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## LOGISTICS AND LOGISTICS PROCESSES IN A TOURISM DESTINATION\*

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**Abstract:** Logistics is a scientific discipline, a business function and an activity that, in recent times, is increasingly being applied to economic and social activities, because it enables the production of a quality product at a moderate cost. With regard to the trend for globally applying the principles of logistics to all spheres of human activities, the phenomenon of tourism presents a special challenge. Moreover, it is becoming evident that a quality tourism product, the design of which is linked to a tourism destination, depends largely on the scale of optimisation of all flows (goods, people, information, energy, waste, capital and knowledge) within a destination.

The purpose of this paper is to define the function of logistics in tourism and in a tourism destination. Also defined are the concepts of tourism logistics and tourism destination logistics, the concept of a tourism logistics system and its elements – subsystem, as well as logistics processes - chains. Special emphasis is placed on the importance of optimising logistics processes in a destination, in which logistics management and process management are indispensable.

*Key words:* logistics process, tourism destination, logistics manager.

### INTRODUCTION

Little more than half a century has passed since the first steps were made in applying logistics principles to businesses; since then, logistics has found applications in social services and in all areas of human activities. Following this development trend, logistics has come to be applied in tourism and in the tourism destination which

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is assuming the features of a logistics system and which acts as the basic nucleus in shaping the tourism product. Focus is placed on processes that are organised according to logistics principles and that play a vital role in ensuring the quality of a destination's tourism offering. The "classic", rigidly structured organisation of work in enterprises is increasingly giving way to a process approach, because logistics process management is centred on the continuation, rationality and coordination of all process segments. In companies striving to achieve the logistics objectives of reducing business costs and meeting consumer satisfaction, logistics is organised as a business function to integrate all other functions. In a later phase of development, a logistics manager is positioned high in the organisation structure and put in charge of coordinating and applying the principles of logistics management. A question is raised as to the opportunities, potential and scope of logistics management in tourism and in the tourism destination, as well as its possible impact on the quality of the tourism offering.

## 1. CONCEPT AND MEANING OF LOGISTICS

**Logistics is a scientific discipline** concerned with seeking methods for optimising the flow of material, goods, information and energy (and people) with the aim of achieving the greatest economic effect possible. In carrying out its tasks, logistics applies scientific tools and methods of many scientific disciplines; hence, it should be perceived as an interdisciplinary and multidisciplinary field.<sup>2</sup> **Logistics as a business function** deals with managing the flow of goods, the movement of material and finished products from the procurement of raw materials, across processing, and then on to the end consumer.<sup>3</sup> Its primary objective is to optimise the flow of materials, goods, information, energy (and people) within a company, with the aim of achieving the highest profits possible.

Logistics as a scientific discipline is the basis for setting up logistics as an activity. As an activity, logistics implies a specific spatial coverage in which different processes are carried out.

The primary **goal of logistics is customer or consumer satisfaction<sup>4</sup>, and this is achieved through the basic objectives** of:

- **overcoming space and**
- **overcoming time.**

Many factors impact on achieving these objectives, and this is reflected in the quality of logistics products and services.

Overcoming space depends on the distribution of elements between which tangible and intangible flows are organised, and on the possibilities available for transportation, warehousing, transshipment and storage. Overcoming time in logistics

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<sup>2</sup> Zelenika, R., et al., *Suvremeno promišljanje temeljnih fenomena logističkog sustava*, Zbornik radova Ekonomskog fakulteta u Rijeci, Rijeka, 2000, Vol. 18, No. 2, pp. 59-63.

<sup>3</sup> Ferisak, V., et al., *Poslovna logistika*, Informator, Zagreb, 1983, pp.1-2.

<sup>4</sup> Waters, D., *Logistics – An Introduction to Supply Chain Management*, Palgrave Macmillan, Mendham, 2003, p. 28.

marks an inconsistency – a reduction in time will lead to a reduction in cost, but only to a certain limit, beyond which the increase in fuel costs due to higher speed will exceed the savings gained by reducing time.

Overcoming space and time in logistics is achieved by managing the flows of materials, semi-products, goods, capital, knowledge, information and energy from the sender to the recipient. A specific feature of the logistics concept in tourism is that it focuses on optimising tourist flows, across a broad geographical area, to and from a destination as well as within a destination.

Logistics is carried out through the elements of logistics functions. These are:

- **external transportation (traffic),**
- **internal transportation,**
- **handling materials and goods,**
- **inventory management.**

In addition to these, the modern approach to logistics deals with certain other elements, which are considered the elements of a logistics system, such as: customer or consumer service, packaging (for tangible products), processing and transmitting information, demand forecasting, planning production, supplying input materials and services for producing a logistics product, the location of logistics infrastructure, and other elements.

## 2. LOGISTICS SYSTEMS

The need to define logistics and study it as a system was apparent in scientific thought in Croatia fairly early in the second half of the twentieth century, when it began to take the form of a scientific discipline.

A systems approach to logistics was used to encompass and underline:

- **Its breadth and complexity,**
- **The need to integrate the parts of logistics to accomplish the goal.**

According to Professor Vilim Ferisak, Ph.D.<sup>5</sup>, “a logistics system consists of a series of logically interrelated elements that have any impact whatsoever on the cost of transporting, warehousing and handling products”. He goes on to list the elements of logistics systems – transportation, storage, inventory, distribution, handling, people, information systems and integration – and to define their functions.

Several years later in collaboration with Professor Ladislav Stihovic, Ph.D.<sup>6</sup>, the same author underlined that “in conceptual terms, a logistics system begins with the customer, and continues across different levels: sales intermediates, sales warehouses, despatch, end-products warehouses, production, assembly-parts warehouses, working stock warehouses, procurement and suppliers. The flow of information evolves in

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<sup>5</sup> Ferisak, V., et al., *Poslovna logistika*, Informator, Zagreb, 1983, p. 3.

<sup>6</sup> Ferisak V., et al., *Nabava i materijalno poslovanje*, Informator, Zagreb, 1989, p. 11.

alignment with this flow, starting with a survey of market needs, while the flow of physical goods unfolds in the opposite direction (from the supplier across procurement, production and sales to the customer).”

European scientific thought speaks increasingly in favour of a systems approach to logistics. Logistics is based on a system, meaning that all its elements need to operate within a whole. This means desisting from the objectives of maximising certain business functions (such as marketing or production), providing such objectives are not consistent with the objectives of a company’s logistics.<sup>7</sup>

Research focuses, in particular, on logistics centres and their location, and on the impact of optimising the macro logistics system, thereby indirectly demonstrating the networked structure of a logistics system in a broad geographical area.<sup>8</sup>

“Logistics systems are systems of the time- and space-related transformation of goods, and the processes that flow within them are logistics processes”<sup>9</sup>. As with the previous authors, emphasis is placed on the importance of integration between the process of movement and the process of inactivity”. Whereas, previously, logistics largely referred to the flows of goods and information, today this concept has spread to include the flows of energy and people. This broadening understanding of logistics is encouraged by the development of logistics sciences in other European countries. According to this trend, logistics is linked not only to the production and distribution of goods, but also to the production of services. Logistics is not limited only to the economic sector, but can and needs to be applied to non-economic activities as well (schooling, education, sport, etc.). Global logistics is also developing alongside the general globalisation of the economy and all the regions of social and individual activities.

The scholar Danilo Pozar<sup>10</sup> also speaks in favour of a systems approach to logistics. He argues “the subject of logistics considerations refers not only to the path and origin of materials and related information, but also to the attributes (organisation, capacity, equipment, capability of managers and workers, location, etc.) of operators within this chain (suppliers, forwarders, carriers, companies, logistics centres, despatch, storage, customs, middlemen, businessmen, etc.). He goes on to say that logistics flows involve “overcoming space and time, people, material (in the broader sense of raw materials, semi-products, auxiliary products, finished products, packaging, etc.) and information, from the source to the destined location”<sup>11</sup>. He also argues that globalisation has had the greatest impact on logistics.

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<sup>7</sup> Gattorna, J., et al., *Effective Logistics Management*, Logistics Information Management, 1991, Vol. 4, No. 2, p. 3.

<sup>8</sup> *Study on the Location of Logistic Nodes*, ISTIEE, Trst, 1998, pp. 38 -39.

<sup>9</sup> Segetlija, Z., et al., *Distribucija- Logistika- Informatika*, Ekonomski fakultet, Osijek, 2000, p. 86, after Pfohl, H., Ch., *Logistiksysteme*, Springer Verlag, Berlin, 1985, p. 3; Segetlija, Z., *Uvod u poslovnu logistiku*, Ekonomski fakultet, Osijek, 2002, p. 22; Samanovic, J., *Logisticki i distribucijski sustavi*, Ekonomski fakultet, Split, 1999, p. 15, after Pfohl, H., Ch., *Logistiksysteme*, Springer Verlag, Berlin, 1990, p. 7 and 8.

<sup>10</sup> The scholar Danilo Pozar deserves full credit for introducing logistics not only into the Faculty of Economics and Business in Maribor, but also, indirectly, into Croatian faculties.

<sup>11</sup> Pozar, D., *Logisticki pristup rjesavanju suvremenih prometnih problema*, Zbornik radova «Promet i održivi razvitak», HZDP, Zagreb, I dio, 2000, p. 21.

Also in line with the modern view of logistics and the systems approach is the opinion of Professor Ratko Zelenika: "... logistics systems are increasingly more complex, implying the coordination and organisation of a large number of logistics phenomena, and bringing down the barriers between different business functions within business ventures, and within and between different national economies and logistics systems."<sup>12</sup> By defining a logistics system as being dynamic and stochastic, he underlines the importance of subsystems and their functions, confirming the premise of the complexity of logistics systems.

Zdenko Zekic, Ph.D., considers that contemporary logistics thinking involves taking a systems approach. Out of many definitions, he opts for the one stating that: "Systems for the space- and time-related transformation of goods are logistics systems, so logistics is engaged in processes for overcoming space and time". This definition is in line with the achievements of logistics as a scientific discipline in German science.<sup>13</sup>

A systems approach, together with an interdisciplinary and multidisciplinary approach, continues to prevail in contemporary research on logistics in world science. "Logistics processes impact on every area of human activities, either directly or indirectly." Hence, a logistics system "encompasses the flow of goods, services and information in the production and service sectors."<sup>14</sup> The production sector consists of operators engaged in producing the most diverse products – "ranging from automobiles, computers, cosmetics to food products". The operators in the service sector playing a special role in a logistics system include "government organisations, hospitals, banks, universities, retailers and wholesalers."<sup>15</sup> This way of defining a logistics system represents the basis for defining the specific logistics of various areas of human activities, which, having the same fundamental objective, endeavour to accomplish the specific partial objectives pertinent to each individual activity. Such an approach to logistics entails introducing and defining logistics as a network composed of activities for optimising the flow of material and information in logistics chains.<sup>16</sup> Directing logistics processes towards predetermined goals is the basis on which **logistics management (managing logistics processes)** is built.

Globalised production, growing competitiveness in the marketplace, organisation integrations and time reduction in fulfilling sales contracts<sup>17</sup> are the prevailing trends that are shaping today's logistics concepts and will continue to dictate the development of logistics in the future. This leads to the conclusions that:

- The presence and importance of integration processes will continue to grow within a logistics process extending from procurement across production to sales;

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<sup>12</sup> Zelenika, R., Pupavac, D., *Suvremeno promislanje temeljnih fenomena logistickoga sustava*, Zbornik radova Ekonomskoga fakulteta u Rijeci, Rijeka, 2000, sv. 2, p. 59, 64 and 65.

<sup>13</sup> Zekic, op.cit., p. 25, after Pfohl, H. Ch., *Logistiksysteme, Betriebswirtschaftliche Grundlagen*, 5 Auflage, Springer, Berlin, 1996, p. 12.

<sup>14</sup> Stock, J.R., Lambert, D.M., *Strategic Logistics Management*, McGraw – Hill Irwin, Singapore, 2001, p. 3.

<sup>15</sup> Ibidem, after Smith, P.A. et al.m, *Logistics in Service Industries*, Oak Brook, IL: Council of Logistics Management, 1991, p. XVII.

<sup>16</sup> Ibidem, p. 4.

<sup>17</sup> Christopher, M., *Logistics and Suplly Chain Management*, Prentice Hall, London, 1998, p. 23.

- The desire of operators in production for a better quality of logistics services and products and higher profits will encourage the building of network structures, the composition of which will become increasingly complex and heterogeneous;
- Managing logistics processes will become increasingly more efficient,
- Because of the above premises, it will not be possible to study phenomena in logistics other than through a systems approach.

Taking into account the above trends and outlooks in logistics, supported by current developments, **logistics systems** can be defined as **space- and time-related change to goods, information, energy and people, that use networked organisations to direct processes in achieving high quality and low costs**. These systems are becoming increasingly complex, making research all the more costly and complex; however, due to modern trends in the economy and other areas of human activities, there is no other alternative, meaning that a systems approach to logistics phenomena will continue to prevail.

### 3. LOGISTICS PROCESSES AND CHAINS

Many processes take place within and among a system's elements, processes that, in specific forms and dynamics, extend into the environment. They make use of a system's external and internal links<sup>18</sup> as their "infrastructure". These links are static in nature and represent channels through which flow materials, semi-products, finished products, information, people, waste, surplus raw materials and others. Along these courses, specific facilities, devices and equipment already exist that do not need to be repeatedly procured, making flows fast and efficient.

Multiple channels that cross in specific points constitute a network<sup>19</sup>, that is adapted to the dynamics and strength of logistics flows through the directions in which the channels extend, the points where they meet and the throughout they possess. Flows can sometimes be interrupted, develop at uneven speeds, or encounter delays. In fact, delays occur very frequently and are caused by: incompatibilities between the capacities of transportation means, in particular, when passing from one transportation branch onto another; the failure to immediately provide the required transportation means; customs formalities at national border crossings; the failure to have the right information at the right time... As a rule, delays occur at the points where channels meet: at freight terminals (ports, quays, railway stations, airports...), passenger terminals, collection and distribution centres, warehousing complexes and so on.

The more complex the logistics system, the more numerous the logistics processes. A degree of simplification is required in studying these systems. This simplification focuses on the logistics processes essential to achieving the goals of a

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<sup>18</sup> Ferisak, V., *Organizacija materijalnoga poslovanja*, Informator, Zagreb, 1995, p. 8.

<sup>19</sup> Pamanovic, J., *Ibidem*, p. 15.

logistics system, while disregarding secondary processes. According to some sources, essential logistics processes include:<sup>20</sup>

- Transportation, regrouping and storage relating to the flows of goods,
- Packaging and marking that facilitate the flows previously mentioned,
- Submitting and processing orders relating to the flows of information.

The flows of goods essential in realising the goals of a logistics system, as well as the flows of information that are “exchanged prior to, during and upon the complete product flow” are considered to be logistics processes because they “challenge, monitor and interpret, control and track, and confirm or indicate deviations”.<sup>21</sup> Following on this distinction of logistics processes, some authors tend to classify logistics systems as logistics information systems and physical logistics systems.

The network of channels along which the flows of goods and information move can also be used for the movement of people, energy and all other flows that logistics systems seek to optimise<sup>22</sup>. Like the previously mentioned flows, these are also logistics flows and they represent a variable quantity with regard to intensity, quantities and uniformity.

Recently, logistics has increasingly come to be identified with the processes that are specific to it. Following on this, logistics can be considered “as a process of the strategic management of the procurement, transfer and storage of materials, parts and finished products (together with corresponding information flows) through organisation and marketing channels so as to maximise present and future profitability by minimising the cost of fulfilled contracts.”<sup>23</sup>

Equating logistics with logistics processes is extremely important as this leads to identifying the management of logistics process with logistics management.

A vital feature of modern development trends in logistics is the growing number of diverse objects its processes transfer. While in its beginnings logistics involved the flows of goods and information and in time extended to include the flows of people and energy, today most authors agree that capital and knowledge are also transfer subjects in logistics processes. This is in alignment with the spreading application of logistics in all sectors of economic and social activities. However, it tends to make studying logistics phenomena, systemising scientific and professional knowledge, and defining regularities all the more complicated.

Cost reduction is achieved by organising logistics flows in such a way that minimises delays, waiting, damages and losses. This can be accomplished by organising logistics processes according to the chain principle. In the broadest sense, a chain implies a number of equal (values and roles) and close-knit links that constitute

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<sup>20</sup> Segetlija, Z., Lamza-Maronic, M., Ibidem, p. 88.

<sup>21</sup> Segetlija, Z., Ibidem, p. 25.

<sup>22</sup> Samanovic, J., Ibidem, p. 15.

<sup>23</sup> Christopher, M., Ibidem, p. 4.

an uninterrupted functional whole. Hence, a **logistics chain is a logistics process in which all parts are well connected to ensure the fast and efficient flow of the transfer subject.**

It can be concluded that a logistics chain interconnects the transfer subject, the activities directly involved in transfer, the elements that enable transfer, and the activities that are not directly involved in the transfer but without which the objectives of logistics could not be achieved. Hence, it can be accepted that **“a logistics chain is a set or series of interrelated and interest-based links, that is, logistics partners and participants in logistics activities, that ensure the fast, safe and rational processes, which produce logistics products.”**<sup>24</sup>

Vital features of any logistics chain are its **geographical scope** and its **level of complexity**. With regard to their geographical scope, logistics chains are national, international or global. They are usually classified according to distances, but frequently according to complexity as well. The number of participants in a logistics chain determines its level of complexity.

Logistics chains can also possess other attributes. Professor Zelenika claims that:<sup>25</sup>

- Although each participant-link in a chain has its individual interests, they all have a shared interest in collaboration.
- The number of links determines the length of a chain (making it a short, long, mega or global chain);
- The links also vary in size (small, medium-sized, large...).
- Ties between links vary from weak to very strong.
- The stability and strength of ties benefits from properly arranged legal relations between participants in a chain.
- As a rule, each chain has a link-coordinator.
- The role of the coordinator is to ensure fast, safe and rational flows within a chain.

Knowledge of these features makes it possible to create the “structure” of a logistics chain, which includes the rules of making flows both lasting and efficient.

#### 4. FUNCTIONAL DELIMITATION OF LOGISTICS SYSTEMS

Most authors speak in favour of determining logistics systems in terms of functions. These activities – functions are a vital part of a logistics system, and they include submitting and processing orders, transportation, storage, inventory management and packaging<sup>26</sup>. The processes that take place in these subsystems are crucial for accomplishing logistics goals.

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<sup>24</sup> Zelenika, R., Skender-Pavlic, H., *Upravljanje logistickim mrežama*, Ekonomski fakultet, Rijeka, 2007, p. 140.

<sup>25</sup> Zelenika, R., *Logistički sustav*, Ekonomski fakultet, Rijeka, 2005, pp. 63-65.

<sup>26</sup> Samanovic, J., *Ibidem*, p. 18; Segetlija, Z., Lamza- Maronic, M., *Ibidem*, pp. 88-89; Segetlija, Z., *Ibidem*, pp. 25-27.

According to some authors, the storage function, organised as a separate subsystem that possesses an appropriate infrastructure, human resources, and organisation of work, is the most important part of a logistics system. The role of the warehouse and storage is to mitigate the time-related asymmetry in the flow of goods (raw material, semi-products and finished products) as a result of delays in the organisation of flows of goods and information from the supplier to the customer.

Warehouses, therefore, enable this time-related asymmetry to be bridged painlessly. The function of warehouses in logistics flows is unique and irreplaceable and this is reflected in the higher overall costs of a logistics chain.

In contemporary logistics a more comprehensive approach prevails that takes into consideration some other functions and services that are essential in accomplishing logistics goals. The incoming variables (input) of logistics systems include:

- **natural resources (land, infrastructure and equipment),**
- **human resources,**
- **financial resources and**
- **information.**

The outgoing variables (output) of logistics systems are:

- **a competitive advantage gained through a marketing orientation and efficiency,**
- **delivery effected to a customer at the right time and in the right place,**
- **delivery efficiently effected to a customer.**

In a logistics system, input planning enables the ingoing variables to be used in a supervised manner to ensure the production of semi-products – to be used for subsequent production in another logistics system – from the given raw material, parts, semi-products, packaging material and others, or the production of finished products for the end customer. The entire flow of goods and information can also be directed towards the production of services; in this case, inputs and outputs will be somewhat different and the roles of logistics functions will be adjusted to the ultimate objective of the logistics system.

