regard to the changing economic conditions, characterised by fast advancing technology, strong national and international competition as well as increasingly better informed customers, it is vital to continuously increase corporate knowledge and capabilities in order to be able to create value efficiently. In accordance with this, managers have to work on their capability to change the classic way of doing business. As for employee’s capability to create value for the company/hotel, it is of vital importance that they do not only possess professional competence but also social competence, which assures adequate behaviour at work, with colleagues (team work), subordinates (management) and clients (all who are in direct contact with the guests).

With regard to human capital management (HCM) it is important to highlight, that the focus moves away from employee control to recognizing and developing employee’s capabilities and creating a supporting business environment, in order to utilize employee’s intellectual potential in an optimal way.

**Structural Capital (SC)** is the supporting infrastructure of human capital, being actually the result of human capital activity of the past. SC refers to all intangible factors, which enable business success and competitiveness when the people go home. In fact, human capital activity can either improve or destroy SC. Employees can leave the company at any moment (e.g. retirement, change to competition, sickness), this way depriving the company of certain knowledge (the worse if it is relevant and unique). On the contrary, knowledge shared with colleagues, applied and incorporated into business processes, programs, products and services, remains in the company and becomes its structural capital, which is owned by the company. There are two basic components of structural capital: organizational and customer capital.

**Organisational SC** encompasses the org. structure of the company, the ways of running the business, management sub-systems, drafts, means of control, information and communication systems, value management systems (finances, investments, accountancy), development, relationship with other employees, database, documentation and intellectual assets: patents, copyright, licences etc. The most prominent and acknowledged part of this capital is intellectual property.

**Innovation SC** includes the ability of a company to continually innovate at all areas of business activity (with products/services, way of organizing things, approach towards customers, managerial tools). It also applies to bigger and smaller
improvements of production and service processes, which have been proposed by the employees at all levels of the hierarchy, not only by top management, or the R&D department. Innovation capability of a hotel depends on the intellectual agility of employees characterised by flexibility, creativity, innovativeness, capability of controlling fear of new things). It is also supported by corporate culture, which encourages new ideas and concepts, enabling their realisation with minimal resistance. In knowledge economy, the innovation capability of companies is key for competitiveness and therefore requires attention of management.

Process SC includes the various business processes, techniques, quality, personnel programs etc. – everything that increases the efficiency of production or providing of services as well as quality. According to Dr. Tominovic, the first IC director in Croatia, it is in processes that value is either created or destroyed and therefore processes require constant improvement and, if necessary, redesigning in order to satisfy the needs and requirements of the customer. In times when knowledge has become a key factor of business, it is important to establish a process of continuous learning and improvement of professional knowledge and skills.

Corporate culture can be described as an aggregated sum of individual opinions, common value systems, attitudes, norms and behaviour. In principle, the culture reflects whatever is being rewarded (and thus is encouraged) or punished. Although so invisible, it is a determining factor of business success, since it provides a lever for the realisation of goals. Achieving competitive advantage in KE is not possible without a corporate culture which supports continuous learning and improvement, innovativeness and efficient communication and collaboration at the corporate level and at the individual one.

Leadership is a vital component of IC, that is based on the actions of human capital (top management) and it is reflected in the vision, mission and goals. It is up to management to direct the company /hotel in the right direction, by setting adequate goals and communicating them throughout the entire company/hotel, and thus mobilizing the entire workforce in achieving competitiveness and value creation in the future. In order to achieve this, is important for management to investigate into economic trends, create various scenarios and apply modern management and measurement tools in order to be capable of facing the challenges of an insecure business environment. All employees must be able to identify themselves with corporate vision and goals, knowing how they can support its realisation in everyday work. Otherwise there will be no synergy effect and vision and mission will remain pure words on a piece of paper.

Customer Capital (CC) is treated as an independent position in some of the IC models, while in others it is seen as relationship capital. However, in countries, in which the provider of services still do neither see nor treat their customers as a sort of capital, it is more useful to use the term customer capital, since it brings the customer more clearly into focus of attention. Customer capital consists of the relationships with customers (buyers, clients and guests) and data bases with relevant information on customers. CC refers also to the value that is derived from and created through continuous relationships with customers. Serious and systematic customer focus
enables the company to react in time to new trends, to develop innovative products, to educate and train their staff in the right way (e.g. sales, reception) and to build up the company image. The ultimate goal is customer satisfaction and his loyalty towards the company/hotel, which is achieved by anticipation and satisfaction of customer/guest needs and wishes. It is therefore of uttermost importance that all employees, at all hierarchy levels, understand that and act accordingly. Image is a form of customer/relationship capital.

Relationship Capital encompasses relations with suppliers and partners, who are direct participants in the value creation system for the end users, i.e. the customers. These systems go beyond limits of individual companies but influence value creation efficiency of the company/hotel in a positive or negative way. We can say that business partners influences the company’s/hotel’s business success by their capability of satisfying customer/guest needs and requirements.

Value added for the company/hotel is being created through the interaction of IC -components, which make it vital to continuously work on improving efficiency of each of the mentioned factors as well as of their interaction. Business practice has already proved that today, intangibles are the determining factor of either, business success or failure.