## 5. SECTORIAL DELIMITATION OF LOGISTICS SYSTEMS

Of the various development trends in logistics, highly significant is the expansion of logistics from a national economic system into social services; this is referred to as the sectorial delimitation of logistics<sup>27</sup>. Namely, because logistics in the economy has managed to reduce business costs and enhance customer satisfaction, it was rightly assumed that similar effects could be obtained in social services as well. While earmarking considerable budgetary funds for the operation of these services, governments feel that the quality level of these services is not up to mark. On the other

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<sup>27</sup> Zelenika, R., *Logistički sustav*, op.cit. p. 309; Zelenika, R., Pupavac, D., *Suvremeno promisljanje temeljnih fenomena logističkog sustava*, Zbornik Ekonomskog fakulteta u Rijeci, Rijeka, 2000, god.18, sv. 2, p. 59.

hand, the providers of these services consider funding to be inadequate, thus making it impossible to attain a higher level of service quality.

Logistics makes it possible to maximise savings on budgetary resources by organising enterprises more efficiently and by consistently overseeing the movement of all logistics flows within them. The application of logistics in all areas of organised human activities opens up opportunities for rationalising the way these activities are organised and for enhancing the quality of services to consumers.

Through the sectorial delimitation of logistics, all activities in which logistics already exists or to which it can be applied are systemised in a clear and comprehensive manner. Logistics systems are thus classified into subsystems of:

- primary
- secondary
- tertiary
- quaternary and
- quinary logistics.

The subsystems of primary logistics include activities engaged in the direct extraction of goods (agriculture, mining, forestry and fishing-industry logistics). The subsystems of secondary logistics include the production, construction and energy-production industries. Service industries and the logistics applied to them are subsystems of tertiary logistics (commercial, transportation, tourism, storage and forwarding logistics...). Education, science, health care, culture, sports, etc belong to the subsystem of quaternary activities and their associated logistics, while the quinary sector includes the logistics of administration and the judicial system, military logistics, police logistics, security logistics, etc.<sup>28</sup>

For the purpose of studying the logistics of tourism destinations and tourism, it should be noted that tourism logistics and hospitality logistics belong to the tertiary sector.<sup>29</sup> The objective of tertiary-sector logistics is to produce quality services at the least possible cost.

## 6. TOURISM LOGISTICS

**Tourism logistics represents the space- and time-related transformation of material, people, information, energy, waste, knowledge and capital aimed at providing quality tourism services at the lowest possible costs.** Tourism logistics systems are highly complex and dynamic phenomena, of varying spatial coverage and displaying a pronounced openness towards the environment. The size of spatial coverage depends upon transportation systems and their ability to provide fast, comfortable and increasingly cheaper transport across the longest distances. The dynamism of a tourism system hinges on the number of its users who react quickly and conspicuously to even the smallest change in the tourism offering. A tourism system's

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<sup>28</sup> Zelenika, R., Pupavac, D., op.cit., p. 65.

<sup>29</sup> Zelenika, R., op.cit. p. 415.

complexity is conditioned by intricate demand and the growing number of diverse destination offerings around the world.

**A tourism logistics system consists of several groups of activities that interact in complex ways to produce a tourism product acceptable to the tourism market. These subsystems include the hospitality subsystem, the tourist agency subsystem, the transportation subsystem, and the subsystem of tourist attractions.**

A **hospitality-logistics subsystem** primarily involves optimising the flows of goods, information and people, and its products include food and beverage services and accommodation services. How high the quality and how low the price of the food and beverage service will be depends on the extent to which the logistics system is capable of optimising the flow of material, semi-products and finished products needed for the end product. Mostly, this refers to physical flows from a supplier, across production (preparing food) to a consumer (tourist). As mentioned earlier, the spatial coverage of flows may vary with the application of logistics chains and networks.

**Agency-logistics subsystems** seek to optimise the flow of information in a specific area. These subsystems capture information regarding the supply of and demand for tourism services, transmit this information through specific channels, and bring supply and demand together, for an agency fee (commission). They can also bring together different forms of the tourism offering and shape them into a singular product (trip) to be offered on the tourism market, as a source of increasing an agency's earnings. Tourist agencies have great potential in directing tourism-logistics flows along specific lines – channels, which can enable them to act as logistics nodes for collecting and distributing flows within logistics networks.

**Transportation logistics systems represent the space- and time-related transformation of flows of goods, people, information and waste for the purpose of producing a tourism product.** Optimum flows of goods are achieved in collaboration with hospitality and commercial subsystems. These flows impact heavily on the attributes of a tourism destination by determining its level of supply. Optimum flows of people – visitors contribute to creating a sense of pleasure or displeasure and are perceived as either well-organised or poorly organised transportation services. As such, they exert considerable influence on the quality of a destination's entire product.

**Tourist attraction subsystems represent the optimisation of logistics flows for the purpose of offering a destination's attractions to visitors in the most efficient way possible.** Tourist attractions include national parks, nature parks or other protected areas, museums, cultural and historical monuments, shopping centres, entertainment, cultural and other events, etc. In other words, a tourist attraction is anything that can attract potential visitors and motivate them to travel to a destination. The offering, presentation, promotion and sales of tourist attractions should be designed beforehand and organised in such a way that makes visitors feel they are getting value for their money.

## 7. TOURISM DESTINATION LOGISTICS

Spatial coverage is especially important for tourism logistics. It manifests itself as global logistics, mega logistics, macro logistics, meta logistics and micro logistics. Because the concept of a tourism destination always implies a specific spatial coverage and because the level to which logistics processes within the boundaries of a destination have been optimised will impact on the quality of a tourism product, this justifies the need for defining, applying and developing the logistics of a tourism destination.

**Tourism destination logistics represents the optimisation of the flows of material, people, information, energy, waste, knowledge and capital within a specific area for the purpose of providing a quality tourism product.**

The objective is, therefore, to align all physical and intangible flows that are directly linked to tourism or motivated by other causes within the area of a tourism destination. This alignment of flows is aimed at providing a high-quality tourism offering and at enhancing the business efficiency of all companies.

**The macro logistics system of a tourism destination represents the optimisation of flows of material, people, information, energy, waste and capital that are directed towards a tourism destination or evolve within a tourism destination in a specific geographical area.**

The boundaries of the geographical area encompassed by the macro logistics concept can be defined in different ways. They can encompass the space from tourism-generating markets to the destination, together with the destination, or they can encompass a tourism destination by itself. Regardless of the size of the area, it should be noted that the principles regulating flows within a tourism destination differ from the principles applied to areas between a destination and the tourism-generating markets.

The lowest scale of optimising the flow of goods is based on the notion of consolidating the storage functions for identical product groups through detached wholesale warehouses that procure and store the widest range of products for the needs of a tourism destination. Even though the collection of goods is linked to a small number of locations, the transportation infrastructure is nonetheless burdened with non-productive transports, and transportation vehicles, with frequent delays and empty hauls. Because passenger flows are not separate from goods flows, freight vehicles, as a rule, move about a tourism destination thus aggravating and blocking the flow of passengers.

The highest scale of optimisation is achieved by organising a storage and distribution centre in the immediate vicinity of a tourism destination. This centre takes on the function of storing agricultural and industrial products, with or without wholesalers as intermediaries, as well as the function of distribution to local storage facilities within the destination itself. This macro logistics concept provides the opportunity for optimising the flow of goods towards a tourism destination, improving

the utilisation of transportation vehicles and enabling them to come to a stop at a destination's outskirts, thus separating the flow of goods from the flow of people.

**The micro logistics system of a tourism destination involves logistically organised tourism companies and other tourism-related companies in the area of the destination.** These companies are capable of providing top-quality services at affordable prices, because they have substantially reduced costs by optimising the flows of goods, people, information, energy, waste, knowledge and capital.

The scale of optimisation in macro logistics systems impacts on a company through procurement logistics and sales logistics, because it is through these business functions that the link between a company and its environment is created.

The role of micro logistics, that is, the logistics of individual tourism companies and tourism-related companies is also the same with regard to achieving the primary general objective of a company, whereas considerable differences emerge in achieving a company's specific objectives.

Procurement logistics is of the greatest importance to hotel companies, whose objective it is to provide accommodation services, food and beverage services and other services to tourists. The task of procurement logistics is to ensure the supply of a hotel with the required materials, while planning and maintaining optimum levels of inventory for the production of complex hotel services. Improved financial effects may also be achieved by coordinating the flows of tourists in arrival and departure with regard to the type of arrival (independent travel, package tours), type of services, the type of additional hotel facilities and services used, the means of transportation used, etc.

A tourist agency is engaged in organising tourist travels in a specific part of the market. In achieving this business objective, good information flows are of crucial importance. Based on these flows, an agency will draw up its market policy and plan the required capacity of its own or rented transportation vehicles over a specified period of time depending on the anticipated volume of flows of people who will take its tourist trips.

For a commercial company, the primary target is to ensure the supply of food products, consumer goods and other products. To achieve this, it is necessary to determine the volume of inventory needed to ensure regular supply at the lowest possible cost.

As transportation is a vital component of logistics, companies in a tourism destination will perform efficiently providing the function of transportation is properly carried out. Hotel companies are capable of planning occupancies with considerable accuracy, which enables them to adjust supply accordingly. Catering facilities plan their services in terms of time and quantities, and so keep inventory at a minimum without jeopardising their performance. Shops can adjust their activities to the prompt delivery of various products, especially if a distribution centre is located in the vicinity.

Hence, optimising the flow of people and freight within a tourism destination is a precondition to reducing the costs of each individual company in that area, and, ultimately, providing a less costly but higher-quality tourism service.

## **8. LOGISTICS MANAGEMENT AS PROCESS MANAGEMENT IN A TOURISM DESTINATION**

As a scientific discipline, logistics explores the methods for optimising logistics flows, because having sound knowledge of the process's regularities makes it possible to guide the process towards its planned target. Guiding this process is nothing other than managing the process. For a tourism destination, this means delivering logistics processes in a previously planned manner to ensure that their coordinated development leads to the creation of the best possible tourism product.

The management of logistics processes in a tourism destination can have a macro logistics scope, in which case it is viewed as tourism destination management, or it can be limited to a micro logistics system – a company, and regarded as logistics management.

How a destination should be managed and by whom are questions vital to the development of both the destination and tourism as a global phenomenon. Practice and theory offer a variety of possibilities that display a disparity in terms of efficiency depending on the institutional conditions impacting on a given destination. However, there is a consensus as to what destination management should include: these are all the elements that participate in generating the tourism product of a destination, as well as the processes evolving within and between them. Hence, all destinations, which had previously based their development on long-term development plans that sought to include all elements and occurrences regardless of the force of their impact on tourism in a destination, were already on the path of today's conventional concept.

Having set off the business functions of procurement, production and sales as logistics functions and having brought about their efficient integration to optimise logistics flows by introducing logistics as a special business function in the organisational structure, logistics process management achieves its full economic value through the so-called process approach to organising.

Logistics management is increasingly stepping out of the framework of logistics as a business function. To increase profits and customer satisfaction, logistics managers are taking on the role of leaders of logistics processes, regardless of the distances between participants and the number of participants in the process. In this way and by selecting a team of operative logistics managers who do not necessarily have to be employees of a given company, the rigid organisational structure of the company is broken down and a process organisation is inaugurated.

## 9. CONCLUSION

Logistics deals with finding methods to optimise the flows of material, goods, information, people, energy, knowledge and capital with the aim of producing, at the lowest possible cost, a product that will meet customer or consumer satisfaction.

Logistics systems represent the space- and time-related transformation of goods, information, energy, people, capital and knowledge using networked organisations to guide processes in realising high quality and low costs. These are high complex, dynamic, interdisciplinary and multidisciplinary systems, which makes them all the more difficult to study.

Many processes take place within and among a system's elements, processes that, in specific forms and dynamics, extend into the environment. They make use of a system's external and internal links as their "infrastructure". These links are static in nature and represent channels through which flow materials, semi-products, finished products, information, people, waste, surplus raw materials and others. Multiple channels that cross in specific points constitute a network, that is adapted to the dynamics and strength of logistics flows through the directions in which the channels extend, the points where they meet and the throughout they possess.

A logistics chain is a logistics process in which all parts are well connected to ensure the fast and efficient flow of the transfer subject.

The functional determination of logistics system involves all activities – functions – that are a vital part of logistics systems, whereas sectorial delimitation involves all economic and social activities, to which logistics can be applied, classified in sectors ranging from primary to quinary.

Tourism logistics represents the space- and time-related transformation of material, people, information, energy, waste, knowledge and capital aimed at providing quality tourism services at the lowest possible costs. A tourism logistics system consists of several groups of activities that interact in complex ways to produce a tourism product acceptable to the tourism market. These subsystems include the hospitality subsystem, the tourist agency subsystem, the transportation subsystem, and the subsystem of tourist attractions.

Tourism destination logistics represents the optimisation of the flows of material, people, information, energy, waste, knowledge and capital within a specific area for the purpose of providing a quality tourism product. The macro logistics system of a tourism destination represents the optimisation of flows of material, people, information, energy, waste and capital that are directed towards a tourism destination or evolve within a tourism destination in a specific geographical area. The micro logistics system of a tourism destination involves logistically organised tourism companies and other tourism-related companies in the area of the destination.

The management of logistics processes in a tourism destination can have a macro logistics scope, in which case it is viewed as tourism destination management, or it can be limited to a micro logistics system – a company, and regarded as logistics management.

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# TOURISM PRODUCT DIFFERENTIATION STRATEGY IN THE ZANTE ISLAND BASED ON THEMATIC ROUTES AND THE USE OF INFORMATION COMMUNICATION TECHNOLOGY

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**Abstract:** The unsatisfactory performance of tourism on Zante Island in Greece, expressed by low return on equity capital of hotels of the island, is due to the mass tourism product. The SWOT analysis is used as a tool of strategy analysis of the internal and external environment to describe the present situation of tourism on the island. Results show that the best strategy to achieve and promote competitiveness is to differentiate the product, ameliorate its quality and the use of Information Communication Technology, in order to decrease seasonality, prolong the annual period of tourism operations and connect it to the rest of the economy on the island. The case study of defining thematic routes for tourism in Zante by the local communities is an example of decisive contribution of the product differentiation to sustainable development of rural and less favorite areas.

**Key words:** Product differentiation, SWOT Analysis, ROE, Thematic Routes, Sustainability of Tourism, Information Communication Technology.

## INTRODUCTION

The island of Zante is situated west of Peloponnesus in the Ionian Sea in Greece. It is one of the main islands that form the Ionian region, it represents its southern end and it is the 2<sup>nd</sup> in tourism development island of the region. The economy of the island is based primarily on the mass tourism for summer vacations. Since the

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1980's, the model of mass tourism for summer vacation has been facing a gradual decline in favor of other forms of tourism which are focusing on the quality of service and customization.

The critical role of tourism in regional development, according to European Union (European Parliament, 1993, p. 3) is due to the attraction of income flows from outside the region, the interconnection with the other sectors of the local economy, which produces multiple final outcome per dollar spend. At the same time tourism is a labour intensive sector especially important in the era high unemployment rate (that plague local economies), an activity that takes place primarily in areas that are not industrially developed and remains the sector with the highest growth rate globally.

The total receipts from tourism globally reached the amount of 474 billion USD in 2002 according to WTO (2004) and the sector became the largest export oriented one. Europe accounted for the 50,6% of the total receiving approximately 240 billion. The World Travel and Tourism Committee considers tourism as an important activity (which employs 250 million people worldwide and 11 million in EU) that contributes to regional development and proposes a close and dependable cooperation between private and public sector for the production and disposal of goods and services for the benefit of all the parties concerned with respect to the environment, cultural identity and the society at large (WTTC Blueprint, 2003, p.3).

The sustainability of tourism in this paper encompasses the notions of a) the economic viability and b) the environmentally friendly factor. The economic viability is achieved through the attainment of competitiveness. Competitiveness means that the island uses its comparative advantage (basically its natural environment) without exhausting it according to Porter. Competitiveness is best defined at the level of company or industry according to Porter (1996), who considers a sector as being competitive when its majority of firms are considered so. Strategy is the means of achieving it through the harmonization of internal and external environment. The later, with the lapse of time changes more frequently. These changes create opportunities for profits, as well as risk.

The proposed approach to measure competitiveness is based on the return on capital that constitutes the basis of the investment decisions in the market economy, evaluates the consequences of the governmental policy in tourism and assesses the success of the strategy implemented. Strategic management according to Porter refers to choices regarding the products to be produced and the services to be offered in order to create value for the consumer and to establish a company's viability through the satisfaction of the main stakeholders. Towards that purpose analysis of a) financial statements of a representative sample of hotels for the Zante Island is implemented, followed by b) the "five forces" analysis in tourism industry and the framework of SWOT. To accomplish its task more thoroughly, SWOT analysis will be applied in conjunction with a theory of competitive advantage.

## 1. SWOT ANALYSIS AND THE FIVE FORCES OF ZANTE TOURISM

The financial position of hotels (that represent the backbone of tourism), as well as the policy alternatives, can be better understood through the use of SWOT analysis (Grant, 2002). The SWOT matrix constructed for the tourism of Zante Island reflects both internal and external environment of it and is presented in Table 1.

**Table 1:** The SWOT Matrix

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Valuable cultural and historical resources</li> <li>• Mild weather conditions</li> <li>• Clean beaches</li> <li>• Reasonable level of prices</li> <li>• Direct charters to the island</li> </ul>	<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Development of alternative forms of tourism</li> <li>• Improvement of infrastructure and superstructure</li> <li>• Improvement of sea and air transportation</li> <li>• Application of ICT</li> </ul>
<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Mass tourism for summer vacations concentrated on specific areas of island</li> <li>• High seasonality and great dependence on foreign tourist operators</li> <li>• Low level of hotel management and organization</li> <li>• Insufficient vertical integration and absence of cluster of business in tourism</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Changes in the preferences that don't favor mass tourism</li> <li>• Great dependence on the market of Great Britain</li> <li>• Increased price competition</li> <li>• Appearance of new tourism destinations</li> </ul>

The immediate external environment determines (in connection with the internal one) the opportunities and the threats for the industry or the company (hotel) which operates in it. The competitive advantage, which secures economic viability, contributes to the above average profits, and is determined to a great extent by the following industry attributes. The barriers to entry, the monopoly power and bargaining power (either of the suppliers or of the clients).

All these factors, which emanate from the industrial organization field, were further developed and operationalized by M. Porter and became a popular tool of industry analysis that attributes great significance to external environment of the companies (hotels) under scrutiny. The analysis of the external environment concerning the sector of tourism is approached through the popular tool of the "five forces". The application of "The Five Forces" tool of Porter that assesses the attractiveness of tourism, when applied to Zante island, gives us the following (Curtis, 2004):

- The intensiveness of competition in the sector of hotels has increased lately due to the unused bed capacity, the highly seasonal operation of hotels and the heavy investments in fixed assets, that don't have any alternative use.
- The impediments to the establishment of new hotels have been reduced, given that the investment fund needs are not prohibitive and the tendency for backward

integration of the big tour operators of the tourism countries of origin. The access to the international investment flows has been facilitated, the access to distribution channels is not prohibitive and the internet allows hotels to reach individual tourists and the absence of considerable economies of scale make the operation of small hotels equally competitive.

- The likelihood for the tourism product to be substituted has been increased due to the tendency for more journeys of shorter duration that favor alternative destinations which are closer to the countries of tourist origin (Spain, Italy, Croatia etc) and the appearance of new destinations in central and Eastern Europe that attract mass tourism for summer vacations.

These tendencies in mass tourism for summer vacations create more alternatives for European tourists. So, the price and the cross elasticities are increasingly favoring low price destinations, while at the same time the income elasticity of mass tourism is decreasing. At the same time:

- The bargaining power of hotels on the island is declining due to the excessive bed availability in relation to demand and the absence of product differentiation strategy. The high break-even point of operations, the comparative advantage of tour-operators concerning market information and their monopsony power that allows them to dictate the terms of any commercial agreement. The internet disseminates widely and instantaneously information regarding bed availability and prices.
- The bargaining power of the suppliers depends on factors the development of which is not straight forward. Specifically natural resources, the infrastructure and the public services related to tourism are neither controlled, nor can be influenced by the hotel sector. On the other hand, the influence that hotels can exert on food, entertainment and transportation services (offered to tourism) is considered substantial.

According to the previous analysis it is obvious that the five forces, which determine the attractiveness of the mass tourism product market, don't favour as much the hotel operations in it and consequently curtail their return to capital. Regarding the internal environment on the other hand, applying McKinsey's 7s approach, the quality of the factors involved is below the required one, under the circumstances in the sector. The great majority of cases where hotel ownership coincides with management, the quality of service, innovation and productivity are low. All these factors result in low prices, insufficient and unstable level of revenues, low profit margin and inadequate return on invested capital (Curtis, 2004).

## **2. COMPETITIVE STRATEGY AND ROE**

The competitiveness advantage is secured for the company or the sector (tourism), when appropriate strategy is used "to do the right thing" (which is tantamount to effectiveness) and at the same time "things are done right" which presupposes efficiency in operation (Hooley et al., 1998, Porter, 1996).

Successful strategies, is the result of alignment of internal to the external environment. Both environments are reflected in SWOT analysis ((Wehrich, 1982). The internal environment is usually related to the economic use of available resources in exploiting opportunities or neutralizing threats stemming from frequent, unexpected and uncontrollable changes in the external environment. As the internal environment can be considered that, it includes resources, competences and capabilities that are called strengths (in the case of existence) or weaknesses in case that does not exist in a company, a sector or a region (Raines, 2001). We know at the same time that SWOT analysis although it is used extensively at the early stages of strategy analysis process, it is rather considered as an ineffective and some time dangerous tool if it is not accompanied by complementary for that reason business strategy analysis tools (Hill and Westbrook, 1997). SWOT analysis is basically one of the five stages of a complete strategy cycle (Oliver, 2000, p.9).

To accomplish SWOT analysis its task more thoroughly in our case, should be applied in conjunction with a theory of competitive advantage. Porter's approach is considered more suitable for the analysis. According to Porter (2002) the competitive advantage is manifested on the return on capital. Lasting superior return on capital invested by a firm, presupposes operation in an attractive industry, appropriate strategic positioning in it and operational effectiveness in carrying out its tasks. The attractiveness of the tourism industry in this paper is approached through the average return on capital for the entire country (Greece). The unique competitive position and the operational efficiency in operationalizing (implementing) that position in Zante is assessed through the difference in return compare hotels for whole country.

Performance is the ultimate arbiter of strategy fitness and a sine qua non element that permeates any comprehensive strategic planning scheme, since "what gets measured gets done". The use of a meaningful and suitable performance measurement system, as a means of evaluating business strategy appropriateness (regarding its conception and implementation), is a prerequisite and indispensable tool, that translates strategy into operational and measurable objectives. Operation, culminating in superior return, over and above the cost of capital it is the profound outcome emanating from the competitive advantage of the firm emulating in a vibrant and attractive sector, which is not static but a dynamic one (McGahan,1999). Return on capital is a composite index consisting of a) the net profit margin and b) the capital turnover.

The revenues generated depend on the occupancy rate of the available beds. Net profit margin and capital turnover are interrelated since the level of occupancy determines to a great extend the percentage of profit margin. The economic effectiveness of the internal environment (efficiency) and the effectiveness in the satisfaction of the external (which determines the size of activity), jointly determine the success of a strategy, the competitiveness and the return on capital.

On the other hand these two elements constitute the synthetic elements of the RONA indicator.

$$\mathbf{RONA} = \frac{\text{Net Profits}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total Capitals}} \quad (1)$$

The return on equity results from the one on net assets (RONA) through its multiplication with the composition of assets and in particular with Total Assets/Equity.

$$\text{ROE} = \text{RONA} \times \frac{\text{Total Assets}}{\text{Equity}} \quad (2)$$

The utilisation of debt increases the fraction because it decreases the denominator and it renders bigger than one, strengthening further any positive efficiency (in case of profitable enterprise) expressed by RONA. ROE constitutes the criterion of attracting capital inflows to the sector.

Despite the fact that ROE suffers from a serious drawback compared to RONA, since it can be manipulated by changing financial leverage (the ratio of equity to total capital), it is considered a good measure "assessing the overall performance of the firm's management" (Flamholtz, 2000) and "traditionally the single most important and widely noted benchmark of corporate performance" (Teitelbaum, 1996). In 1970 the maximisation of the return on equity (ROE) was established as the acceptable aim of financing administration (Gitman, 1998) by transferring the central aim from the indicator of output to the return on net assets (RONA) which does not discriminate the assets by their source of origin

### 3. FINANCIAL STATEMENT ANALYSIS AND STRATEGY

According to the analysis of the financial statements published by a sample of 23 hotels representing over 60 % of the bed capacity on Zante island, we found that the annual average return to equity for the period 1993-2004 was **-3,1%**, due to low return to capital employed in the sector, which results in negative profit margin. The average rate of return on capital invested on hotels for the whole country (Greece) was positive but close to zero (reflecting the level of attractiveness for the sector due to the function of the five forces). At the same time the average risk free rate, approximated by the yield to maturity of ten year government bonds was **12,3%** for the same period. It indicates that investment in the hotel sector of Zante destroys value and it is at least the result of an inappropriate strategy. So, the return on total and equity capital remains negative and can't be used to attract any capital inflows for investment. The negative net profit margin renders any further decrease in prices dangerous without any substantial increase in invested capital turnover since it exacerbates losses as the past experience shows.

According to the return on equity capital, hotels in Zante show consistently lower and more volatile performance compared to the one exhibited by the sector countrywide. This observation indicates that domestic oriented factors operate adversely lowering even more the meager compensation to equity capital and leave investments to depend on government grants. The losses and the destruction of value is accentuated further on the Zante island where the losses are greater, indicating that the sector is lacking a lasting competitive advantage. This is due to the conditions of the region, followed by ill positioning of the companies through the absent of appropriate for the circumstances strategy.

The present strategy (if any), can be characterized as vague or “stuck in the middle” according to the results of a research implemented among the hotel managers in the island (Curtis, 2004). A strategy that is based on differentiation, quality, and customization will exploit opportunities related to the changes in tourism industry (which lead to the development of alternative forms of tourism, more frequent and shorter duration traveling). Besides it will contribute to neutralization of threats emanating from the appearance of new destinations, the new tastes of a more educated and environmentally sensitive tourist, who uses the internet to increase awareness. Any development of alternative form of thematic tourism (as it is the proposed thematic routes) will exploit the hospitality of the local population, conserve the environment, align tourism to the local economy and culture, spread activities more evenly across the island, mitigate seasonal operations, reduce price elasticity of demand and customize the product that will be marketed directly to the final consumer with the use of Information Communication Technology (ICT), so as to increase the bargaining power of the island towards the foreign tourist operators.

The viable strategy is the one that leads to profitable growth in accordance with the guidelines provided by Marakon matrix (Hax and Majluf, 1996). Product enrichment and differentiation, as well as “value for money” in connection with quality improvement strategy are overwhelmingly recommended to restore tourism viability by bolstering the return on capital employed in the hotel industry on the island. This strategy is in line with the belief that the mass tourism product of Zante is at the stage of maturity of its cycle, the adverse effect of five forces in the sector (that don't favour mass tourism), the findings of SWOT analysis for the present situation in the sector, and finally, in accordance with European's Commissions views (2003b) for the European tourism.

#### 4. THEMATIC ROUTES IDENTIFICATION ON ZANTE

There are three regions on the island that receive the main tourist load and exhibit saturation phenomena (LAG Leader+, 2003). The three regions are close to urban zones as presented in Figure 1. The heavy red color zone at the south coast area is the most attractive and well-known seaside, which gets the most arrivals during summer period.

**Figure 1:** Tourist saturated regions

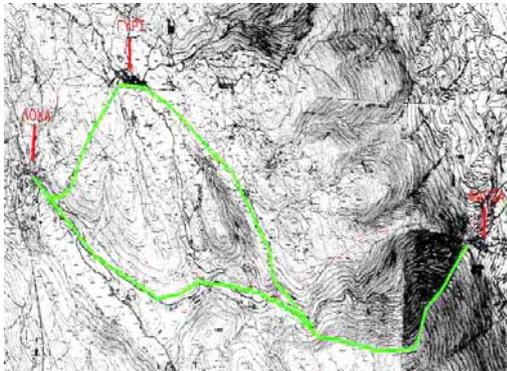


The realization that the mass tourism for summer vacations product has reached its maturity stage of the cycle, has led the local authorities to search for new type of tourist services and products. The research study proposed the thematic routes in the mountainous regions of Zante, as an alternative to the existing product. The mountain regions have already attracted environmental sensitive inbound tourism. The identification, the evaluation and the choice of thematic routes is performed according to seven criteria: Uniqueness, effectiveness, cost-benefit ratio,

complementarities, reliability, health protection services and environmental protection and preservation issues. An important contribution of criteria used is the transformation of qualitative characteristics of thematic routes in to quantitative.

Following a thematic route, the visitor has the occasion to combine vacations with learning, discovering the natural beauties and the cultural heritage, in a relaxing but also authentic space. The diversity of landscapes, the natural and cultural wealth that have not been developed yet, constitute a comparative advantages that has to be transformed to competitive one, without being exhausted. The analysis of the potential thematic routes resulted in the one presented on the Zante map using GIS technology (Figure 2, green line).

**Figure 2:** Thematic route GIS mapping



The presentation and the promotion of the thematic route as new product necessitate the use of new technologies of broadband communication (Ktenidis, 2003). The differentiated new tourist product is characterised by a large volume of digital content. This content is distributed not only through conventional marketing channels but also through internet and web marketing application. Internet attracts new potential customers and provides

details about the thematic route, like small museum operating time, cultural events dates, availability of residential spaces, in real-time.

The broadband communication technology provides to the visitors of rural areas the potential of using small portable devices such as palmtop, mobile phones (Figure 3), in order to receive low-cost valuable information on-spot regarding landscape important views, historical monuments, cultural festivities etc.

**Figure 3:** Palmtop, thematic route and landscapes



The broadband communication supports the new services provided to the potential customers and facilitates the local community to be trained in order to offer new tourist products. The producers themselves become the sellers of the products (A-BARD, 2006).

## **5. INFORMATION COMMUNICATION TECHNOLOGY AND TOURISM**

Information Communication Technology (ICT) applications and the Internet use are the major changes that have occurred in the tourism sector. The increasing global competition has led to the proliferation of eBusiness in tourism. During the last three decades the tourism industry has been affected by “three major waves of ICT” (EC, 2007).

In the context of the Lisbon strategy aiming at improving European competitiveness, it is acknowledged that information and communication technology has a profound influence on the potential for economic growth through its effect on innovation, productivity, corporate performance, accountability and corporate governance. So, governments in Europe and around the world are adopting ICT-enabled strategies to enhance tourism's business and regional economic performance (Frew et al., 2005).

The need for close cooperation and coordination of all the stakeholders of a region, responsible in producing the tourism product, is paramount to enhance customer satisfaction with Zante area and promote the destination in global markets (Buhalis and Spada, 2000). This is a means of enhancing product (service) quality and differentiation of the destination. The cooperation for the development of a comprehensive and valuable proposition that is distinct, based on the internal strengths of the region is facilitated through the use of ICT and the adoption of eBusiness model, which foster innovation and integration and at the same time is evolutionary. It should be noted that according to The European e-Business Market Watch (2005) “the internal structure of a destination may be considered virtual enterprise (Ndou and Petti, 2007). Destination Managements Systems (DMS) is the means of destination management policy purporting at initiating and promoting eBusiness and the use of ICT.

The Information Economy Report for 2006 of UNCTAD finds that of information and communication technologies exert a favourable effect on productivity growth. It stresses the importance of “promoting broadband adoption” in countries to enhance competitiveness and productivity at the level of private firms. Finally, e-Business is considered a tool for expanding marketing” opportunities, as it does the broadband connectivity.

## **6. CONCLUSIONS**

The return on capital invested on hotels in Zante Island is negative due to their unfavourable competitive environment regarding mass tourism for summer vacations, its undifferentiated product which cannot avoid imitation by rival destinations.

The three saturated tourist regions of the island with overloaded carrying capacities lead to the need for the development of new tourism products targeting the prolongation of the tourism period and the higher quality of services.

The thematic routes shape new products, exploiting the island resources in a sustainable way. The evaluation and the selection of the thematic routes according to certain criteria guarantee the optimum choice.

The marketing of the thematic route product characteristics needs ICT and broadband communications that will bring the rural areas out of the isolation. Zante non-urban areas are promoted in real time with low-cost to international customers. High volume valuable information reaches the customer even on-spot through portable devices. Thematic routes exploiting the broadband communication motivate local community not to leave their home place and provide them the capacity to think global and act local in a totally sustainable (financially viable and environmentally sound) way.

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## PREREQUISITES TO THE SUCCESS OF HOTEL PRODUCTS

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**Abstract:** Actual basic characteristics of tourist movements of globalization, standardization, market segmentation and computerization, impose to the responsible managers the need of defining that kind of hotel product which would be so attractive with its content to find that part of the consumers which will finally consume that product. This fact goes in favor to the fact that for the entire hotel offer is important the element of exploration of tourist market and defining the segment of tourist demand which has to draw attention, wake up the interest, provoke the desire and initiate on the action with its attractiveness. The hotel product, as the first element of marketing mix, is made of material and immaterial services which are offered to the hotel guests, and same thing is with hotel service that is in fact a group of many services with which we fulfill the guest's needs of accommodation, food and drink, and other services that are paid in the usual way in hotelery. When it is mentioned usual and specific hotelery way that means the way on which the guest will satisfy his own needs and motives of traveling. Working we explore the necessary assumptions which have to be fulfilled for better placing of hotel product on the more squemish and demanding tourist market.

*Key words:* hotel industry, management, hotel product.

### INTRODUCTION

For the employees in hotel industry, of crucial importance is the influence of new social values on the demand because different types of guests are distinguished by their different lifestyles and different forms of spending free time. Since the hotel employees are searching their guests in the whole world, it is recommended to direct the attention on the most important changes changes that dominate on the world

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markets from where their guests are coming. On the emotive tourist market there is a formation of a new wave of ecologically, health and spiritually aware tourists who emphasize the importance of body activities, techniques to low the stress and different negative emotions, stimulations for spiritual self development, information of eco-products and ecological actions, etc.

New tourist programs and hotel offer should be formed on the way to cover total biopsychosocial status of a man; in fact they include physical activities, methods for psychophysical relaxation, spiritual self development focused on balanced and healthy nourishment. Those programs should be focused on the change with aimed segments, which is one product with a range of competitive ones, because the new approach towards the modern marketing is pleading more subtle approach which offers to the modern tourists' emotional fulfillment. Offering the packages of alternative tourism for more demanding guests, this offer will represent the basic for increasing of tourist effects or increasing of tourists' spending.

One of the most clearest and most evident tendencies in hotel industry is abandoning of values which are not visible for guests but the concentration of hotel marketing on the creation of values which are visible for the guests where there is an opportunity for making the values that the guest will see and feel during his stay in a hotel. Consequently, hotel marketing focuses those service fields where is possible to create evident creativity that is revealing through the personal contact and personal experience between personnel and guests. This is what the guests see and feel and they see employees, from the liftboy to the cleaning lady, from the receptionist to the servants. This is also the most important opportunity that exists in the context of creating the values which are seen and felt by the guests.

For the realization of mentioned objectives, with which realization could be made dramatic improvement in the hotel business, it is necessary filling up of certain assumptions. One of the most important is a training connected with professional education where the competencies, knowledge and motivation represent the most important factors that set successful performing of a certain job.<sup>2</sup> This is a reason that the reconstruction of human component inside the organization represents a new tendency in hotel industry where the internal marketing towards the employees represents the most important factor. This is what some hotel has on its disposal and what contribute to bigger guests' pleasure.

## 1. CHARACTERISTICS OF NEW TOURIST NEEDS

Today's tourists realized that the most important thing is freeing from the stress and that it is impossible to achieve that on the places where the everyday experiences are repeting (e.g. traffic noise, crowded places, bad food, entertainment in smoky places, etc.). This shows completely other type tourists and tourism which will surely change the theory and the behaviour in that sector in the future. The program «relaxing of soul», various programs of ecological, health and spiritual content with

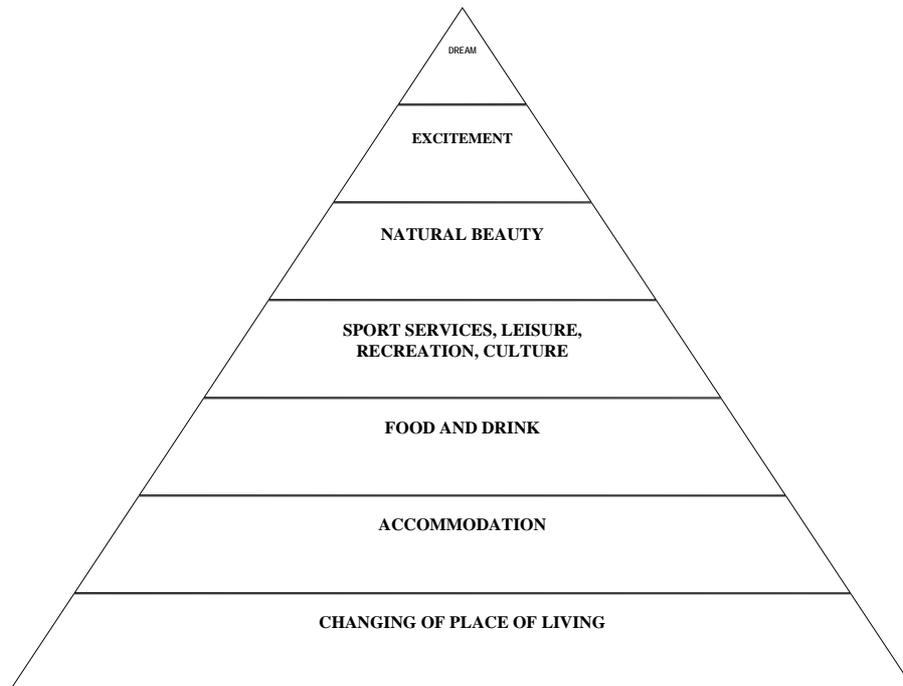
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<sup>2</sup> Rue, W.L., Byars, L.L., *Supervision – Key Link to Productivity*, Irwin Homewood, Boston, 1993, p. 34.

specific healthy nourishment, represent new tourist vision. In that contest, tourist needs can be classified as follows: (1) need for peace and physical relaxation, (2) need for changes, diversity and communication, (3) need for freeing from being fettered.

This wide aspect of tourist needs shows the possibility of announcement of new tourist culture where the most important role will have unmaterial tourist values as waken and realized curiosity about natural, socio-political and cultural characteristics of some tourist destination. Future guests will be more interested for natural beauties and for cultural monuments of tourist destinations. Stimulated by a need for excursions, for the changes of the place of living and of desires for new knowledge and different excitements, the guests will require more from the tourism and hotelery and from the employees in that sector that from the today's offer. All this could be represented with the pyramid of tourist needs (picture n.1).