2. STRATEGY OF IC-MANAGEMENT IN SERVICE INDUSTRY

Many years ago P. Drucker already stated that the service sector does not increase its productivity fast enough, whereby, today, this is one of the dominant sectors, with a major share in total value creation of world’s economy. Drucker addressed the managers, working in this industry with following words: “There is great urgency. If we want to increase productivity in service industry we can not rely on government or politics. It is the task of managers and decision makers in the company. Actually, this is the highest social responsibility of management in knowledge intensive society.”

The increase of productivity, addressed by Drucker, has become more and more the Achilles heel of contemporary business. However, increase of productivity is actually quite simple to achieve, by managing intellectual capital and measuring its performance – due to the fact that IC is the key factor of value creation in knowledge based economy. Another argument in favour of intellectual capital management (ICM) initiatives in companies/hotels is given by research, which proves, that this is easiest done and results can fastest be seen in service industry. However, having refined the skill of managing tangible assets for years, most managers continue to focus on money and buildings for two reasons: once, they do not understand the need for change of focus and on second, they just do not know how to deal with the management and measurement of intellectual assets.

Probably due to same reasons, Croatian managers too, are not fond of introducing initiatives that aim at increasing productivity by utilizing intellectual assets more efficiently. And hotel business is no exception to that. In this context it is good
news that in Croatia a globally unique program (PIENIC) was developed by internationally acknowledged Croatian experts and successfully applied in more than 60 companies nationwide. APENIK features a unique approach combining management education, team work with regard to improving efficiency of resources, as well as the application of new and modern management and measurement tools, which focus on intellectual capital.

The Croatian “Program of Increasing Efficiency of National Intellectual Capital” (PIENIC)

In cooperation with the Ministry of Economy (providing financial support) and the Croatian Chamber of Commerce (providing its infrastructure) the IC Center in Zagreb has initiated “The Program of Increasing Efficiency of National Intellectual Capital”. On the one hand, PIENIC helps in achieving strategic goals set by Croatian government and, on the other hand, contributes to the development of future European standards with regard to management and measurement tools, which can meet the needs of KE. In this context, upon invitation of the organizers, PIENIC was presented at many international conferences: McMaster IC Congress in Canada, World Bank conf on IC of nations, regions in France, IC conf. organized by the Intellectual Assets Centre in Scotland, Knowledge Based Development conf. in Mexico, PolyU conf. in Hong Kong and the Polish Banking Association annual conf devoted to IC. Although PIENIC was initially designed for state and city owned companies, who, most of all, need to make a major shift in thinking and doing, it was successfully applied in more than 60 companies in different sectors and ownership structures, among others in the service industry, hotels included.

The managers, who applied PIENIC in their companies, confirmed that it is exceptionally useful providing relevant knowledge and new insights, encouraging the use of internal intellectual potential in the development of a unique and tailor made business recipe.

The main features of PIENIC are as follows:

a) **Fast** - one month, depending on dynamics of realization
b) **Simple** - no pre work, pre knowledge or complicated data collection necessary
c) **Educative** - with regard to value creation in KE and the role of IC
d) **Efficient** - an 5-10% increase of business efficiency possible
e) **Explicit focus on value creation** - in addition to cost control, value added and efficiency of IC introduced as new indicators of business success
f) **Focus on Intellectual Capital** - as the prime factor of modern business
g) **Introduction of new management and measuring tools** - (VAIC® and ICAP® software) used in order to measure efficiency of resources, in particular, intellectual capital and assessment of IC
h) **Cheap** - due to financial support of Croatian Ministry of Economy

In principle, the realisation of PIENIC is the same in all companies, but modifications can be made if necessary. The first step after the CEO gives his approval,
is the formation of a multidisciplinary team, who is in charge of IC efficiency improvement. It consists of 3-6 experts from different departments: HR, finance, production, sales and marketing, and other experts, chosen according to their expertise, interest or motivation. It is of great importance that the team members are people that are open towards new issues, that they are good team players and respected colleagues with a solid reputation in the company/hotel. During two workshops they receive basic education on the economic context and knowledge economy basics, intellectual capital and productivity in KE, domestic and international case studies, management of non material factors, that is IC, as well as measuring business success/efficiency in new economy.

During the next stage theory is applied in practice. Team members are trained to be capable of working on their own on the issues of increasing IC efficiency by using modern software tools (VAIC™ & ICAP™). Guided by consultants, the IC of the company/hotel is visualized and assessed with help of 260-IC related questions. Areas of interest are: HC - professional competence, social competence, Intellectual agility, values, emotions, SC – organisational: innovation, processes, management/leadership, corporate culture, working environment, relationship with others, customers (information, relationships). By highlighting critical as well as positive areas, endangering or strengthening corporate value creation capability, a base for future improvements and company’s/ hotel’s competitive positioning is created.

A substantial part of PIENIC is financial measurement with help of the VAIC™ analysis. This is done in order to find out the value creation capability and efficiency of IC of the company/hotel at various levels of business: at company/hotel level, but also inside the company/hotel with units or products/services. Areas are detected where value has been created more or less efficiently, reasons for such a situation ought to be found and, if possible improvements have to be initiated. The company/hotel benchmarks with competitors and sector average in order to position itself in the business environment. This is in accordance with Lord Kelvin’s words:” If you can measure what you are talking about, and express it in numbers, then you know something about it.”