**Picture n.1:** Pyramid of tourist needs

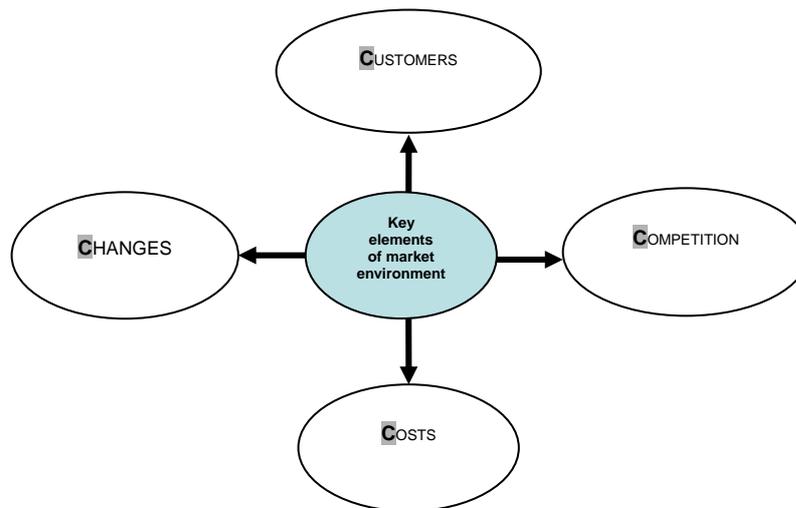


Represented tourist needs imposed the need to perform certain basic changes inside the hotel industry, and because of that the hotel companies are reorganizing and restructure their: (1) organizational and management structures, (2) human resources and (3) applicable technology.

Their «entrance ticket» in the modern business world are flexible organizational structures, open to the environment influences and trained for permanent

learning and creative application of new knowledge from one side, and their own influence on business and social environment on the other side, with simultaneous increasing of their competitive capacities on the tourist market. Key elements of market environment, which determinate reorganization and restructuring of hotel company and its business, are situated in customers, competition, costs and changes, and that concept can be described through «4C» (picture n.2):

**Picture n.2:** Key elements of tourist market environment (concept «4C»)



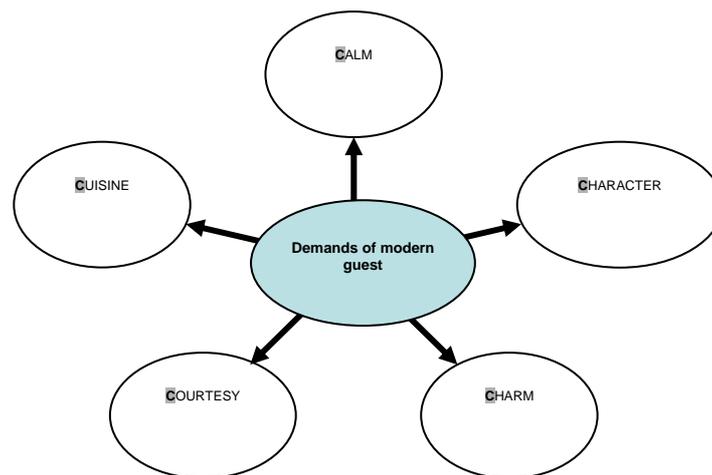
1. Customers. Starting point of all business activities are tourists, customers, buyers, and success of hotel company is exactly proportional to the degree of satisfaction of their guests, customers. Modern concept of hotel business changes the role of guests/consumers as those whose needs define the basic business processes and business strategy.
2. Competition. The same as the competition is dangerous and unpleasant from the aspect of hotel employees, it is, in the same time useful and desirable for general level of product and service quality which are preparing and offering. The pressure of competition and more strict rules of competition fight forces hoteliers to develop continuously their offer and their business processe inside the organizational structure.
3. Costs. Business costs influence directly on the price of the hotel product or on some segments of it. Whilst some hoteliers do not pay enough attention of costs, the others use old methods of costs supervising which are related only on functional parts in organization. Process oriented hotel objects follow the costs based on activity or based on centres of responsibility, because only in that way they could quality evaluation of success of certain project or of organizational unit and not only of the whole organization.
4. Changes. Hotel industry is exposed to great changes in business environment, which forces management to think about its position and former strategies and to adapt them to those changes. The changes have global character and they are conditioned by demographic, political, technological development, changes of value system and

life styles. All that in the situation of strengthening of tourist competition of global proportions. The changes in the guests' behaviour provoke also the changes in the business organization. The organizational culture in hotel objects is changing, and its basic dimensions, values and behaviour rules, which are imposed to the organizations and to the individuals, and which can be the useful instruction for necessary changes in hotel industry are:

- ◆ rapid reaction and changes on the needs of guests/consumers,
- ◆ continuous contact with guests,
- ◆ including guests in all business aspects,
- ◆ checking of all ideas on the guests and other

Since the guest is present more and unavoidably as an active subject in the creation of hotel product, it can be said that the tourist is more educated, informed and more demanding. Those requests of the more demanding and spoilt consumer is possible to follow through the so called «5C» concept (picture n.3):

**Picture n.3:** Demands of modern guest (concept «5C»)



1. Calm. Under this request it is understood the motivation of the guest during his/her choosing some tourist destination that has to be situated in the calm area, without conflicts, tensions and security uncertainty. On the other hand, this request for calm means also that in the hotel has to be calm, pleasant and comfortable atmosphere, which is made by all factors directed to the guest's satisfaction. The guest wants to stay in the destination as well as in the hotel without stresses and without noisy music, but he/she wants to be aware that everything is done for him/her concerning security (physical, firefighting, public health, hygiene).
2. Character. Under the term «character» it is understood characteristic, sign, nature, quality, particularity, under this request it can be recognized the guest's wish to stay in the environment that has good reputation, with its specificities, typical characteristic and the feeling for the guests' needs. We are testifying of bigger

requests for the more strange destinations and hotels that have «something typical», typical characteristic and differ from the others.

3. Charm. As it is already mentioned, the guests are more and more spoiled, demanding so they want more pleasure. They want to feel excitement, they want to be fascinated by the service (for which are not so willing to pay a lot). Under this request the wish to consume with a pleasure everything that is prepared for them. Beside that, from the catering aspect, they request fascinating decoration of hotel (e.g. boutique hotels), specific design, and equipment with the furniture but also they request the charm present at personnel with who they are in continuous contact.
4. Courtesy. Modern guest, this «king», who is always right in most cases, won't be only satisfied with natural charm of «*front line*» personnel, but they request from them more than average courtesy, hospitality, service, politeness and, of course, xenophilicity.
5. Cuisine. Gastronomy becomes more important factor of attraction, and modern guest abandons more and more the space of hotel dining rooms and explores authentic local gastro offer. We can consider under the term «cuisine» also the gastro offer inside a hotel but there is a forecast that for few years the hotel guests would like only to take a breakfast and that all other meals would take out of the hotel spaces in the authentic local catering establishment.

## 2. TRENDS OF ORGANIZATIONAL CHANGES IN HOTEL INDUSTRY

World hotel industry is continuously changing whilst the key changes happened in the last several years. The management has to adapt itself which consider proactive approach on the created changes and on the way of management. Manager's capacity to adaptation on the turbulences of complex and dynamic of environment conditioned the future of the organization. In this situation, the managers are those who have to possess the wiseness of noticing the facts and their changes and who have to lead bravely organization in the environment that is continuously develops and grows.

Greger and Withiam<sup>3</sup> state that the managers of hotel companies take care of creation of company's vision and that is the most important to create that kind of climate inside the company that will stimulate the effective work of all employees. This fact proves the statement that because of the nature of hotel business and turbulent conditions in the environment, transformation management became necessary for long-term success of a company.

Modern managers in hotelery have to be designers, to build their common vision, to help the employees to see all system, to work together, to form horizontal organizational structure, to initiate the changes and to widen the possibility for people to form the future. According to that, there are at least three key roles of a modern manager in the hotel industry: (1) creation of common vision, (2) (re)designing of organizational structure and (3) serving the employees.

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<sup>3</sup> Greger, K.R., Withiam, G., «The View from the Helm: Hotel, Execs Examine the Industry», *The Cornell Hotel & Restaurant Administration Quarterly*, No. 4/10, (1991) pp. 18.

Beside that, in the modern hotelery, following trends require new reexamination of organizational culture of hotel company:<sup>4</sup>

1. trend is increased competitiveness of hotelery environment on all market fields and geographical spaces,
2. trend considers increased searching of guests,
3. trend is increasing of sophisticated, various and powerful computer-communication technology.

In this changeable and competitive world, the hotel companies that succeed will become the agitators of changes because their business will become more efficient and it will be also the result of new solutions to the problems which overpass strict content of traditional organization. Modern managers become leaders, trainers and counsellors, so in this context are very often focused the components of managing quality process:<sup>5</sup>

1. importance of introducing and application of standards in business,
2. need for quality teams,
3. value of transmitting the power on the employees.

Organizational culture of modern hotel companies needs to adapt itself rapidly to the new changes in business because this is the only way of survival on the market. In the most successful companies, it is evident movement towards the project organizing, decreasing of hierarchical levels and levels of managing and of creation of new forms of interorganizational connections.<sup>6</sup> This movement is conditioned primarily because of the adaptation to the competition in the new conditions of globalization, technological changes and creation of computer society. Marketing practice in hotel industry is changing because of the application of more and more powerful computer-communication technology which redefines the individual as the separate segment of market. Inside the hotel industry will be taken more care about this, exploring it and having more knowledge about this subject. This means that the most important challenges for management in hotel industry will be represented by:

1. management of distributional costs,
2. analyzing of potential, today's and future guests,
3. controlling of applicable computer-communication technology.

Strategical marketing will replace *cyber marketing*, and that will be more complicated approach, because it considers the understanding of finding the path towards the future guest and the way of his/her approaching by Internet, which becomes dominant distributional passage. To manage the managing of technology in the way that will be convenient for a hotel, marketing employees should have higher level of competencies and knowledge to decide in which media it would be more rational to invest. This balancing of material and immaterial offer and offering the highest quality of those services will represent a great challenge for each service of service offerer in hotel industry.

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<sup>4</sup> Nebel, E.C., Rutherford, D., Schaffer, J.D., «Reengineering Hotel Organization», *The Cornell Hotel & Restaurant Administration Quarterly*, No. 5/10, (1999), pp. 88.

<sup>5</sup> Heymann, K., «Quality Management: A Ten-Point Model», *The Cornell Hotel & Restaurant Administration Quarterly*, No. 5/10, (1998), pp. 51.

<sup>6</sup> Ansoff, I., *Implanting Corporate Strategy*, Prentice Hall, New York, 1990, p. 174.

### 3. FACTORS OF CREATING THE NEW SERVICES AND PRODUCTS

Hotel industry is today faced with some kind of revolution of demands, that are continuous and don't stop. Tourists want the things that could be made and experienced, and according to that the pyramid of wishes and demands becomes bigger and this growth doesn't follow the readiness of tourists to pay adequately for their demands. This is a reason why planning and conception of successful business in hotel industry represents an attempt of restoration of harmony between: (1) economical possibilities of service offers (offer) and (2) wish and financial possibilities of guests (demands).

Former experience proves that many hotel products have very short life cyclus because they do not take in consideration future trends in the phase of planning. The success of hotel offer primarily depends on the reputation of some hotel, and the creation of reputation and constant level of quality is result of adequate planning which forecasts future trends of tourist demanding. It should be known that the life cyclus of one hotel product becomes shorter and this has negative effects on hotel's business. Because of that today, before planning and definig of a product it is necessary to follow some principles which were neglected since now. In the first plan there are preparations for creating the image of a project and quality which this image includes.

In the conditions of bigger international tourist competition, there is a question – how to improve the development of new hotel products or is it necessary to improve existing product or create new idea in offering the services. This process requires the combination of several factors:

1. inventiveness of management and production-service personnel,
2. team work inside a hotel and
3. including the guests in the development of new product.

Combination of above factors would have double effects:

1. from the one hand it would shorten the time of development and
2. from the other hand it would free flow of new successful services that would have perspective and that would survive on the more and more demanding tourist market.

Those activities require from the management in the hotel industry the understanding, not only of its own market and of its guests but also of itself. Development of new hotel products considers primarily evaluation of guests' wishes and development of specific offer which will fulfill their wishes. But this also means respecting of everything in which some hotel is the best, how it passes through reflection and selling of new services, and which paths and services has to follow during its passage through the established infrastructure (personnel, technology, equipment, organizational structure, etc.).

The basic steps which could lead to success of new hotel product are following:

1. New product has to satisfy the guests' needs and not the hotel management. It's true that every new idea has to have its predecessors, or someone who belives in that idea

and it is ready to risk to see how this idea will develop, and intervention of some idea could easily grow into the self-deception.

2. It is very important to enter rapidly on the market with a new product.
3. It is necessary to balance the product quality and price (*value for money*), even if that means delaying with appearance on the market. When development of product from the beginning starts well this is not a guarantee for success.
4. New product has to be sold in the right way, through the passages. Even when the product is correctly conceived and when the right distribution passages are chosen, it can fail on the market. If the guest doesn't understand usefulness or usage of that product, that is, of service.

The improvement of development of new hotel products requires very often reexamination of a way how the individual object is approaching to its potential market and how it directs with its operations. How does the best do that? First of all, the process with which they develop new projects contains continuous renovation of innovations, and the best hotels don't neglect their guests in the process of innovations that is in the making of new product.

In the continuation there are six phases, from the development to achievement of commercial capacity of some hotel product.

1. Including the guests. We don't have to incline to a new product only because someone in hotel loves that. It is necessary to be advised with large number of guests.
2. Imposing realistic objectives. If a new service that is creating promises of future profit of 100, you become a loser having as an objective a profit of 200.
3. Breaking up the obstacles. The flow of the ideas about new service creates the risk of potential conflicts. Instead of that, from the very beginning it is desirable collaboration and team work between marketing service (exploring of market) and organizer of production-service process.
4. Creating the right way of success. It can't be permitted that the new service or idea create so called «moment of danger». It should be ensured that in the each phase of development, service satisfies specific criteria of clearness, acceptibility for guests, selling support and budget planning.
5. Observation of market examination. Exploring the market could have success only because the guests consume a new service. It shouldn't be ecstatic with the starting results but it is necessary to explore the market long enough to have the real view in the potential of new service.
6. Performing «post mortem» activities. Although the managers prefer avoiding the own failures, they should seriously reexamine what was wrong and applicate achieved results on the next new service or idea. Those managers who learn on their own mistakes should be awarded and motivate to bring better results in the future.

Opposite to the spread way of thinking, majority of ideas for creating the new services and products doesn't come from the marketing and selling department, from the competition or from the highest levels of management, but from the guests and market, that is more demanding. The best characteristics and functions of hotel products are made by «crossing» of technological knowledge with wishes and needs of guests, and in this way everyone should understand that it isn't true the settled belief,

that somewhere exists a guest who would like to accept the service or the whole product characteristic for some hotel, in the way someone imagined. In the modern hotel industry, new solutions and stimulations are often situated in the circle of their own perceptions and experiences. In all this it pays more attention, time and power in establishing regular and close contact with the guests. Another important factor which gives to some hotel the advantage is a team work as the way of acceleration process of product development. Hoteliers, who spend more time on the planning and in that planning the employed in the marketing and in the production-service process collaborate, spend less time on the development of new product and earlier coming on the market with this product.

#### **4. PERSONNEL COMPONENTS OF HOTEL PRODUCT SUCCESS**

Today, surely more than in the earlier period of tourist development, there is a need of one extensive action on the increasing of tourist culture and business efficiency of all participants in total tourist movements. This fact comes from the reason that in all tourist countries people more invest in the modern equipment and appliances to improve the conditions of guests' staying. The open question is what will be in the future crucial influence on choosing some tourist destination, hotel or some other catering establishment? It is considered, with the good reason, that those will be people as decisive factor in deciding for tourist movements and staying in some destination or in some catering establishment.

The character of business in hotel industry, imposes in front of personnel very high demands regarding following fields:

1. extensive general culture,
2. various professional and specialistic knowledge, and
3. communication and organizing capacities.

Employed personnel, with their knowledge, capacities and work experience make the most important segment of the total hotel activities in quality and quantity sense. On them depends the organization and successful business, they are crucial factor of development, no matter the level or the form of business. Emphasized need for immaterial, psychological elements of services in the hotel industry comes from very squemasih and sophisticated tourist demanding in spite of the fact that the tourism is becoming more and more popularize. Current and expecting rapid changes, on the plan of development of tourist activities show the greater offer increasing in comparison to the demand. In more demanding competition between carrier and organizers of tourist spending, human factor, personnel culture and their readiness that with sincere pleasure serve the guests becomes the important factor of success and deciding moment of attracting of consumers of tourist values.

Computer systems, food products, equipment, furniture and all other technology built in a hotel extensive range of products oriented towards the growing of service quality and guests' pleasure in hotel. But that what makes the fine difference between two hotels almost tangible is personnel and those who are indirectly in contact with the guests.

Inside the modern hotel industry there are more developed forms of internal marketing which considers the marketing for employed personnel. This modern approach considers different practices oriented to the increasing of personnel's pleasure, which then has positive influences on the pleasure of their guests. Though many technological improvements accelerate process of offering the services, guests still want «traditional» hospitality. The most important component of process of managing the quality, turned to the production-service component in the hotel industry, is strengthening of personal responsibility, giving recognition to the collaborators and spreading the space for individual decisioning of employers. Activating creativity at the personnel, who collaborate mutually in the preparatory process and offering the hotel services, in many hotels are neglected in spite the fact that in the hotel industry dominates the same logic as in other activities. In fact, the employees know the best the preparation process and the process of offering the service.

In this aspect, the organizational structure is changing, and it is not hierarchical anymore because it insists on the informal relations together with equality of all job places. Communication net makes possible the approach to important business information to all employees who are then "ennobling" through the working process. Inside the company there are no important or less important working places anymore because all are equally responsible for the business success. We can make conclusion that in the sharp competition on the tourist market, the business success can bring in the ugotiteljsko-turistickim subjektima motivated personnel who accept the value system, that is, the business culture.

Since there is specific relationship between catering-tourist employers and guests, thanks to the nature of their indirect relations, those employees who are in the direct relation with the guests make and form together the services. In the formation of their own way of thinking of some service, the guests will take in consideration indirectly acquired impressions.

Recent researches stated the high degree of psychological connection between guests who are making indirect contact and the guests. The reason of this powerful connection between employees and guests is possible to define with several factors, among which the most important are following:<sup>7</sup>

1. physical closeness during offering the service and its consumption,
2. time spending together,
3. feedback information which guests transmit directly to the personnel,
4. quantity of information which guests insure and
5. the understanding of the employees that the satisfied guests are necessary for keeping their job.

The management task in this process is to explain the employees the direct relation of information with which they contribute the improvement of business and better business results.

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<sup>7</sup> Chung, B.C., «Collecting and Using Employee Feedback – Effective Way to Understand Customer's Needs», *Cornell Hotel and Restaurant Administration Quarterly*. Vol. 38, No. 5, (1997), pp. 51.

In hotel industry, as in the very service activities, the personnel is responsible for successful performing production-service process, it solves the problems and it takes care about the guests when the service doesn't satisfy the expecting standards. Because of that it is very important that the personnel is satisfied and in this way their satisfaction will be transmitted to the guests because the hotel can lose or gain exactly in the moment of contact between the personnel and the guests.<sup>8</sup>

Those are the reasons why it is more recognized the humanization of the working places, giving to the employees more and more responsibility and with it greater pleasure of working. In other words, lower level of personnel's pleasure in hotel it is also connected with the demotivation and frustration of executor, and it is very often connected with the sense of lack of freedom for undertaking the actions for satisfying the guests or the reason of lack of cohesion inside the team where the individual is working.<sup>9</sup>

But to attract the greater number of tourists, the market needs high level of pleasure because it is not possible to keep and to have loyal guests and, in the same time, be able to achieve high level of guests' pleasure with which they already make business. The thing that is also very important it is not possible to produce high level of guests' pleasure if the personnel isn't satisfied.<sup>10</sup> It is known that the hotel management has to earn for the owner but it is also known that this will be the result of work of satisfied personnel. Only thanks to the satisfied personnel, which is turned towards the results, it is possible to produce the satisfied guests. In this, the employees have to be informed on all organization's objectives because only if their objectives fit in these business they can decide for themselves what is important and put the priorities in the tasks of different values for the success of organization.<sup>11</sup>

As conclusion, we need to accept that is required by the new philosophy of marketing, something completely new. It should achieve at least three of the most important components:

1. attract new guests,
2. realize the pleasure of existing guests,
3. realize the pleasure of employed personnel.

The last of mentioned assumption represents new roles for hotel marketing. With its realization it is gained the proud of personnel that is working in a hotel. They are good informed of hotel policy and they are, in the same time, satisfied because they can serve their guests and make them satisfied. It could be stated that this represents the new paradigm in a hotel industry, because the hotel marketing becomes more sophisticated and it is not only concentrated on the selling but on the guests' satisfaction and on the personnel' satisfaction. This process could be called the internal

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<sup>8</sup> Kandampully, J., *Services Management – The New Paradigm in Hospitality*, Hospitality Press, London, (2002), p. 33.

<sup>9</sup> Owen, D., Teare, R., «Driving top-line profitability through the management of human resources», in: *The International Hospitality Business*, Kotas, R., et al., Cassell, London (1996), pp.187.

<sup>10</sup> Bordas, E., «Najnovije tendencije u hotelskom marketingu», *congress proceeding IX. Congress Croatian Hotelier and Restaurater Association*, Opatija-Zagreb, (2005), pp. 5.

<sup>11</sup> Collins, E.G.C., Devanna, M.A., *Izazovi menadžmenta u XXI. stoljecu*, Mate, Zagreb, (2002), p.188.

hotel marketing, marketing for employed. This kind of thesis considers changes in the hotel marketing which now means the existing elements of mix marketing, but it is more concentrated on the guests' satisfaction and on the personnel' satisfaction. Some authors notice that the rare contacts which some guests have with the hotel personnel are more important than before.<sup>12</sup>

While the hotel industry makes efficient service systems, the role of traditional hospitality will become more important. The guests will have less contact with people but they will dedicate to them more attention. Hoteliers, on the other hand, have to pay attention on the relationship towards the guest in the same measure as they do towards the development of the whole system.

The important segment and elimination of barriers between some hotel departments, which often overemphasize their own priorities and which leads to the conflict between them and then the services very often suffer because of that. Here can help the organized education of personnel from some department with the business processes in the other departments. In this inter-department training have to be included all the employees, the idea of quality service has to be present in all organization, and the employees has to be satisfied which will represent the result of internal service quality.<sup>13</sup>

## CONCLUSION

In today's modern tourism, one of the most emphasized phenomena is the individualization in tourists' behaviour. Observing the profile of modern hotel guest, we can conclude that this is an independent, good informed, technologically oriented, demanding in the aspect of «value for money», active, which requires the change and new contents. Beside that, it is possible to notice new trends in behaviour of modern hotel guests, or in the originality instead of uniformity and the growth of demands for service quality. Those guests are more attracted and they conquer the offer that has rich experience aspect, but also the kind of hospitality, because with its help hotel makes competition advantage in relation to other hotels of the same category.

In this relation it is of crucial importance is a personnel that is in contact with the guests creating unrepeatable moment of truth. For complete understanding of quality service and satisfaction of existing and future guests in a hotel, it is necessary to analyse the satisfaction tha hotel personnel. Though, one of the great problems in the hotel business is missing the system of attempts and mistakes; this is why the hotel guests are more agitated in the cases where there are some mistakes in the service.

Offering different hotel services, the hotel personnel have to have authorities to make some changes on the spot, that is, they have to be authorized for needed actions to make their guests pleased. In this direction, a new marketing paradigma is

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<sup>12</sup> Iverson, K.M., *Introduction to hospitality management*, Van Nostrand Reinhold, New York, (1989), p. 58.

<sup>13</sup> Schroeder, R.G., *Operations Management – Contemporary Concepts and Cases*, Irwin McGraw Hill, Boston, (2000), p. 84.

turned towards the personnel as the third important subject of observation, except of today's and future guests. As the consequence of these efforts, turning of traditional organization pyramid will result with placing the guest on its summit.

In the future, the hoteliers will be faced with the challenges coming from the computer era on the field of increasing placing of their product, because the approaching to the computer-communication technology changes the lifestyle and work of people since the former technologies decrease needed time and focus it on its own speed. From the future giver of services will be expected to know much more details about their guests, and to form their services according the guests' wishes and needs. The approach of segmentation will continue with reforming the relations between giver of services and future guests. This will require completely new approach to the menagement of hotel companies, and the managers of all levels will have to learn how to build the relation of confidence with the objective of increased guests' pleasure, from one hand, and how to please the employers, or investors of capital in the investments, from the other hand.

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## THE ROLE OF LOGISTICS INFORMATION SYSTEM IN THE BUSINESS-DECISION PROCESS\*

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**Abstract:** The development of logistics information systems that support decision-making, together with the use of business intelligence, provides assistance and support to logistics managers in the decision process, thereby impacting on the quality of business and productivity. Being better informed and having greater intelligence for decision-making can help to create new value and gain competitive advantage. Logistics business systems in a tourism destination appreciate the importance of information and communication technology in the decision process and seek to develop efficient logistics information systems that will make it possible to take better and more appropriate decisions directly aimed at improving business efficiency and productivity.

**Key words:** information, communication, logistics information system, information and communication technology.

### INTRODUCTION

Clearly, information, as a phenomenon, and communication, as a process,<sup>2</sup> are among the most important parameters of quality for the hotel industry as a service activity. Misinformation about the time of guest arrivals or the fact of not knowing whether all hotel rooms have been booked can have a crucial impact on guest behaviour, and as such they determine the value of services provided by a hotel

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<sup>2</sup> Schertler, W., et al., *Information and Communication Technology in Tourism*, Springer, Wien, 1994, p. 23.

business system. Lack of information and communication can exert a drastic effect on the entire value chain of hotel products and services. All investments in high-quality standards, food and beverages, management systems, staff training and marketing are not worth their while if information is incorrect or if the wrong information is accessed.

Each business system seeks to build an information system that will provide the right information for quick and efficient decision-making. With the gradual introduction of logistics information systems (LIS) into logistics business systems, the problem of differing systems has emerged, where each system has its own databases, while no singular system exists that could enable all the data to be used. The need for fast and efficient decision-making has compounded the problem. Hence, efforts are being made to integrate all data a hotel business system possesses into a single, well-structured system that would enable each employee to access the information required for making the right business decisions on the spot.

## 1. INFORMATION AND ITS IMPORTANCE TO A LOGISTICS BUSINESS SYSTEM

Derived from the Latin *informare* meaning “to give form to, to shape, to present”, the word **information** refers to an instruction, message, notification or communication on the course of work or one’s action, or it can be a fact about something.

According to *Wahl*, information represents “those sections of news which have the value of novelty for the receiver enabling him to execute his tasks more efficiently”<sup>3</sup> *G.B. Davis* and *M.H. Olson* define information as “data presented in a form convenient to the receiver and having real or substantial value in current or future actions and decisions”.<sup>4</sup> In these definitions, no strong distinction is made between the terms “data” and “information”, with “information” being defined through the term “data”. Some authors clearly distinguish between these two terms. The provision of data does not involve a qualitative and quantitative analysis of the meaning of numerical and other quantities, whereas this is a necessity when compiling information.

*M. Varga* asserts that information is “a description of one feature of a given object, and in order for this information to be preserved, it must be materialised or recorded”.<sup>5</sup> According to *D. Roller*, information “consists of elements which are called data”.<sup>6</sup> In fact, it is through data processing that we arrive at the information needed. Information, that is, a message is a fact with a specific meaning. It brings news, it tells us about something, it removes uncertainty and, in general, serves as a foundation for decision-making.<sup>7</sup> Therefore, the primary attribute of information is novelty. The receiver of information determines its value. The more relevant, accurate and fresh the information we use, the greater its value in decision-making. Gathering relevant

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<sup>3</sup> *Wahl, M.P., Osnove upravljackog informacijskog sustava*, Infomator, Zagreb, 1971, p. 15.

<sup>4</sup> *Davis, G.B., et al., Management Information Systems*, McGraw-Hill, Singapore, 1984, p. 45.

<sup>5</sup> *Varga, M., Baze podataka*, DRIP, Zagreb, 1994, p. 2.

<sup>6</sup> *Roller, D., Informatički priručnik*, Infomator, Zagreb, 1996, p. 7.

<sup>7</sup> *Ceric, V., et al., Poslovno racunarstvo*, Znak, Zagreb, 1998, p. 77.

information provides the required knowledge that is focused towards a specific task or objective that we wish to accomplish.

**Information as a resource** possesses specific features:<sup>8</sup>

1. Information is an inexhaustible resource (unlike matter and energy, it can be used without constraint).
2. Usage does not destroy the contents of information (information content is completely independent upon the intensity of usage; it remains the same if it is used once, never or multiple times).
3. Information can endure a multitude of consumers simultaneously (information can be used by an unlimited number of consumers at various locations).
4. The value of information does not diminish with usage (information stored in an information base may be used once or any number of times, without any change to its usage value and exchange value).
5. The usage value of information increases with use (by satisfying a growing number of consumers, information enhances its usage value).
6. Using information consumes little energy (unlike conventional work methods, energy consumption diminishes).
7. The use of information is not harmful to the environment (its usage does not result in any adverse effects for the environment).
8. The capability of people is the only constraint to using information (it is available to the extent to which people are capable of using it).

The study of information consists of three related parts. *Syntax* deals with the formal and quantitative aspects of information; *semantics* explores the contextual aspect of information and its meaning, while *pragmatics* examines the importance of information, that is, its value to the user.

In the literature, information is distinguished as a separate category. However, the primary attribute of information is its novelty, and from this aspect, information can be exposed to deterioration, that is, to the loss of its value through an aging process or to the loss of novelty, its prime feature.

In general, **various classifications of information** exist. It may be classified according to:<sup>9</sup>

- *The material form in which it occurs* (documents, communications, signals, scientific analyses, etc.)
- *The flows to which it refers* (in technology, statistics, accounting, finances, designing, etc.)
- *The timeframes within which it is collected* (periodic, operative, current, long-term, non-periodic, etc.)

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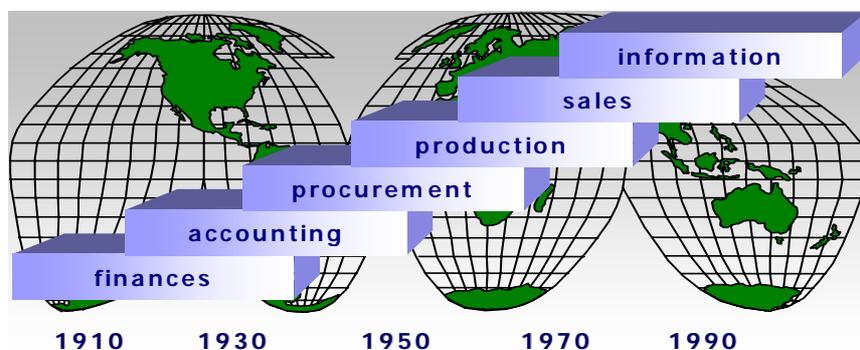
<sup>8</sup> Sehanovic J., et al., *Informatika za ekonomiste*, Sveuciliste u Rijeci, Fakultet ekonomije i turizma Dr. Mijo Mirkovic u Puli, Pula, 2002, p. 21.

<sup>9</sup> Batarelo, Z., *Prikazivanje rezultata poslovne analize i poslovno odlucivanje, Poslovna analiza i upravljanje*, No. 2-3, Zagreb, 2003, p. 32.

- *Whether it refers to past or future events* (the former can further be classified as events that will not be repeated, might be repeated or will surely be repeated; the latter, as events that are deterministic and all those that are probable)
- *Whether it relates to concurrent events or to events that are interdependent although not happening at the same time* (events that take place concurrently, that are directly interdependent or events that are in no way directly interconnected)
- *The source from which it obtained* (scientific and technical information, and market information)
- *The level of processing* (primary information – created through direct observations such as watching, listening, etc. Its carriers are original records, images, etc.; secondary information – created through the various processes of transforming primary information).

*“Information about money is more important than money itself”*.<sup>10</sup> Timely and accurate information and the knowledge resulting from it are a primary business resource in logistics business systems today. Information on previous business can help in making a good analysis, while new and fresh information is essential in making future business decisions. Figure 1 illustrates how the focus of business had changed in the last century in advanced countries (USA). To this can also be added a commitment to customer/consumer-oriented processes and an integration of all functions, which became especially popular in the early 1990s.

**Figure 1:** Business focuses in the twentieth century



Source: After: Srica, V., et al., Put k elektroničkom poslovanju, Sinergija, Zagreb, 2001, p. 10.

In business management, there is a clear need for the continuous inflow of information. Information can be categorised with regard to its *impact on business operations and decision-making*. The following table illustrates some of the features of information with regard to types of decision-making.

<sup>10</sup> Srica, V., et al., *Informacijskom tehnologijom do poslovnog uspjeha*, Sinergija, Zagreb, 2000, p. 4.

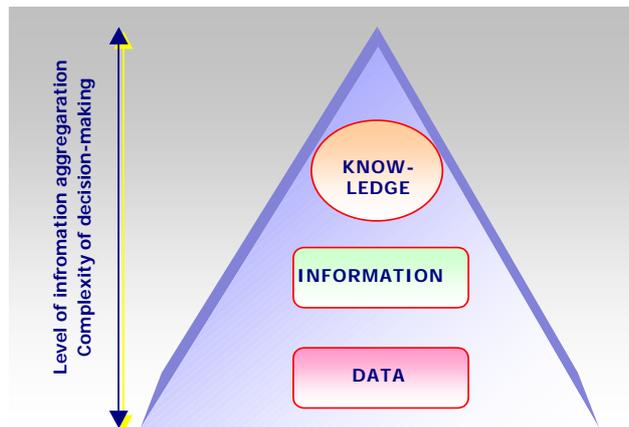
**Table 1:** Characteristics of information and types of decision-making

Feature	Type of decision-making		
	OPERATIVE	TACTICAL	STRATEGIC
Timeframe	* past	—————>	* current and future
Expectations	* predictable	—————>	* uncertain
source	* mostly internal	—————>	* mostly external
Aggregation level	* detailed	—————>	* concise
Frequency	* daily	—————>	* periodic
Structure	* highly structured	—————>	* non-structured
Accuracy	* highly accurate	—————>	* moderately accurate

Source: Lucas, H.C, Jr., Information Systems Concepts for Management, McGraw-Hill, New York, 1994, p. 41.

Logistics managers of all levels make decisions based on the information available to them, and it is very important that they are able to judge which is the “right” information. Even the most experienced managers may find it difficult to judge what data is needed to solve a specific problem. Logistics managers at the lowest decision-making level require a greater quantity of information, whereas top-level managers need only synthesised information. In terms of quality, information needed ranges from information on daily activities, relating to operative decision-making, to valuable information that can be a basis in devising a business system’s strategy. Of vital importance is information pertaining to demand and guest needs and wants. New technologies and a modern business approach make it possible to develop entirely new logistics products, which impose standards within the industry and help to gain advantages over rivals. *The focus of attention is on information and its value in business and decision-making, with technology being only an inevitable medium.*

**Figure 2:** Logical hierarchy of data, information and knowledge



Source: After: Panian, Z., Odnosi s klijentima u e-poslovanju, Sinergija, Zagreb, 2003, p. 193.

The interrelationship of data, information and knowledge is one of logical superiority and subordination. *Data is located at the bottom of the logic hierarchy; information, in the middle; and knowledge, at the top (Figure 2).* Bringing something

new and adding value, information is designated for decision-makers, whereas data refers to something that is already known, with no value added. Information is the basis on which knowledge is built. Knowledge also possesses value because, as it accumulates, human capabilities grow. Logistics business systems that are fully capable of perceiving and understanding the characteristics, behaviour and preferences of their clients can be said to possess client knowledge. However, knowledge can be possessed only if one possesses information that reflects a specific whole. The hierarchy does not necessarily need to be bottom-up, that is, starting from data. Values and benefit can be imposed at every hierarchical level.

Logistics managers use information as a *resource, asset or commodity*.<sup>11</sup> Information can serve as a *resource* (similar to money, raw materials or equipment) or input in the production of output value. It has an indispensable role in providing services to clients. Information can also serve as an *asset*, the property of an individual or logistics business system that contributes to creating output. Logistics managers may treat information as a strategic means in generating competitive advantage. Logistics business system can buy and sell information, making it a *commodity*. With the modern economy increasingly becoming a service economy, many logistics business systems are making fewer distinctions between products and services, while adding information to products and creating new value in this way.

## 2. COMMUNICATION AND ITS IMPORTANCE TO A LOGISTICS BUSINESS SYSTEMS

The concept of *communication* is closely linked to the concept of information. It is a process no less important than information itself. With information becoming a commodity in great demand, its simple and reliable transmission has become a key area of interest of many, and not only computer professionals. Parallel with the progress of civilisation, new ways of transmitting information were increasingly developed. Communication refers to the transmission of data and information from one point to another.

As a process, logistics communication is a component part of the overall management process. At the same time, management implies communication between the source of information (management subsystem) and the recipient of information (the subsystem being managed). The fundamental elements of a communication model are a source of data or information, an emisor, a transmission channel, a recipient and a destination (*Figure 3*). At the very beginning of the communication model is the source of information from where a message travels to the emisor. The emisor transmits a signal that travels to the recipient, during which time it is subject to interference or noise. A transmission channel is an element of the communication model that transmits encoded signals from a source to a recipient. The recipient decodes the signal received and sends it to its destination, thus ending the communication process.

Logistics management is greatly preoccupied with communication, and in a logistics business system, special attention is focused on communication. Messages are

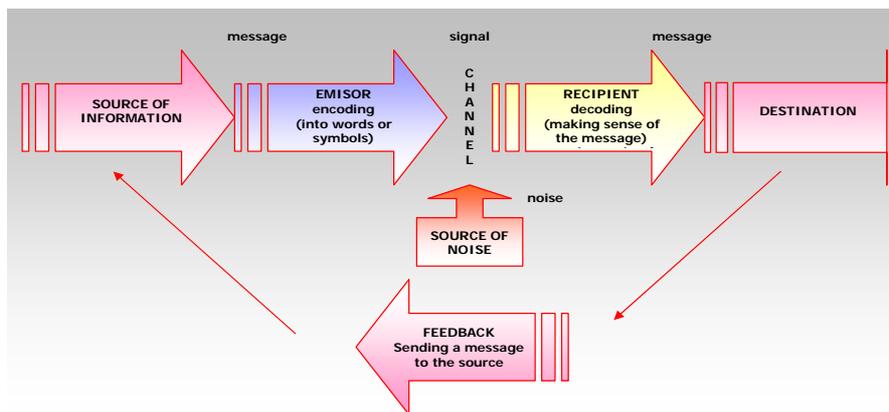
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<sup>11</sup> Srca, V., et al., *Informacijskom tehnologijom do poslovnog uspjeha*, Sinergija, Zagreb, 2000, p. 6.

conveyed not only in words (oral or written) or images, but also through body movement, intonation, attitude and behaviour, attire, and other conscious or spontaneous gestures.<sup>12</sup> With regard to the participants of the communication process and the way they interact, a distinction can be made between the following *communication levels*:<sup>13</sup>

- Intrapersonal level – communication “within” an individual;
- Interpersonal level – communication between two or more individuals (a small group);
- Multipersonal level – communication within a group (between groups and large organisational units);
- Open-system level – a group or organisation communicates with its environment;
- Technological level – the hardware and software of communication (application of information and communication technologies).

**Figure 3:** Communication process



Source: Author's elaboration

The efficiency of communication depends not only upon the structure of a logistics business system, but also upon the rules of interaction between its subsystems. A feedback loop also exists, because the logistics business system undergoes change and is transformed under the impact of change to the communication process. For a business process to flow properly, lines of communication need to be established because it is along these lines that orders and tasks are transmitted, negotiations take place, responsibilities are allocated and decisions, made. In a logistics business system, lines of communication can be *vertical* (top-down) enabling goals to be set; the action needed to achieve these goals, defined; and authorities and responsibilities, issued and delegated. *Horizontal* communication exists between participants within a hierarchical level (strategic, tactical, operative), whereas *diagonal* communication emerges when a problem is transferred from a horizontal line of communication to another hierarchical level.