A key element of the program is education of other employees and knowledge transfer. The point is not that a privileged group of people gets to know something about a new issue, but to educate as many people throughout the entire company as possible, (according to possibilities and qualification level), so that they might know what to do and how to do it in order to create value efficiently. Only this way efficiency that is productivity of human capital can be increased.

After PIENIC is over, the company/hotel has its own, internal consulting team, that can advise on IC and KE related matters and perform the afore mentioned analysis on a continuous basis.

The last task of the IC team, before the program is finished, is to make an action plan that encompasses the following: creation of an encouraging climate for education and transfer of key knowledge, work on the improvement of IC, based on
ICAP™ analysis and workshop as well as increase of value creation efficiency of resources based on the VAIC™ analysis.

PIENIC is a program that encourages transformation into value-oriented business, which basically means, thinking more about creating value and less about cutting costs. Experience has shown that most managers are preoccupied with cost control and current business problems. Only few take the time for thinking and talking about the future, new concepts and opportunities, which could enable more successful value creation based on existing resources. The greater the created value is, the more there is to share for all participants, and the less energy is wasted on unproductive battles between departments. As with any process, the transformation into value oriented business takes due time and effort until the existing mind set changes.

The above is absolutely not possible without explicit focus on intangibles, due to the already described role of IC and has to be accompanied by an adequate rewarding and incentive system. When the work of employees is assessed, it is important to take into consideration in which way they have contributed to value creation by utilizing their personal knowledge and capabilities. Not only quantity but quality matters. The focus is shifting from the issue of how much time employees have spent at work towards the question of what they have done during working hours. It is not enough that assignments are done formally correct, but it is of great interest in which way their tasks are executed and whether that is done in a way that creates or destroys value for the company. As for now, in Croatia it is still rare that flexibility, innovativeness, creativity, proactive thinking, capability and kindness of employees are being rewarded – the features of true human capital, which distinguish people from machines and make them an indispensable key resource of knowledge economy.

3. INHIBITING FACTORS IN INTRODUCING IC-RELATED PROGRAMS

Each company disposes of certain intellectual capital and therefore has great potential to improve business performance without heavy investments. If it is so easy where is the catch? The problem is the following: Each serious initiative requires questioning of the existing and changes. Furthermore, an open mind for the new, learning, team work, good will, enthusiasm, time, organization as well as readiness for facing mistakes of the past and continuous change and improvement are a must. It seems that this is a greater problem for management to deal with than making financial investments and therefore it is avoided. There is no unified way of managing IC, each company has to find its own ways and create their special recipes. However, experience with over 100 companies has shown that certain inhibiting factors are common to many companies/hotels and should be taken into consideration when starting an IC-related initiative.

The following can represent inhibiting factors:

**Corporate culture**: if it does not support new ways of thinking and doing as well if there is no room for change, readiness for learning, analysis of mistakes, team
work and knowledge sharing. In companies that in some way support or ignore employee’s intolerance, gossiping, over competitive behaviour, retaining information, psychological pressure, lobbying and similar, resistance will be considerable.

**Employees:** if they boycott the project in an active or passive way, due to lack of awareness and understanding, inertia, fears of change and tendency to keep the well known.

**Top management:** if it is uninformed, inert, self centred, unpopular, does not understand what motivates subordinates, refuses positive changes, offering verbal support only, without really backing up the project,

**Vision:** if it is non existent, vague, unclear or badly defined (makes it hard to align IC goals to, which serve the support of vision)

**Organisation of the project:** if coordinator and contact person, responsible for project realisation, are not clearly assigned by top management

**Communication:** if it is not transparent, effective, clear and pleasant

**Rewarding system:** if it does not reward employees, who develop and advance continuously, but if it supports mediocrity, non creative ways of approaching things and year long established routine.

**Measuring system:** if it fails to measure and control that what is important in new economy

**Technology:** if it does not meet requirements or turns out to be too complicated.

**CONCLUSION**

In most companies/hotels there is an enormous intellectual potential, which is utilized only to a small extent, but holds the key to major business improvement. The problem here is that knowledge/IC management is different from managing money and other tangible assets. Therefore, the time has come for all those managers, who understand the necessity of change, who are ready to learn and apply new concepts and tools in everyday business in order to ensure themselves and their co - workers a secure future, in so far as that is possible. In doing so, they do not only contribute to the well being of their company/hotel but also help achieving the strategic goals set by Government – become a knowledge based economy and society. As a renowned economist said in similar times and in a similar occasion: “In times of economic turblences, there will always be creative managers, who adapt fast to new circumstances, while, on the other hand - as usual - there will be the so called practitioners, who are slaves of outdated economic theoreticians.” Knowledge economy is not the time for mere practitioners but the time for a class of creative, innovative and proactive value creators.
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RESEARCH ON THE ADJUSTMENT OF CROATIAN TOURIST OFFER TO JAPANESE TOURISTS EXPECTATIONS

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Abstract: A fundamental problem of Croatian tourism is insufficient quality level leading to seasonality, insufficient capacity utilisation and (non) profitability. Today, when tourist markets are turbulent, it is important to know a tourist, their wishes, expectation and outdo these. In order for the tourist to be satisfied, it is crucial to meet all segments of their expectations. Though an important aspect of tourist product or offer quality, insufficiently mentioned in Croatia is the respect of the culture the tourist comes from. Croatia is opening to new non-traditional markets it needs to adjust to. In order to remain competitive and continuously increase product and service quality, even the most unusual tourists’ requests should be met. Quality implies attitude: never say no to a client. This paper presents the results of researching readiness of Croatian tourist offer to meet specific Japanese tourists’ requests.

Key words: quality, Japanese tourists, culture, offer analysis.

INTRODUCTION

One of fundamental problems of Croatian tourism is insufficient quality level which leads to other difficulties like seasonality, insufficient capacity utilisation, accordingly (non) profitability and similar.

Today, when tourist markets are turbulent, it is important to know a tourist, assume their wishes and expectation and outdo them as well. In tourism, client is the
beginning and the end of the whole process, the centre around which tourist activities evolve. In order to make the tourist satisfied with the received, it is crucial to meet all segments of their expectations, to understand the quality and all its aspects.

Insufficiently mentioned in Croatia is the respect of the culture the tourist comes from. Croatia is opening to new non-traditional markets it needs to adjust to. Culturological traits help us understand and raise tolerance towards other nations; tourism is the perfect generator for such a change.

Although the sociology of tourism has become increasingly important only lately, it is very important to bear in mind precisely the culturological trait of the entire process.

Conducting tourist activities, the author cooperated with many foreign tour operators, Asian in particular, who for different groups of tourists, from different national, religious and culturological backgrounds, had rather unusual requests in terms of respecting culturological traits or customs. With the objective to remain competitive and to maintain and increase product and service quality, even the most unusual tourists’ requests should be met. Quality implies attitude: never say no to a client.

This paper presents the results of researching the readiness of the Croatian tourist offer to meet specific requests of Japanese tourists.

1. SOCIOLOGY OF TOURISM ON CULTUROLOGICAL DIVERSITIES

Sociology of tourism has a rather brief history in Croatia. For several decades, it has concentrated on an important segment of cause-and-effect relation generated by tourism. In contemporary times of analysing tourism, particularly prominent are socio-culturological factors formed inside the area where tourism is conducted.

In sociological terms, a tourist is usually a person voluntarily relaxing and visiting a distant location far from their home, with the objective to experience a change. In contemporary world in which the tourist truly wants to meet another culture, tourism is the bridge helping to understand diversities.

In culturological terms, tourist market is different from domicile offering possibilities and challenges different from usual. By visiting and gaining an insight into a life completely different than their own, a tourist interacts between cultures, broadens their cognitions and horizons and enriches their own culture. Upon returning home, they will transfer their experiences.

Social and culturological influences of tourism are of fundamental importance. Although tourist activities greatly contribute to mixing and meeting other cultures, they can have negative consequences in cases when interests of tourists and hosts differ. From sociological point of view, tourism is a much more complex phenomenon. The tourist has a certain social position and status and chooses the vacation destination as a consequence of their socio-economic and cultural status.
2. FACTS ABOUT JAPANESE TOURISTS (Japanese tourists expectations)

Japanese are known for being specific. Firstly, they are rather service oriented nation expecting the same attitude from others. In Japan, everything is subordinated to the buyer which corresponds to the quality theory. This chapter presents some facts on Japanese tourists.

**General**

- Japanese:
  - have a similar number of vacation days to those in European countries; however, their mentality and strictly market oriented work system allow them to use all days off during working age
  - mostly travel in later years when they have time and money; travelling is a prize for efforts during life
  - are healthy life and cuisine oriented; Japanese cuisine is considered one of the healthiest throughout the world. When travelling, Japanese expect benefit for their health as well
  - society is very closed and has difficulties in coming to trust other nations
  - usually do not speak foreign languages well and lack self-confidence
  - are known as organized, diligent and prone to details
  - are used to full scheduled vacations; they like programmes from early morning till late evening. They do not prefer to organize their own entertainment or have free time which is acceptable only when close to shopping malls
  - strictly respect other people. When having objections, they will state them later
  - have a long tradition of giving souvenirs