<sup>12</sup> Zugaj, M., et al., *Organizacija*, Sveuciliste u Zagrebu, Fakultet organizacije i informatike, Varazdin, 1999, p. 468.

<sup>13</sup> Srica, V., et al., *Menedzer i informacijski sustavi*, Poslovna knjiga, Zagreb, 1994, p. 31.

Communication in logistics business systems is formalised through information logistics systems. To transform information into real benefits, a logistics business system must train its managers how to understand, analyse and use LIS for improved and more efficient decision-making. What is crucial is not the availability of information or the use of modern ICT in business, but rather the ability of a logistics business system to aid them in making better decisions. Creating management information involves a considerable cost, and information that is not used represents idle capital that diminishes LIS performance. Therefore, using information is as important as the ability to create information. Evidence to this effect is provided by logistics business systems whose ICT projects have failed, despite substantial investments, because they did not know how to manage their information.

The transition from experiential to information-based decision-making and management is not an easy one, as it entails a radical change in the information culture of logistics business systems. For this change to take place, the logistics staff in contact with IT must embrace all relevant socio-technological knowledge, the appropriate structural mechanisms need to be put in place, and a climate created that supports IT usage.

### 3. LIS OBJECTIVES AND FUNCTIONS IN A LOGISTICS BUSINESS SYSTEM

The International Federation for Information Processing (IFIP) defines an information system as follows:<sup>14</sup>

*An information system is a system that gathers, stores, safeguards, processes and delivers information vital to an organisation and society in a way that makes this information accessible and serviceable to whosoever wishes to use it, including the management, clients, staff and others. An information system is an active social system that may, but does not necessarily need to, use information technology.*<sup>15</sup>

Based on the knowledge of logistics, systems, information, information technology, informatics, and information systems, a **logistics information system** (LIS) can be defined as follows:<sup>16</sup>

*A logistics information system is a system of mutually and purposefully connected and inter-impacting subsystems and elements, that through the use of human elements, material and technical elements, intangible elements, transmission elements and organisational elements, enables data collection, data processing, data and information storage, and the provision of data and information to logistics subjects as the producers of logistics products.*

To prevent information from becoming a multiplicity of incoherent knowledge and to enable it to be accessed when needed, information is organised in a coherent, meaningful unit – an *information system*. Where this extends to information flows within a logistics business system, a logistics information system emerges, the primary function

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<sup>14</sup> After: Ceric, V., et al., *Poslovno racunarstvo*, Znak, Zagreb, 1998, p. 32.

<sup>15</sup> In this paper, the term “information system” refers to an *ICT-supported information system*. ICT is daily gaining the attribute of a prime mover and carrier of the advancement in the economy and society at large. Today, it is extremely difficult or almost impossible to gain a competitive advantage on the tourism market with the application of ICT.

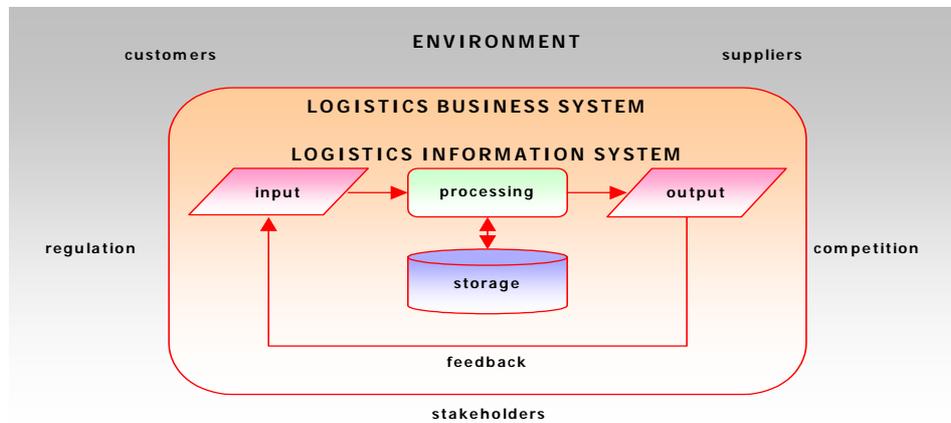
<sup>16</sup> Zelenika, R., *Logisticki sustavi*, Ekonomski fakultet u Rijeci, Rijeka, 2005, p. 262.

of which it is to make information available to all levels of logistics management and to the environment of a logistics business system. At the same time, it has the task of identifying the information needs of users; capturing, recording and retrieving data; planning information flows; transforming data into information, and providing this information to users.

The four *basic functions* of a decision-oriented information system are (Figure 4):

- *Data acquisition,*
- *Data processing,*
- *Data and information storage,*
- *Data and information provision to users.*

**Figure 4:** Basic LIS functions



Source: Author's elaboration

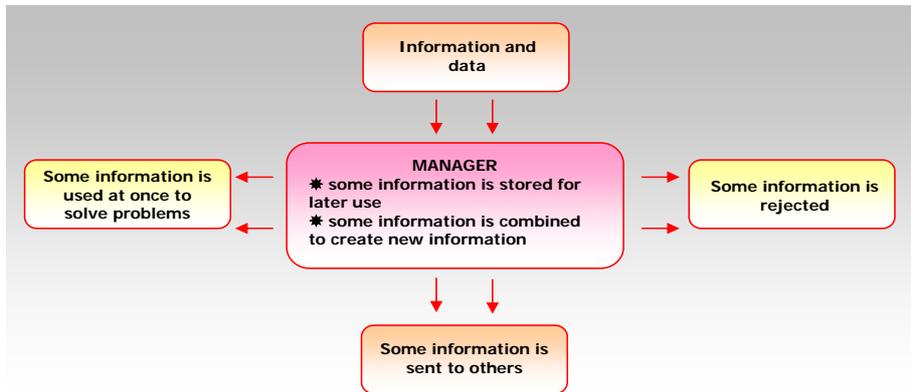
Through *data acquisition*, descriptions are obtained of the state of those system parts in which measurable change is expected<sup>17</sup>. This function involves analysing data sources, making preparations, and collecting and entering data. *Data processing* represents a change in algorithm form of LIS data content as a presentation of change taking place within a logistics business system. Data is processed in accordance with user needs. *Data storage* follows to secure the required integrity of data content on selected carriers and to ensure communication in time and space. Data content is *distributed* to users according to usage criteria for individual logistics management levels for the purposes of management, decision-making and control. Usually, logistics managers of various levels (from lowest to highest) are considered to be the sole end-users of information and the sole decision-makers, indicating that a logistics information system is oriented to logistics management and needs to meet its requirements and demands. This, however, dismisses the fact that other employees also make decisions daily as well.

For LIS to perform successfully, it must be coordinated with the decision-making system across all levels; with each following acquisition, it should seek to

<sup>17</sup> Hutinski, Z., Ucinovitost ulaganja u informacijsku tehnologiju, Zbornik radova, *Hotelska kuca '96.*, Sveuciliste u Rijeci, Hotelijerski fakultet Opatija, Opatija, 1996, p. 236.

encompass all preceding types and quantities of information; and upon data processing, it should be capable of providing feedback to all from whom data was collected. This means providing “*the right information at the right time to the right place within a logistics business system*” at the least possible cost. In this way, specific decisions can be made regarding the management of various resources of a logistics business system to achieve the greatest efficiency and highest profit possible. *Figure 5* illustrates the relationship between logistics management and information.

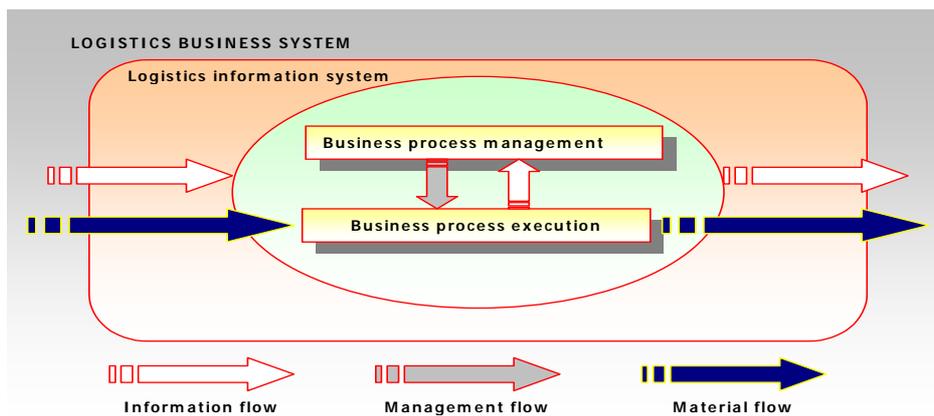
**Figure 5:** The logistics manager and information



Source: After: Sikavica, P., et al., Poslovno odlucivanje, Informator, Zagreb, 1994, p. 183.

A logistics information system operates within a business system, and this makes it a subsystem. It collects information from external or internal sources, uses established information activities to process this information, and then presents the processed information either to the logistics business system or to the environment.

**Figure 6:** IS operation within a business system



Source: After: Ceric, V., et al., Poslovno racunarstvo, Znak, Zagreb, 1998, p. 32.

The *objective of a logistics information system* is to enable communication within a logistics business system, as well as communication between the logistics business system and its environment, and to bring together the operating and management subsystems in a coordinated whole by providing the information required. This information is used in:

- Carrying out business processes, and
- Managing business processes (*Figure 6*).

The task of a logistics information system is to secure the information needed for carrying out a business process, that is, for performing the basic activities of a logistics business system. By using IT in building a logistics information systems, the business system is automated making its performance more effective and efficient. Each logistics business system seeks to build its own logistics information system as a basis for fast and efficient decision-making, that is, for transforming information into decisions.

The *basic information subsystems of a hotel* exert a sort of dominance over data processing with regard to the areas that they cover. This dominance is reflected in the fundamental types of information subsystems (accommodation subsystem, food and beverage subsystem, hotel-maintenance subsystem). A primary task of these systems is to collect, process and disseminate information at the level of transactions performed. In analysing data from the standpoint of *decision-support information systems*, it is necessary to have full access to data and to be able to acquire data at the level of the entire hotel business system, without dividing it into information subsystems. Only these types of systems are capable of providing the right information to the decision-maker – the hotel manager – by analysing data from internal databases, as well as from other sources (external databases). In addition to aiding the early diagnosis of problems, these systems also serve as a starting point for detecting guest preferences within market segments and the propensity of guests to buy a hotel product.

#### 4. CONCLUSION

A logistics information system stores data and information on activities and what is required for their performance, as well as data and information on the past states of the system. It is a subsystem of a hotel business system and has a substantial impact on how this system is structured and how it functions and behaves. The role of a logistics information system is derived from the fact that it depicts the hotel business system and contains an account of the business decisions and transactions made within the hotel business system. The primary function of a logistics information system is to provide support in managing the hotel business system.

A logistics information system should be built as a subsystem of the integrated information system of a hotel, as a systemically developed and arranged whole of organisational rules with regard to the carriers of logistics tasks, their intercommunication, and the methods and procedures used in processing and transmitting information to ensure that logistics processes are efficiently carried out along the entire supply chain of a company.<sup>18</sup> The integration of different information systems has

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<sup>18</sup> Zekic, Z., *Logisticki menadzment*, Glosa d.o.o., Rijeka, 2000, p. 55.

become a matter of strategic importance to the operation of a modern hotel facility, with special emphasis being placed on the connectedness of the supply chain with the planning and execution of production and the sales and provision of services to the end-user.

Hotel managers must understand the role and importance of logistics information systems in business decision-making and recognise ICT as a strategic resource enabling the long-term growth and development of a hotel business system and ensuring competitiveness on the global tourism market.

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## INTERNATIONAL LOGISTICS IN FLIGHT CATERING\*

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**Abstract:** As it is well known the flight catering industry is very demanding. Taken into account the time and effort involved in training staff, organizing transportation and stocking of food supplies to warehouses we can conclude this business is not for the inert. Since travel catering is a multibillion dollar industry with projections of its growth in the future, members of this industry see the need to get their part. How they get their share will determine mainly on their "know-how".

Knowledge is vital in a sector which is engulfed by technological advances, especially in aviation. As we continue to expand the need arises for personnel with competent qualities. What this summary will engulf is the logistical functions of catering in the flight industry. An important issue which not just the operational staff on the field has to know but every member involved with flight catering. Without proper catering logistics there is little need for flight, just for the fact that the guest will not be receiving the service he paid for, and in turn affecting the company image. Whether we are serving duty free goods or food onboard flights, innovation and quality in service will be demanded by our customers.

*Key words:* international logistics, flight industry, flight catering.

### INTRODUCTION

It can be said that flight catering is mainly logistics and very little cooking. The complexity of flight catering is quite clear when we take into account the variety of items that must be loaded for passenger service, together with the need for them to be loaded at widespread locations. Adding value and reducing costs across the entire flight catering system is what logistics is all about. It focuses on the non-consumable and

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non-disposable items (glassware, trays, crockery, etc), although it is addressing other types of inventory as well (alcoholic beverages and duty-free items).

Given the importance and scale of logistics in flight catering, it is clear that this subject is taken very seriously. In fact, logistics as a process that goes beyond boundaries has only relatively recently been recognised within the industry. One of the reasons that logistics has been relatively uncoordinated to date is that the information systems to manage this complexity have not existed in an integrated format, especially since airlines, caterers, and suppliers have often used different platforms for their IT. This lack of integration has also meant that it has been difficult to monitor the logistics function, with the absence of data, it has been difficult to establish the key performance indicators.

The main objectives of a logistics system are based around getting the right products-materials to the right place(s) at the right time and at least cost. This summary attempts to deal with the complex issue of the logistics of flight catering by first addressing the particular characteristics of the logistical problems faced in this industry before analysing the problem from the standpoint of a typical logistics approach.

## **LOGISTICS ISSUES IN FLIGHT CATERING**

The logistics issues of flight catering are affected by a number of important features of the airline industry, the most important being the basic features of the business, the specifics of route scheduling, the impact of actual passenger loading, and the product mix.

### ***International airline business activity***

The basic features of the industry are that it has global dimensions, it is highly competitive, and profitability depends largely on maximising revenue in the face of variable demand. The airline business is increasingly competitive and most airlines in considering their competitive edge take account of the quality of the service package offered to customers. For instance, there are strong pressures in some cases to use quality non-disposable equivalents. The reinforcement of brand image also causes most to require that several items bear the company brand and logo. This has strong implications for the logistics problem since it could prevent local supply of these items.

Demand can be highly variable both in the longer and shorter cycles. Profitability is highly dependent on maximising revenue for which the technique of yield management was devised. The basic aim of this is to maximise passenger loading while as fast as possible ensuring that the average fare paid by customers is also maximised. This may result in a wide variation in the passenger mix. At peak times when seat sales are relatively easier there may be a high proportion of first/class passengers, while at offpeak times there is a high proportion of sales in the economy class. Thus, the logistics system must be capable of adapting to variations not only in passenger numbers but also in the mix of passenger service requirements. For instance, outbound flights from Zagreb to European destinations will carry a high proportion of

business people, especially in the morning, whereas the return flights will have a high proportion of leisure travellers and or tourists. Likewise, during peak summer months, flights into Croatia will carry a abundant mix of tourists than any other time of the year.

### ***Route scheduling***

Routes and schedules operated by airlines will have a significant impact upon the overall organisation of the logistics system. For many scheduled operators, the service offered on a particular flight may well be influenced by the following<sup>2</sup>:

- route served
- length of haul
- number of intermediate legs
- sector times
- customer revenue class
- aircraft configuration

In order to maximize seat occupancies, flights often have intermediate stops so that tickets may be sold not only for an entire flight but also for parts of it, that is one leg of the journey. This presents additional logistics complications of restocking aircraft at intermediate stops. For instance, although it is technically possible for an aircraft to fly non-stop from Europe to the far East, many flights have a stop-over in the Middle East or India in order to improve seat occupancy levels and in turn increase revenue.

Long haul flights present special problems in terms of coordinating the logistics function. This is particularly the case where airlines have full traffic rights and seek to maximize revenues from each sector of a multiple leg flight. Logistical arrangements can be varied when catering uplifts are in question. For example, long haul economy meals, being high volume and having relatively standardized products, may be supplied from the place of origin and an intermediate port of call. However, on the same flight first or business class meals offering extensive customer choice and menu flexibility may be catered throughout from the place of origin. Maintenance of a consistently high standard of service may leave this as the only viable option. It is advantageous to uplift items such as liquor and cigarettes somewhere else on the journey.

### ***Passenger loadings***

Passenger factors are major motivators which test the responsiveness of the logistics system on a day to day basis. The size of uplifts for meal trays are dependent upon how many passengers are aboard. In order that balance is maintained within the system, equipment levels will have to remain relatively constant. For short haul flights, which fly to a destination and return directly to point of origin, there should be no major problem. If the aircraft flies out with a full set of equipment, it should return with

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<sup>2</sup> Pilling, M., "Smarter Service," *Airline Business*, 2003.

a full set. But even on short haul, in an aircraft with a flexible cabin that allows the size of business class relative to economy to increase or decrease, some equipment imbalance can occur. On long haul flights, however, especially those with intermediate stop-overs and more than one meal service, equipment taken off the aircraft at one point may not automatically be reloaded at the same point. To overcome this problem, airlines have adopted 'dead heading'. This involves loading aircraft with equipment items sufficient for the maximum number of passengers regardless of meals required, thereby ensuring that equipment exchanges at intermediate or final destinations can take place without excess stocks developing in some parts of the system and shortages occurring elsewhere. Thus, it is a logistics requirement that equipment exchanges take place satisfactorily under conditions where, for example, outward flights may be carrying low occupancy but return legs the opposite. Unless massive stocks were to be held at each catering supply point it is easy to imagine a situation where differences in passenger numbers could lead to much of an airline's equipment ending up in one place. Even for charter business where passenger loadings are less volatile and return catering more common, this type of arrangement tends to hold for equipment items.

Many airlines operate aircraft dedicated to particular routes and with fleets conforming to identical configurations. Therefore, any change of aircraft for whatever reason, such as maintenance overhauls or traffic delays, should have little impact upon the logistics function. Where aircraft variations do exist, problems with equipment supply may arise. In turn equipment variations can force change in other areas such as food items served.

### ***Product mix***

Typically a service package is taken to include tangibles, that is goods provided for the customer, and intangibles, relating to the quality of service provided for the customer. The flight service package includes both. Logistics tends to focus on the provision of just the tangible elements. The problem to be addressed is the need to ensure that any flight, whatever its place of origin and destination, is fully stocked with the physical items contained within the service package, together with clean and functional equipment requested by cabin crew for providing service. Broadly, these goods fall into four categories<sup>3</sup>:

- Food items
- Non food items
- Duty free goods
- Equipment required by cabin crew for providing service

Many of the items used are consumable not only in the direct sense, such as food and paper items, but also because it is expected that passengers will retain them after use. In such cases it is essential to arrange fresh stocks for each flight. Some items are rotatable, implying they may be used more than once. However, it will be necessary to service them between uses. For instance, blankets need to be washed, according to

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<sup>3</sup> Birchfield, J.C., *Design and Layout of Foodservice Facilities*, Van Nostrand Reinhold, New York, 1988.

procedures issued by the manufacturers, and headsets sterilized. Even with rotatable items it will still be necessary to replace defective items or make good shrinkage. Shrinkage arises from items being broken, damaged, lost, misappropriated, or mistakenly retained by passengers.

For each category of goods, there is also likely to be a variety of reflecting the different seat classes, and possibly cultural factors. It is essential for the logistics system to restock the aircraft adequately with items of the right quality as specified by the operating standards of the company and not simply topping up from local stocks to the adequate quantity level.

### *A network of providers*

The diversity of the materials and products consumed on the aircraft means that there are a number of interrelated distribution systems needed to service the aircraft. One is the conventional distribution of non food consumables and some dry goods for the stocking of warehouses and or stores. This kind of distribution is obviously carried out by suppliers to central production units or bonded stores. But it may also be carried out by airlines, or their agents, for the distribution of goods or materials from their central stockholding facility to satellite units. For instance, BA transports stock by road from Heathrow to the other UK airports at which they operate, and cargo freight by sea and air for stocking stations outside the UK. The second type of logistics system is that relating to the stocking of aircraft with prepared meals, and a third relates to the transportation of rotatable equipment from one airport to another to ensure that equipment is balanced. It is these latter two interrelated systems, unique to flight catering, that this summary is focused on.