**Hotel**

- When travelling, Japanese expect to have rooms with tubs
- Even married couples like to sleep in separate beds and request twin beds in hotels during travels. Exceptions are couples on their honey moon
- Japanese have problems adjusting to starlit nights; it is very important for hotel rooms to have dark curtains
- There are many male smokers. Smoking rooms need to be provided for Japanese guests who smoke
- Hierarchy is very important in Japan. Japanese like to stay at rooms located on upper hotel floors which gives them sense of importance
- If travelling in groups, it is important that all guests in a group get rooms of the same standard
- Japanese usually go to bed early; thus it is not recommended to give them rooms close to public areas in a hotel since possible noise could result in complaints
- It is very important for staff to be patient with Japanese since they do not speak English well
Restaurant
- Japanese mostly travel in later years and look after their health. Although they try new, specific flavours, food should never be too spicy
- It is improper to leave food on the plate in Japan. Restaurant owners and managers are recommended to dose food quantity
- Older guests do not eat a lot of meet. Menus need to be made very attentively
- Japanese prefer various vegetables (both fresh and boiled). Variety is important part of their nutrition
- Japanese do not prefer rice, unless authentic
- Soya sauce should always be close, regardless of cuisine or restaurant type
- Wet hand towels (Oshibori) are desired before meal
- It is very important to stick to programme time frame. Lunch needs to be served within an hour the most and dinner in an hour and a half to two hours
- It is recommended that menus in restaurants are translated in English/Japanese
- In restaurants, special attention needs to be given to food quality and quantity, to guests wishes and waiters manners as well
- Visual impression of food and its arrangement is very important
- Japanese guests prefer to sit inside the restaurant, regardless of season

Tourist guides
- It is very important that guides know the mentality and expectations of Japanese tourist
- They should know a few introductory Japanese words
- Concise and simple information is expected from guides, it is very important to keep the sightseeing tours within arranged time since daily programmes for Japanese tourists are rather ample
- Visual impression which guides make is very important. Japanese expect every employee to be officially and adequately dressed when working (details like shirt and tie or closed shoes are also noticed)
- When travelling in group, Japanese expect completely same treatment. It is recommended that the entire group is addressed, not individuals

Transport / Drivers
- When travelling, Japanese expect maximum comfort. They expect two seats for each person on the bus
- It is recommended for the driver to have a tie and be formally dressed
- It is absolutely unacceptable for the driver to talk on cell phone or to someone from the group when driving
- Japanese guests are usually older people; thus drivers should be experienced, stay within speed limit and drive carefully
- They expect to be served mineral water on busses, as a welcome gesture

Japanese guests are very sensitive to the service ordered. They expect solely the same type and level of service they ordered. Under Japanese laws, in case of change and disproportion between the service offered and the one provided, service provider
(indirectly) and tour operator (directly) are liable to paying penalties. Even a better service than the one ordered can cause dissatisfaction and demand the paying of penalties.

3. JAPANESE TOURISTS IN CROATIA

Although some Croatian tour operators mention with pride their longer tradition of the arrival of Japanese tourist, Croatia hasn’t been particularly familiar in Japan until recently. War situation resulted in rather negative perception of Croatia with average Japanese; in late 1990s, a turning point happened thanks to world football championship (FIFA) at which both Croatian and Japanese teams played which aroused interest of the Japanese public. Furthermore, the Croatian Tourist Board (HTZ) organized actions which popularized Croatia; certain famous Croats popular in Japan in music, sports and film also helped. By year 2006 tourist information on Croatia were available to Japanese in only one tourist brochure, i.e. one chapter covering the South East European countries. In 2007, four professional tourist publications were issued, together with numerous articles in magazines and various media campaigns. Croatian Embassy in Japan actively promotes Croatia as a tourist country; in 2008 the HTZ opened their office in Tokyo which confirms the popularity of Croatia as a travel destination in Japan. Over the past few years, direct charter flights have been organized from biggest Japanese cities. The growth of the arrival of Japanese tourist and their room/nights is more than 100% annually. By August 2008 more than 50,000 Japanese tourists visited Croatia. Japanese travel throughout the year and are a very interesting tourist generating market. Despite the announced crisis and recession Japanese market is going through, it is anticipated that similar growth will continue since Croatia is rather new extremely popular destination and that recession will primarily hit traditional destinations. Considering big potential of the Japanese tourist generating market and big growth of room/nights occupied by Japanese groups, the objective of this paper is to point to the current adjustment of tourist offers and services in Croatia with Japanese tourists’ requests as well as to possible deviations and chances for improvement and further growth.

4. RESEARCH ON THE ADJUSTMENT OF CROATIAN TOURIST OFFER TO JAPANESE TOURISTS EXPECTATIONS

Research was implemented on a questionnaire filled in by 1200 subject in the period from May 2006 till October 2008. Out of 1200 questionnaires, 900 of them were taken as a valid sample; 300 questionnaires from 2006 were processed, 300 from 2007 and 300 from 2008. The biggest tourist generating cities taking the largest ratio of Japanese tourists coming to Croatia are Tokyo, Osaka, Nagoya and Kyoto. The reason behind rather long research is the possibility to compare the survey results and knowledge on possible improvement through increasing arrivals of Japanese tourists. Subjects took part in travels throughout Croatia which were organized by various tour operators to avoid possible bias, i.e. results linked to (bad) quality of one tour operator, in order to get objective impressions from Japanese visitors.

Subjects’ demographic structure is given in the table below.
Table 1: Subjects demographic distribution

<table>
<thead>
<tr>
<th>Sex</th>
<th>No. of subjects</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>279</td>
<td>31%</td>
</tr>
<tr>
<td>Female</td>
<td>621</td>
<td>69%</td>
</tr>
</tbody>
</table>

**Age distribution**

<table>
<thead>
<tr>
<th>Age distribution</th>
<th>No. of subjects</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>36</td>
<td>4%</td>
</tr>
<tr>
<td>30-40</td>
<td>81</td>
<td>9%</td>
</tr>
<tr>
<td>40-50</td>
<td>99</td>
<td>11%</td>
</tr>
<tr>
<td>50-60</td>
<td>135</td>
<td>15%</td>
</tr>
<tr>
<td>Above 60</td>
<td>549</td>
<td>61%</td>
</tr>
</tbody>
</table>

**Education**

<table>
<thead>
<tr>
<th>Education</th>
<th>No. of subjects</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No elementary education</td>
<td>18</td>
<td>2%</td>
</tr>
<tr>
<td>Elementary education</td>
<td>45</td>
<td>5%</td>
</tr>
<tr>
<td>Secondary education</td>
<td>135</td>
<td>15%</td>
</tr>
<tr>
<td>Two-year post-secondary school and university qualifications</td>
<td>495</td>
<td>55%</td>
</tr>
<tr>
<td>Scientific/Research education level</td>
<td>207</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: Made by the author

The table shows that almost 70% of subjects were women. Even more than 60% were persons older than 60. The most represented education level was two-year post-secondary school and university qualifications. Likert five-point scale was applied for estimating the services. The questionnaire was written in Japanese, and the results later translated into Croatian.

The table below provides a sample of the questionnaire used in this research.

Table 2: Questionnaire

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>GRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>GENERAL</strong></td>
<td></td>
</tr>
<tr>
<td>How satisfied are you with the overall trip organization?</td>
<td></td>
</tr>
<tr>
<td>How well was principle “value for money” met?</td>
<td></td>
</tr>
<tr>
<td>Estimate the kindness of the local population</td>
<td></td>
</tr>
<tr>
<td>Estimate the general population’s awareness of culturological diversities</td>
<td></td>
</tr>
<tr>
<td><strong>HOTEL</strong></td>
<td></td>
</tr>
<tr>
<td>Were the services in accordance with your expectations?</td>
<td></td>
</tr>
<tr>
<td>Estimate the professional behaviour of hotel staff</td>
<td></td>
</tr>
<tr>
<td>How successfully did the hotel product (rooms, restaurant) meet your expectations?</td>
<td></td>
</tr>
<tr>
<td>Estimate the understanding of the hotel staff for the culture you come from</td>
<td></td>
</tr>
<tr>
<td>Estimate reactions of hotel staff on your possible complaints /problems</td>
<td></td>
</tr>
</tbody>
</table>
continued table 2.

<table>
<thead>
<tr>
<th></th>
<th>Estimate kindness of the hotel staff</th>
<th>How well is the hotel ready to receive Japanese guests?</th>
<th>Your comments</th>
</tr>
</thead>
</table>

**RESTAURANT**

<table>
<thead>
<tr>
<th>Estimate the professional behaviour of restaurant personnel</th>
<th>Were the services in accordance with your expectations?</th>
<th>How successfully did the hotel product (menu, flavours) meet your expectations?</th>
<th>Estimate adequacy of menu quantity</th>
<th>Estimate the understanding of the staff for the culture you come from</th>
<th>Estimate kindness of the staff</th>
<th>How well is the restaurant ready to receive Japanese guests?</th>
<th>Your comments</th>
</tr>
</thead>
</table>

**TOURIST GUIDE**

<table>
<thead>
<tr>
<th>How interesting were guiding tours?</th>
<th>Grade your tourist guide</th>
<th>Estimate the professional behaviour of your guide</th>
<th>Was your guide warm and kind?</th>
<th>How much experience did your guide have with Japanese tourists?</th>
<th>What was guide’s knowledge on Japanese culture?</th>
<th>Did the guide respect the time limits and was punctual?</th>
<th>Were the guiding services in accordance with your expectations?</th>
<th>How well is the guide ready to serve Japanese guests?</th>
<th>Estimate guide’s (professional) appearance</th>
<th>Your comments</th>
</tr>
</thead>
</table>

**DRIVER**

<table>
<thead>
<tr>
<th>Estimate driver’s professional behaviour</th>
<th>Estimate the feeling of safety during driving</th>
<th>Was the transport service in accordance with your expectations?</th>
<th>Estimate driver’s courtesy</th>
<th>Estimate driver’s (professional) appearance</th>
<th>Your comments</th>
</tr>
</thead>
</table>

**ADDITIONAL QUESTIONS**

<table>
<thead>
<tr>
<th>Date of filling in the questionnaire</th>
<th>Which tour operator did you travel with?</th>
<th>Why did you choose this tour precisely?</th>
<th>You overall comments/suggestions/compliments?</th>
</tr>
</thead>
</table>

*Source: Made by the author*

Certain categories were repeated for main Croatian tourist centres: Zagreb, Plitvice, Opatija, Split and Dubrovnik, where the biggest number of Japanese tourists comes, to get an impression on possible deviations in relation to certain destinations or regions.
The questionnaire tried to make conclusions about four basic elements in travel organizing: accommodation, food, sightseeing and transportation. General questions were added to find out when was the questionnaire answered and what were some general positions and opinion of the subjects.

5. RESULTS

Understanding of their culture and the adjustment of services with their traditional habits and expectations is very important to Japanese tourists; all subjects consider the two categories extremely important.