Some airlines such as those which operate in Croatia manage their own flight catering service, based around flight production units owned and operated by the airline. This is particularly so in the case of countries where costs are lower, whose monetary exchange rates are disadvantageous, or which have restrictions on the use of hard currency. In such cases, it is common for them to attempt to stock the aircraft not only for the outward flight but also for the return flight except when other considerations prevent this, such as food shelf life. Most others contract out to caterers. Such airlines, therefore, use agents for outward and return flights. The problem is compounded by some flights having intermediate stops. This may be required for refueling or to maximize seat occupancy, adding passengers for each hop of the flight to those traveling the whole distance. Different agents may come into play when, in the situation mentioned above, restocking may be necessary in each leg of the journey.

This network may be further extended by subcontracting. It is increasingly the case that flight production units are concentrating on tray and trolley assembly, and subcontracting out meal production to specialties suppliers. In some cases, these may be very small businesses undertaking small steps in the process such as sorting out cleaned cutlery and packaging complete sets which are returned to the main agent for incorporation into meal trays.

### ***Key logistics decisions***

A major airline operating on a global scale will, therefore, need to operate via an extensive network of agents with attendant subcontractors in some cases. Not only will these need to conform to the standards expected by the airline but may need to be supplied with at least some items that they cannot source themselves. This can result in a complex distribution network ensuring that the supply agent at each and every airport has adequate stock levels of a wide range of products ranging from small consumable items bearing the airline livery to replacement rotatable items. This can be done directly from the home base or via regional depots.

There are basically three key logistics decisions that need to be made by an airline. These are the extent to which return or back catering will be carried out; whether to utilize the flight service facilities of those airports into which flights are routed; and whether to use local suppliers.

### ***The return catering decision***

There are basically two options in arranging provision for return flights. Return catering entails carrying provision for the return flight on the outward flight. Alternatively, the return journey can be restocked through a local agent, or less commonly from an airline outstation. In most cases, there is a mixture of these two options, some items being back catered and some being provided by local agents. Factors governing which of these options to adopt are:

**Hygiene**, on longer flights, it may be impossible to guarantee the safety of back catering. On the other hand, an airline may consider that there is no local agent who can meet the specified hygiene and or quality standards.

**Cost**, it is in the interest of airlines in low cost countries to use back catering as extensively as possible. Conversely, airlines from high cost countries may find it attractive to restock locally as far as possible.

**Payload space**, the potential cost advantages of return catering can be offset by the space or weight requirements of the items for the return journey. The additional weight increases fuel used by the aircraft and the additional volume may reduce freight capacity if carried in the hold or reduce seating space if galleys are enlarged for carriage there.

**Security**, some items may be highly desirable and easy to pilfer if stocks are provided for local re-supply. For this reason items such as coffee pots and headsets are usually back catered.

**Control**, Back catering may be preferred in some cases since it offers greater control than may be possible with local agents. In some cases it may also avoid security problems such as drug smuggling or the planting of terrorist devices, as containers are sealed at point of origin.

**Quality assurance**, airlines try to avoid overstocking and go to great lengths to load just sufficient meals for the number of passengers on the journey, even topping up at the last minute. At the outset of an outward flight it may be difficult to predict the number of passengers on the return flight. Local re-supply is more flexible and allows a better match to passenger numbers. On charter flights, passenger loading is more predictable than is sometime the case with scheduled flights an back catering is less likely to lead to over or under provision.

**Local availability**, some items may not be available locally and if perishable, must be carried out on the outward journey, for instance newspapers.<sup>4</sup>

### *Airport capabilities*

Maintenance of customer service levels and cost control will for all airlines, be influenced by the servicing capabilities of airports visited. The impact of this factor can be significant even for major international airlines operating on the most lucrative scheduled routes. From a logistics perspective, tightest control exists when an airline operates from its home base or hub. Major international airlines usually service flight internally through their own catering facilities when operating from their main base or another major domestic centre. In many cases airline operated catering facilities will have sufficient capacity to supply other airlines flying to that centre.

Airlines operating away from their home base will, because of scale economies, normally use the services of a local caterer. In some cases, this may simply mean using different units owned by the same company. Thus, it may prove possible to maintain the important understanding that underpins any successful relationship between airline and caterer.

At major international airports, such as London Heathrow, airlines may be able to derive benefits from a competitive marketplace. however, in heavily regulate aviation markets these benefits may prove illusory if access to gates is denied or jealously guarded in favor of a home carrier. Even within the European union it is possible to find a monopolistic catering situation at a major international airport, for instance in Rome. Being, a major player in the global aviation market offers no immunity from the resultant loss of control or higher charges levied with respect to catering facilities. Scheduled airlines operating into and out of regional centers will, in the majority of cases, have access to only one caterer. For charter services, some remote and or minor destinations may offer few or no catering facilities. Thus it may be necessary to operate on a fully catered basis from the airline's home base. Scheduled operators can face this problem in varying degrees. Just as airlines shop around when refueling on certain routes, catering services may be declined in part or whole if deficiencies are seen to exist at a particular airport.

While traffic volume is a principal determinant of an airports capabilities, the adequacy of catering facilities is dependent upon a number of other factors. Airlines

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<sup>4</sup> Jones, P. and Bertorello, V., *The Process of Innovation in Flight Catering*, 2001.

may not use services on offer for reasons ranging from poor transportation and loading arrangements to fears concerning the safety of basic supplies such as water. The pivotal role of equipment exchange alone dictates that airlines find equal players at destinations served by their aircraft.

Market growth achieved through the opening up of new routes and new destinations may be checked by the speed at which support services such as catering develop. As a consequence it is not uncommon for airlines and caterers to collaborate in joint ventures aimed at producing the required infrastructure.

### *International and local supply*

Procurement decisions will, more than any other factor, determine the complexity of the logistics function. Arrangements between airlines and caterers vary considerably, giving rise to wide differences in contractual and operational obligations. At one extreme, an airline may leave sourcing of products and materials entirely to the caterer. This tends to be the case with most charter businesses. Alternatively, sources of supply may be identified and specified by the airlines themselves. For cost scheduled operators some intermediate position holds.

The major international airlines are often large corporations capable of wielding significant purchasing power. Therefore, it may be the case that supplies of materials to the caterer are organized through contacts negotiated by airlines themselves. This is most likely where an airline operates a centralized purchasing system or is part of a much larger holding company. It has to be recognized that some caterers, such as Gate Gourmet and LSG Sky Chef, are also global organizations possessing comparable purchasing power.<sup>5</sup> However, some airlines do not simply make purchasing decisions on unit cost grounds alone. They are influenced by their position as a national carrier, strategic alliances formed with other multinational companies, the brand image they are trying to create for their flight catering, and so on.

Where airlines specify the use of own branded products supplies will often come to the caterer via the airline's home base. For the contracted caterer this may result in high inventory levels and warehousing costs. Meeting the tastes of its home customers abroad may also result in supplies being shipped from home base, if no local supplier can be found. For other products, such as liquor, handled by the caterer, an airline operating a centralized purchasing system may source items themselves, and ship them to the home base before distribution takes place to end users. Given that this practice is widespread for items such as wine and bearing in mind the shipment involved, many wines must be tough for traveling!

Even where systems are heavily centralized caterers are still given scope to utilize local supplies. Frequently, this can result in higher product or material quality and lower costs. For instance, countries such as Bosnia and Albania offer high quality

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<sup>5</sup> Momberger, K. and Momberger, M., "Aviation catering news", *Momberger Airport Information*, 2003.

fresh produce at very low prices. In such countries, the relatively low volume of purchasing may mean that these low unit costs do not make significant cost savings when the total cost of obtainment is taken into account. Other factors will also influence the decision to use local supply. For example, poultry sourced from the China may not be regarded as acceptable if fears over the chicken flu disease command the attention of passengers. Also, it has to be recognized that many national airlines literally fly their country's flag, where the airline is state owned, preferential status may be given to home produced goods. Thus national interests may take precedence over purely commercial considerations.

### ***Warehousing***

In many distribution systems, warehousing and transportation perform key roles in support of the marketing function. Therefore, the development of an effective system will focus upon issues such as the number, size and location of warehouses. In turn, these factors together with routes operated, influence the choice of transport. In the flight industry, the warehouse is often in the same location as the central production unit. Of the four kinds of goods identified above food items are highly perishable with a shelf life of only a few hours, whereas the non food items, duty free goods, and equipment are not perishable.

With flight service, the warehousing function is of major importance but has a different orientation compared with, for example, retailing. There are three main differences. First, flight warehouses tend to stock raw materials rather than goods available for final consumption; with the exception of items such as duty free very few products are actually supplied to a marketplace. Second, stock holding and supply of equipment are just as important as product and or materials. Finally, location of warehouses tends to be fixed, usually within close proximity of an airport. Assembly of meals and of aircraft total service loads is usually on or near the aircraft boundary where space is at a premium: stocks may be held some distance away. Therefore, the warehousing function in the context of flight catering bears a closer resemblance to the network of supply points operated under a military logistics system than that operated by supermarket retailers. Although the main warehouse operated by an airline or caterer may hold non food stocks as finished goods in case quantities, the production of meals and location of equipment at distribution points in a network around the world create a military style logistics system.

The amount of space relative to the production capacity of the kitchens varies widely. For example, the total size of the KLM production unit at Schipol, Amsterdam is 9,500 m<sup>2</sup> of which 4,000 m<sup>2</sup> is racked warehouse storage. This unit stocks over 3,000 different non perishable catering items and has a maximum capacity of 25,000 meals.<sup>6</sup> Where the caterer is a servicing agent potentially more warehousing space will be required. Some of this will be geared directly to the caterer's production facility, the remainder to supplies specified by each of airlines with whom the caterer has contact.

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<sup>6</sup> Jones, P., "*Flight Catering*" second edition.

The range of distribution costs will be affected by the caterers stocking policies and the number of items serviced.

### ***Transportation***

Unlike other distribution systems the transportation in flight catering centers around scheduling rather than routing. Most retail supply chains necessitate applying routing algorithms in order to establish the most efficient and effective way of supplying a number of outlets spread over wide geographic area. In flight service, trucks basically travel between the flight unit and the airport apron. Even though the aircraft being serviced may be located at different stands around the airport, this does not present significant routing difficulties. However, airlines and caterers that have a main distribution centre and make road deliveries to production units at a number of airports will adopt the same kind of routing algorithms as retail distributors.

### ***Inventory management***

In providing the desired level of service, warehouse stocks provide an important buffer between supply sources and demand which may at times be variable and uncertain. The stock levels sustained in flight warehouses and production units are very large. Research indicates that both airlines and caterers would generally agree that stocks may be greater than needed, thereby tying up capital in underused equipment. In the past, the philosophy has been 'better safe than sorry'. Often the cost of trying to devise and implement a system of stock control that would achieve higher levels of utilization was greater than the savings to be made. With the development of just in time (JIT) systems, bar coding, and materials handling systems, it seems likely that this will be a major area for significant development in the future. At least one major international airline believes that it could save several million pounds per annum through reducing stock holding levels.

The function of inventory management is to maintain some kind of balance between the cost of investments in inventory and the benefits bestowed in terms of better availability of materials and or products. Combined inventory costs can be quite substantial and comprise storage costs, handling costs, interest charges, shrinkage, wastage, and insurance costs. Ultimately, it is the opportunity cost of capital tied up in inventory that has to be justified. Lowering inventory levels simply to reduce these costs runs the risk of incurring stock outs. For many inventory systems, this leads to other costs in the form of lost or delayed sales. For flight catering this will show up as lower customer service levels and perhaps for the caterer a risk of losing contracts.

Stock replenishment and inventory policy, whether based upon classic economic order quantity (EOQ) models or a JIT based approach, will be influenced strongly by the distinctive nature of flight service.

Operations spanning national boundaries and the possibility of restocking stop over or return flights add degrees of complexity seldom found in many logistics

systems. Given the scale of the warehousing and supply function, stock levels may be a source of tension between agents and airlines. It is in the airlines' interest to minimize stock levels, since they bear capital investment costs, and in the agents' interest to maximize stock levels, since they bear much of the stock out inconvenience, storage and handling cost.

### ***Information systems***

A logistics system geared up to supplying a complex service package to the required standard first time and every time wherever an airline operates, places heavy demands upon managers in terms of information handling.

At one level it is necessary to collect hard data for control purposes. For example, the stocks of rotatable equipment if not tracked carefully may not be utilized in the most efficient manner. Some airlines such as Qantas use sophisticated computerized systems to monitor allocation and use of equipment items. The system is designed in such a way that automatic replenishment from the airlines home base in Sydney keeps stock held and required by caterers at appropriate levels. Airlines such as Cathay Pacific, operate in a centralized purchasing and supply system, also maintain high control through their home base.

Aircraft movements and the primary business of passenger airlines create a need for information suitable for planning purposes. Catering contracts with airlines tend to operate over a relatively long time period and require some degree of long range planning from the position of supplies. Seasonal and daily demand fluctuations in passenger numbers will transmit themselves through to the logistics system. It is usual for caterers to monitor passenger numbers 48, 24, and 12 hours prior to departure. Although many may plan their production around this lead time, the logistics system may need to be more proactive in terms of forecasting. As logistics have become more and more important, many caterers now ask for at least weekly forecasts to support JIT delivery of raw materials.

### **CONCLUSION**

The core activities of a logistics systems-distribution, warehousing, transport, and inventory management- may be viewed as forming part of a complex mosaic; the supply chain spanning the objectives and constraints of diverse functions such as marketing and procurement. Measurement of system performance may well lead to attention being focused upon operating costs and resource efficiency. However, in addition to these largely quantitative indications, customer service levels and overall effectiveness require serious consideration. Indeed, it would seem entirely appropriate to view the contribution of logistics from a 'value analysis' perspective. Logistics, like marketing, is now recognized by many companies at a strategic level for the competitive edge it may bring in today's marketplace. Thus, any review of performance must consider the impact of logistics upon the whole system and not in terms of optimizing individual components of a complex network.

From the customer's perspective, the impact from logistics and the catering system in general may seem indirect. For airlines, the impact of logistics upon core business activities is direct and measured in terms of passenger numbers. In the end, this translates into the difference between profit and loss. While passengers may have the freedom to choose between one package and another, airlines are constrained to provide the customer with a package of services. Logistics ensure that the package is delivered at least cost to the airline and to the service level demanded by the customer.

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## LOGISTICS PROCESSES IN A TOURISM DESTINATION\*

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**Abstract:** The purpose of this paper is to underline the importance of understanding tourism destinations as organisational systems, examine logistics as a system or subsystem of the tourism destination system, and identify and define the logistics processes that are involved in creating the product of a tourism destination. The paper is based on the assumption that logistics processes play an important role in shaping the offering of a tourism destination. Understanding tourism destinations as organisational systems can help in optimising logistics flows, and this is becoming a vital precondition to creating a well-designed offering for a tourism destination.

*Key words:* systems theory, process approach, tourism destination as a system, logistics as a system, logistics processes.

### INTRODUCTION

Notably, a partial approach to analysing tourism destinations prevails in science. This approach is based on studying a tourism destination not as a whole or a system, but rather as a series of separate flows that participate in creating a tourism product. This way of looking at a tourism destination does not contribute to optimising the flow of people, goods, information, waste and energy, that is, all the flows that take part in shaping a tourism destination's offering.

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Hence, this paper will look at the tourism destination as a system and at logistics as an organisational system or subsystem of the tourism destination system, depicted by the basic elements – logistics processes – that enable the system to operate and accomplish its goals. An analysis of logistics processes entails the acceptance of a process approach to analysing organisational systems, together with the systems theory from which the process approach was developed. In the following section, the paper first gives an outline of the logistics concept in analysing tourism destinations. To make issues relating to logistics systems and logistics processes easier to understand, the third part of this paper focuses on the theoretical postulates of the systems theory and the process approach. It underlines the importance of the systems theory, lists the fundamental characteristics and special features of the process approach, and provides a detailed description of processes as elements of organisational systems. The fourth part of the paper presents the logistics of a tourism destination as an organisational system and depicts its characteristics. In its final section, the paper outlines processes as elements of logistics systems.

## **1. A LOGISTICS CONCEPT IN ANALYSING THE TOURISM DESTINATION**

In terms of etymology, the word *destination* is derived from the Latin *destinatio* and means “a place set for the end of a journey”. Today, many definitions of tourism destination appear in the professional and scientific literature. For example, Inskoop and Kalenberger (Inskoop, Kalenberger, 1992) define a tourism destination as a specific, broader or narrower spatial unity disposing of tourist facilities and in which tourist traffic is realised, as well any region in which a number of tourist centres are located.

As such, a tourism destination encompasses numerous and diverse tourism facilities and services; these also represent the travel motivations of tourists and are therefore vital for producing and selling tourism services. These tourism facilities and services can be classified into several groups (Mrnjavac, 2006):

- Tourism facilities and services that are of primary importance to a tourism destination, such as hospitality and transportation services;
- Facilities and services that contribute to the quality of services provided in a destination, such as sports and recreational facilities, entertainment and events, shops and repair services, educational programs for promoting and refreshing knowledge, banking and other financial services, insurance companies, post offices, telecommunication services, advertising and sales, cultural and historical monuments, transportation infrastructure and other infrastructure, transportation service and others.

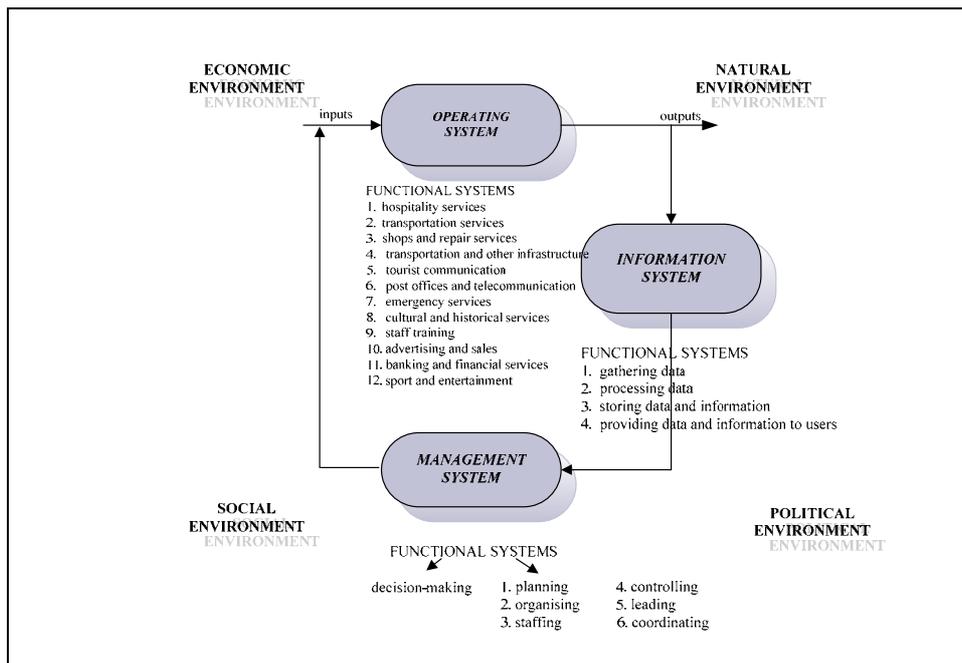
To provide quality tourism-services to the visitors of a destination, it is necessary to secure (Mrnjavac, 2002.):

- the supplying of hotels, hospitality facilities and other tourism facilities;
- the supplying of shops;

- the physical availability of accommodation and hospitality facilities and shops;
- the physical availability of cultural and historical buildings, sports and recreational facilities;
- the physical availability of travel agencies, post offices, health care and dental care centres;
- the availability of passenger terminals of various branches of transportation.