1) Group of general questions

Group of general questions show that around 67% of subjects estimated the overall travel quality and “value and money” with 4 and 5, pointing to a satisfactory organization as well as highlights and content ratio. Around 44% of tourists graded question 4 with 4 and 5, while 56% of subjects graded it from 1 to 3; almost 18% of subjects gave only one point to the awareness of culturological differences and adjustment to these. Since most subjects estimated precisely this category as an important one, we reach a conclusion on a significant quality disproportion. However, in three years significant improvement can be noticed; year in year out, fewer subjects graded this question low thus pointing to increased awareness of the population on culturological differences and to increased products and service quality.

2) Group of questions – hotel

Hotel offer is the backbone of the tourists offer and greatly contributes to the overall travel quality. Questions on hotel services quality was made with particular care and got the highest points. The highest grade was given for its quality level compared to other tested categories. Japanese tourists aren’t a traditional market for Croatian hotel managers, though a certain adjustment period is necessary for Croatian hotel managers to get used to specific requests of Japanese groups and adjust their offer accordingly.

Survey covered most three to five stars hotels in towns visited by subjects; higher grade was given frequently to lower category hotels thus demonstrating no correlation between hotel category and service adjustment.

Adjustment of services with their expectation was given 4 or 5 by around 53% of subjects. 57% of subjects graded the adjustment of the hotel product with 4 with 5, and the remaining 43% from 1 to 3. This points to increased satisfaction with hotel product (room, hotel structure and similar) and somewhat lesser satisfaction with the service of the hotel staff. Free commentaries point to dissatisfaction with the attitude of the hotel personnel and their tolerance for special requests. Mostly positive grades were given to higher category hotel products, while high grades for hotel service were given by visitors staying in all hotel categories.
Particularly defeating was “staff reaction to possible complaints” where 3 was the highest grade, 71% graded it with 1 or 2 since Japanese tourists are used to high helpfulness and to always putting the guest before profit. Japanese expect a specific and very demanding attitude to clients and the reaction of the hotel manager in cases of complaints, which obviously failed to occur in Croatian hotels. It was noticed that higher grades were given outside high season when lesser omissions happen because of lower occupancy rate and the readiness of the staff to treat Japanese guest in the adequate way.

65% of subjects graded category “kindness of the hotel staff” with 4 and 5 in all testing periods and for all hotel categories. Personal commentaries point to satisfaction with positive attitude of the hotel staff (smiling, knowing some Japanese words, appropriate saluting and similar). Professionalism of the staff was graded with 49% of the highest grades.

Survey results point to 2 biggest advantages and disadvantages in Croatian hotels:

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kind staff (all categories)</td>
<td>Inadequate service for Japanese guests</td>
</tr>
<tr>
<td>Professional staff (higher categories)</td>
<td>Fully inadequate complaints system (primarily higher categories)</td>
</tr>
</tbody>
</table>

When estimating if Croatian hotels are ready to accommodate Japanese guests, 51% of subjects gave it two maximum grades. A lot of improvement can be done in this area.

From her practical experience when cooperating with most Croatian hotels and a large number of Japanese agents and visitors, the author noticed the following disadvantages in Croatian hotels:

- unwillingness to adjust to Japanese tourists
- Insufficient managers awareness of this adjustment
- profit before quality
- inconsistency in the service confirmed
- bad communication between the sale department and front desk (reception)

The service can be improved the most here, particularly since Japanese tourists are among most preferred guests in hotels because of their discipline and neatness.

3) Group of questions – restaurants

Besides hotel accommodation, catering makes the major part of the offer in organized tourist travels.

The survey covers restaurants of all categories in four towns, ranging from more modest catering establishments to luxury restaurants ready to provide first-rate culinary service.
Object category is correlated with the service level in restaurants. Higher category restaurants are readier to receive Japanese visitors and regularly offer more adjusted service than simpler objects with cheaper service. The first evaluation regarding professionalism of restaurant staff was graded with 4 or 5 by 57% of subjects; 43% graded it from 1 to 3. Considering the category of restaurants visited by the subjects, lower grades were regularly given to cheaper objects. This shouldn’t be an excuse.

The adjustment of a restaurant product (menu) with expectations was graded high by the around 61%. This confirms two facts: Croatian restaurants adjusted their cuisine to Japanese guests and Japanese prefer the taste of the original Croatian cuisine. Personal comments in this category show that Japanese hold the Mediterranean cuisine to be delicious and that Croatian restaurants (regardless of category) do not give enough attention to details (decorations). There is a positive trend about the quantity of the food offered. In the first year of the research, only 33% of subjects estimated this category with higher grades, in second year 46% while in the last year 60% of subjects held the quantity of food matches their expectations.

55% gave two highest grades to the courtesy of the staff while the remaining 45% gave it a 3 (not a single subject gave it a 1 or 2). It is important to mention that courtesy category is correlated with the category of the catering object thus leading to the conclusion that more expensive restaurants invest more in educating their staff.

The readiness of the restaurants visited to serve Japanese guests was given two highest grades by 54% of subjects. If we compare the results chronologically and by restaurant category, positive growth is noticeable with the lower category which is indicative and points to that fact that even the owners of cheaper objects realized the importance of quality.

4) Group of questions – tourist guide

Tourist guide is a very important component of organized trip since they are the first and original contact between the visitor and the country they came to; as a rule, the guide leaves the first impression and transfers authentic impression about their country.

**Quality elements for tourist guides:**

1. Knowledgeable and constantly improving
2. Communicative
3. Speaking foreign languages
4. Resourceful, flexible
5. Sincere, ethical
6. Experienced
7. Cheerful, witty, animator
8. Kind, patient, tactful
9. Tidy, of pleasant appearance
10. Helpful, always ready to provide information
11. Calm, controlling oneself, having sense of proportion
12. Predicting and planning everything
13. Liking their job  
14. Giving equal attention to all, personal approach  
15. Remembering guests, having good memory  
16. Punctuality and responsibility.

Source: Ivanka Avelini Holjevac, Upravljanje kvalitetom u turizmu i hotelskoj industriji, 2002

Japanese visitors find several elements important: helpfulness, punctuality, responsibility, tidiness and dedicating same attention to all tourists. For the needs of this survey, most guides evaluated were from English speaking area. Since Japanese tourists don’t speak English well, they prefer guides in their mother tongue; however, since Croatia has only several licensed guides in Japanese of questionable (non) quality, most Japanese tourist meet Croatian guides touring them in English. The language barrier still remains, but the presence of the group attendant can help with possible lack of clarity.

Japanese tourists are interested in culturological and natural heritage, but due to their regularly very busy programmes allowing them short and superficial sightseeing, they prefer visiting many attractions in a brief time to detailed knowledge and information. Therefore it is recommended that guides have such knowledge to be able to adjust their guiding service to the group they work with. 82% of subjects estimated the first category with the highest grade which points to attraction of Croatian destinations. Free comments point out that Japanese tourists hold natural attractions to be most interesting while the best graded towns were Split and Dubrovnik.

In the first year of the research, most Croatian guides were graded 3 or 4 by 59% of subjects, the following year 49% of guides were graded 4, while in the third year almost 44% got the highest grade because the increasing arrival of Japanese tourists enabled guides to gain more experience and adjust to the specific service. First year of research did not bring very high grades to guides despite agents engaging their most experienced guides, all due to difference in expectations. As expected, year and year out, grades for tourist guides were increasing leading to 43% subjects giving the highest grade to guides in 2008.

As with first two groups of questions, cordiality and cheerfulness were estimated high: in overall survey, 76% of subjects gave it a 4 or 5, while in the very beginning the estimate of the experience in working with Japanese guests was weak. In first two research years, punctuality and appropriate appearance and clothes were not graded significantly while in 2008 around 42% of subjects were very pleased with this category as well. When considering survey results from territorial aspect, higher quality level was given to tourist guides from Split and Plitvice area.

5) Group of questions – transport service

Japanese tourists prefer safety when travelling. Even the smallest risk will result in dissatisfaction and complaints. Drivers are expected to be professional, kind and behave adequately. Japanese tourists believe drivers are in their service and expect them to do everything they can to reach expected standards of safety and service quality. In the first research year, grades given for transport service were critical, not due to bad quality or an old means of transport, but because of completely unadjusted service. In the first
year, around 68% of subjects gave this service category 2 or 3. Drivers were most frequently and most severely criticized (speeding, talking on cell phone when driving, inappropriate clothes and appearance, dirty buses, not understanding foreign languages). Croatian drivers started adjusting their service to tourists’ requests and were accordingly evaluated better in next years. In 2008 drivers professionalism was graded 4 or 5 in almost 70% of cases while kindness and appropriate appearance has a very good grade in more than 79% of cases. Around 68% of subjects estimated the transport service to meet the expectations very well.

CONCLUSION

Japanese tourist generating market has entirely opened to Croatia several years ago and has recorded an impressive number of arrivals and room/nights. This market is interesting since Japanese travel throughout the year and use full service. Potential of this market is still big and despite announced financial crisis, further growth of their arrivals is expected.

To make our destination long-term competitive, we need to focus on quality and adjust our services to tourists’ expectations to the maximum. This paper shows specific expectations of Japanese tourists which tour operators need to accept and adjust to. The objective of travels is to meet different cultures and experience something different than usually. Still, some groups of tourists have their view of quality and the only way to please them is to meet their expectations as much as possible. In the process, we need to keep sense of proportion and make sure adjustments do not affect authenticity of the Croatian product that Croatian tourism is based on.

Many actions related to this have been started. Tourist Boards from specific tourist centres as well as the Japanese Embassy in Croatia have organized courses on how to serve Japanese guests which is a good beginning. Efforts have to be even bigger to raise the awareness of small entrepreneurs and local population as well.

The research was implemented in the period of three years so certain deviations were noticed. It turned out that, year and year out, results were increasingly positive pointing to positive changes in the service quality. It can be expected that with intense arrivals from Asian market product and service providers in tourism will adjust their products and services to Japanese specificities. Although research results point to a positive growth, we should not forget the fact that there is a huge area for progress and concentrate on planned increase of service quality.

This paper can be a frame guideline and a base for further research in this area.

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