To ensure that these factors of tourism-service quality in a destination are linked, integrated and available to tourists, it is necessary to coordinate all flows of material, information and people in a given geographical area determined by a destination's boundaries, and to perceive the destination itself as an organisational system or business and services system (Figure 1). Perceiving a destination through the overall network of processes that exist within it makes it possible to optimise the way in which the system's targets are accomplished.

**Figure 1:** The tourism destination as an organisational system



Source: Prepared by the author after Mrnjavac, E. (2006), "Promet u turizmu", University of Rijeka, Faculty of Tourism and Hospitality Management, Opatija, p. 34, after Crista, I. (2001), "Globalisation and Competitiveness of the Croatian Tourism Cluster".

Figure 1 displays a tourism destination as an organisational system. How a destination operates will depend upon a series of processes that are involved in creating tourism services. This leads to a logistics concept in viewing a destination. The

logistics of a destination implies optimising all flows of material (raw material, semi-products, products and waste), information and people (tourists, residents, day trippers) within the destination with the aim of maximising company profits, improving the protection of the environment as a non-renewable resource and enhancing the offering of a quality tourism-product (Mrnjavac, 2006).

## **2. THE SYSTEMS THEORY AND PROCESS APPROACH – THEORETICAL BACKGROUND TO ANALYSING LOGISTICS PROCESSES**

Only by adopting the postulates of the systems theory and the process approach is it possible to identify and analyse logistics processes as elements of a logistics system. The following section outlines the importance and characteristics of the systems theory and the specific features of the process approach, and it describes the fundamental attributes of the process as an element of organisational systems.

### **2.1. Systems theory**

In his book “Cybernetics and Society”, Norbert Wiener, father of cybernetics, pointed out that “the beginning of the twentieth century was not merely the end of an era or a kind of political transition. It was a time of stagnation in social and technological development and a time of accumulated demands that could not be solved with earlier mindsets and old methodological approaches and methods”. (Uzelac, 1994)

In this particular historical moment, vital change needed to take place to enable the further development of science and society. This change was effected in the twentieth century that brought in its wake a turnaround in thinking and directed science towards a different way of perceiving nature. It was in this time that the systems theory was developed in response to new knowledge and understanding.

The General System Theory is one of the first and basic systems sciences. Among the first scientist to deal with the systems theory and among those who deemed that the amount of information obtained from the observation of parts is insufficient to perceive and understand the whole was the famous Greek philosopher Aristotle, who is said to have claimed: “A whole is more than the sum of its parts”. Only in the mid twentieth century prior to World War II did Ludwig von Bertalanffy, an American biologist, draw the attention of scientific circles to this fact that was later to be instrumental to the development of the systems theory. For the first time, Bertalanffy explored and scientifically addressed the issues of the systems theory and published his “General System Theory”. Within a short while, Bertalanffy gained many supporters for his ideas among the scholars of his time and together they established the Society for General System Theory in 1954. This year is officially considered the year of the creation of the systems theory as a scientific discipline. The greatest merit of the General System Theory is that it pointed to and demonstrated the objective existence of systems regularities and the necessity to explore them. It also provided a basic conceptual framework and approach to solving system problems and understanding system occurrences.

The systems theory can, therefore, be defined as “a scientific discipline involved in studying complex occurrences called systems. It emerged from the need of discovering scientific and practical methods that could be used, in a scientific way, to analyse and solve those problems for which satisfactory results could not be obtained using the conventional and customary scientific methods developed in other fields of science”. (Radosevc, 2001)

The systems theory is based on the principles of systems thinking, which perceives each problem of part of the real world as a system and is engaged in the general study of systems and systems methodology. The systems theory is characterised by a systems approach to problem solving, and for a scientific discipline to belong to the systems theory it must meet the following criteria:

- In problem solving, it must be based on systems thinking;
- In problem solving, it must apply a systems approach;
- Its research and results must contribute to furthering the development of the systems approach.

In general, systems approach is a method of accomplishing work (scientific, professional) that is based on using the elements of the General System Theory. It is up to the researcher to define what will be considered a system and to determine the decomposition of the system into its elements (parts, subsystems of various levels), define the relationship between these elements (the structure of the system) and set the system's boundaries.

When using the systems approach to study business systems, the functionalist principle, the holist principle and the engineering approach are applied.

A system is a fundamental category of systems thinking and the General System Theory, and as such, it represents a whole constituted of parts, the interrelations of which are founded on specific principles and laws. A system is a whole, the parts of which are interconnected by the impact of the elements of a specific theory or the impact of specific principles. Any set of interconnected ideas, materials or living beings that presents a fairly comprehensive whole can be considered a system (Uzelac, 1994). According to the systems theory, the attributes of a system are:

- targets: a desired state or the output of an organisational system
- structure: the totality of established relationships and links among various parts of the system
- process (operation and management)
- inputs
- outputs
- results and
- feedback.

Each of man's mental constructs, material constructs, as well as technical constructs represents a system. The broad scope of this concept encompasses all of humankind, its past, present and future, and marks occurrences in nature and their manifestations.

The premise to the existence of a system is the fact that the system's very elements represent its contents, while natural laws that govern the creation and behaviour of natural systems provide such systems with qualitative characteristics. The principles on which they are constructed or according to which they operate are the common attributes of systems that are the work of man's creativity.

The fundamental qualitative attributes of business and organisational systems are based on the principles of systems mentioned above. Scholars agree that, in principle, there are three types of systems: natural, technical and organisational systems.

Natural systems include geological, atmospheric, cosmic and biological systems. These systems emerge, develop and die out based on and in accordance with the laws of nature.

Technical systems represent a composition of elements in alignment with one natural law with the purpose of providing resistance to other natural laws.

All the material, mental and moral flows that the human mind has created since the beginning of humankind represent organisational systems. Natural and technical systems exist and operate within organisational systems as their subsystems. Any combination of natural (biological) and technical systems constitutes an organisational system. To the second category of organisational systems, with regard to their structure, belong systems composed exclusively of natural (biological) systems – sports clubs, religious communities, political parties and so on. The third structure-based category of organisational systems consists of systems that are not composed of either natural or technical systems. These are systems in which man has created not only the elements of the system, but the organisational system itself as well.

## **2.2. Process approach**

For a long time now, modern approaches to management have been the focus of attention due to their high cost of implementation, their failure to produce the quality levels that the market demands, reduced competitiveness and the lack of motivation in employees. The need for a new approach to management is constantly growing. The process approach to analysing and managing organisational systems has emerged in response to the turbulent and changing conditions of business. Developed from the systems theory, the process approach entails analysing an organisational system starting with the network of its primary processes and their interaction.

It is essential, therefore, to view organisations from the basis of their existence – their processes – and to use this basis to make them capable of continuously improving the efficiency, effectiveness and flexibility of the system. This is not about rejecting Weber's bureaucratic theory of organisation, but rather about creating structures that can sustain the integrity of process flows.

Organisations come to be viewed in a novel way, different from the previous way which perceived an organisation as a set of specialised functions, coordinated and oriented to accomplishing the goals set forth. Organisations are now viewed as systems and are analysed through the actual flow of their activities, that is, through processes.

The quest for quality has compelled most modern managerial philosophies and new organisational tools (*Just-in-Time, Activity Based Management, Total Quality Management, Six Sigma* and many others) to apply a systems approach to designing and organising that regards systems as process flows. Any organisation wishing to survive and succeed needs to elaborate and adopt organisational technologies that simultaneously impact on all dimensions of a system's activity and seek to globally optimise all processes. The transition from perceiving an organisation as a totality of functions to seeing it as a system, in light of the network of processes unfolding within it, entails redefining the modality of management.

The depicted approach to analysing organisational systems is called the process approach. Its fundamental feature is that it views organisations as systems, that is, a network of mutually interactive process flows. This is a pragmatic and fairly flexible approach, the application of which makes it possible to analyse the complexity of the process network that exists within a system, beginning with the process flows that create results for the marketplace, and continuing with those processes whose results enable the system to function.

### **2.3. Conceptual attributes and basic features of processes**

Processes, as one of the elements of an organisational system, have recently become the subject of extensive review, and the area that process issues encompass is exceptionally broad. The term *process* comes up frequently in the literature, as well as in everyday life. In terms of etymology, the word has two meanings (Cortelazzo, Zolli, 1985):

- a sequence of interrelated occurrences, and
- a method for accomplishing a specific goal.

Because its root is derived from the verb *procedere* (lat. to advance, continue, result), the word *process* connotes "a progression and sequence of occurrences", as well as "activity, behaviour". Difficulties in defining a process arise from the fact that the word implies a sequence of activity (*workflow*), as well as cycles of behaviour and the standards that govern them (*coordination*).

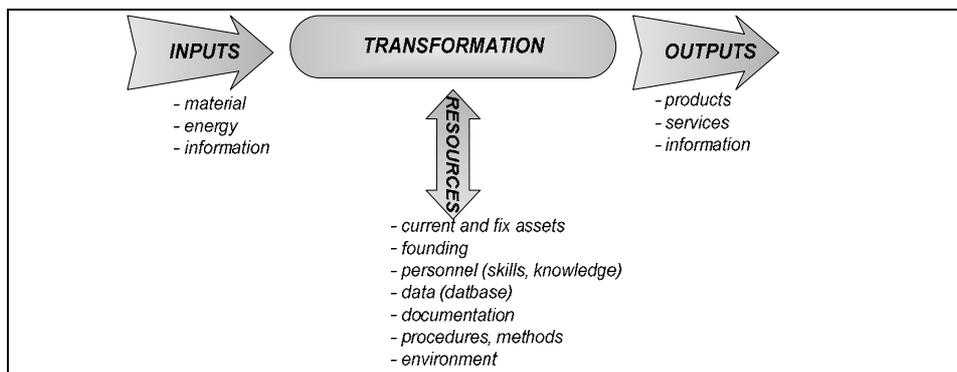
In the contemporary literature, there are two schools of scholars, each with their own understanding of the term. One school perceives a process as a sequence of activities with the purpose of creating value. The other sees a process as the coordination of activities, the execution of which involves exploiting and using skills, knowledge and practises. Both of these meanings have been preserved in the practise of organisational activities. All process definitions base process analysis on the existence of clearly described and defined inputs and outputs: products, services or transactions. Therefore, *process* is used to define all the different activities that ensure outcome. A process is a set of interrelated or interactive activities by which inputs are transformed into outputs. The mistake of simplifying the definition of a process or perceiving a process as merely a sequence of activities should not be made: a process is a dynamic element with continuous feedback that is tied to achieving the outcome desired. Regardless of which definition of process is chosen, it is vital not to limit its meaning or to overlook its complexity by applying, at times incomplete, academic and

theoretical explanations that fail to underline the significance of process for an organisation. Whatever its definition, a process implies:

- organising work to accomplish goals;
- taking multiple steps and coordinating people;
- having the elements of design, research and development that make the process competitive;
- having a management that supports the creation of a process-oriented organisation.

Generally speaking, a process represents work by which a system's inputs, with the help of specific resources, are transformed into its outputs. In this paper, a process is considered to be (Tosalli, Conti, Petigiani, 1990) *a series of organised activities, intended for achieving a predetermined outcome, based on inputs, available resources and consumer needs*. Figure 2 illustrates the general model of a process.

**Figure 2:** General model of a process



Source: Translated and prepared after Tosalli A., Conti T. and Pettigiani A., *La qualita' nel servizio*, Bariletti Editori S.r.l., Roma, 1990, p. 121.

The definition indicates that the fundamental components of a process are its inputs, outputs, transformation and resources.

*Inputs* are anything that is the result of other processes (within or outside of an organisation) and which the given process uses to produce its outputs, as for example semi-products, raw materials and products.

*Outputs* are the outcome of transformation. Outputs are, in fact, the things that a consumer needs: the value that the outcome holds for consumers is the only parameter for its evaluation. Outputs compatibility or process efficiency is a measure of the degree to which consumer needs are met.

*Transformation* is the activity and act of transforming inputs into outputs using resources. Notably, every organisational activity is the element of some process. In many organisations the lack of such a global vision can lead to quite a few problems, especially when attention is attached to individuals, unsubstantial details or isolated elements, letting the systems approach to problems drop out of focus.

*Resources*, as the elements of a process, are expendable and enable the transformation of inputs into outputs. Human resources are a vital resource. In certain processes, such as designing, human resources are of crucial importance. Assets, either fixed or current, are engaged in all processes, in ratios that vary according to the nature of the process. Documentation, practises, instructions, and staff training and education have a great impact on the proper development of a process.

Apart from fundamental components, processes also possess specific features or properties that are taken into consideration when making interventions in terms of organisation and management. Some of these features are:

- Process Capability: producing uniform outputs;
- Process Efficacy: producing outcome;
- Process Reliability: maintaining the stability of outcome over time;
- Process Flexibility: altering capabilities to adjust to change;
- Process Variability: displaying variations.

Processes transform input elements into outcome. They bring about a change in state. They capture input “information” and integrate it into the sequence of activities, during which this information is transformed in a way that will produce outcome – a product<sup>2</sup> of desired properties. Every individual process has an aim, the achievement of which is determined through either a qualitative or a quantitative assessment of its outcome. A process’s transformation activities are structured in such a way that enables the desired outcome to be achieved through a combination of inputs and resources. Obviously, this means that a process needs to receive the right input information in precisely defined activities and in appropriate quantities and modalities.

A process is, therefore, a dynamic concept, linked to a specific target that needs to be reached and to one or more activities. Processes contain elements and activities required for transforming inputs into outcome, in alignment with their goals. There are a number of activities, each requiring the appropriate resources for fostering efficient transformation.

### **3. LOGISTICS SYSTEM AND LOGISTICS PROCESSES**

Optimising the flow of people, goods, information, energy and waste is a precondition to improving the quality of a destination’s product. Defining a destination as a system enables logistics to be analysed as a system as well.

#### **3.1. Logistics as a system**

A logistics system is a set of elements of a technical, technological, organisational, economic and legal nature aimed at optimising the flow of materials, goods, information, energy and people in a specific geographical area with the purpose of achieving predetermined goals. The process approach, based on the systems theory,

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<sup>2</sup> According to the provisions of ISO standard 9000:2000, Quality management systems - Fundamentals and vocabulary, item 3.4.2, a product is considered to be any outcome of a process. There are four general categories of products: services, software, hardware and processed materials.

makes it possible to understand and analyse the characteristics and properties of logistics as an organisational system. In the light of the process approach, a logistics systems can be regarded as an organisational system that is complex, open (being in permanent interaction with the environment, a relationship that inhibits entropy, its helps to direct resources towards specific targets), dynamic (capable of dynamically maintaining a state of equilibrium and adapting to new circumstances), synergetic/holistic (meaning that the whole is more than the sum of its parts) and stochastic, and composed of tens or hundreds of employees, machines and devices and a certain number of organisational units and business partners.

A logistics system with its complex goals, technical elements, human and social potential can survive, operate and reach its targets only providing it exists and performs as a system. Being an open system, it does not behave according to natural laws, but rather according to its own specific principles and rules of behaviour. These principles are of a teleological nature and they are set in such a way as to guide the behaviour of an organisational system towards achieving its goals.

Logistics as an organisational system is composed of a series of interrelated and interactive process flows across a number of levels. Apart from the highly dynamic and change-susceptible environment in which this system operates, a major feature of the logistics system as a socio-economic system is the pronounced complexity of its processes. This is a pragmatic and fairly flexible approach, the application of which makes it possible to analyse the complexity of the process network that exists within a system, beginning with the process flows that create results for the marketplace, and continuing with those processes the outcome of which enables the system to function. Managing such a system is aimed at accomplishing all of the planned goals, goals that are the result of the mission as the system's *raison d' être*. The outcome of a process determines the extent to which goals have been achieved.

### **3.2. Logistics processes in a tourism destination**

Having defined a tourism destination and presented the theoretical postulates of the systems theory and the process approach, the logistics processes within a destination can now be defined and identified.

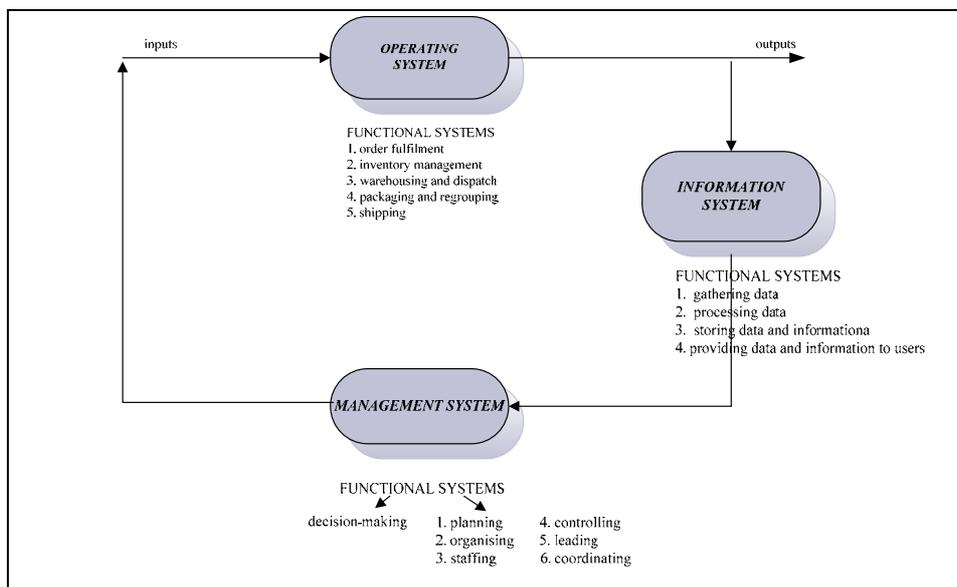
Segestlija and Lamza-Maronic (Segestlija, Lamza-Maronic, 2000) cite that logistics systems are systems for the space-time transformation of goods and the processes unfolding within them, logistics processes.

A logistics system operates as an organisational system in which the following processes within a destination are organised and carried out (Segestlija, Lamza-Maronic, 2000):

- order fulfilment,
- inventory management,
- warehousing and dispatch,
- packaging and regrouping,
- transport.

Each system can be decomposed into lower-level systems. Every system level has its own processes. By decomposing the organisation, as a system, into a number of levels, the processes at these levels become apparent. This type of decomposition is known as system decomposition, and in terms of organisation, it is generally neutral, unlike organisation decomposition in which an organisation is viewed as a group of organisational units. As an organisational system, logistics can be decomposed into lower-level systems called functional systems, which can further be partitioned into subsystems (Figure 3).

**Figure 3:** Logistics as an organisational system



Source: after Glans, B.T.; Grad, B.; Holstein, D.; Meyers, W.E.; Schmidt, R.N., Management Systems, Holt, Reinhart and Winston, Inc. New York, 1988, pp. 225-230.

Logistics, as an organisational system, can be decomposed into segment systems at the lowest level. These are the operating system, information system and management system, as illustrated in Figure 3. The functional systems listed in Figure 3 can be considered **core processes** (key business processes), and functional subsystems, their activities.

The management system is required for logistics, as a system, and its subsystems to operate. The information system plays a special role by connecting the operating system to the management system. The information system is responsible for gathering, processing and presenting information from the operating system. Decisions are made in the management system, but prepared and carried out in the operating system.

Once these core processes have been identified and classified, the next step is to identify the processes of which they consist. This is a complex task, which can be accomplished by decomposing the core process from the previous phase into lower-level processes and identifying process owners.

The depicted decomposition of a tourism destination as an organisational system is a system decomposition and, as such, it is neutral in terms of organisation. Following process reasoning, it is possible to similarly decompose the other core processes, functional systems and subsystems.

#### 4. CONCLUSION

The paper *Logistics Processes in Tourism Destinations* was written within the framework of the research project “Managing Logistics Processes in Tourism Destinations” and it presents a specific theoretical foundation for further theoretical, as well as empirical, research.

In today’s turbulent conditions of tourism operations and growing competition and globalisation, tourism destinations must be capable of adapting if they are to survive and perform well. Modern tourists are demanding top-quality, selective and personalised services. Logistics processes exert a great impact on creating this kind of tourism offering in a destination. Hence, this paper focuses on presenting and analysing the logistics processes that can be found in a destination

To provide the best offering possible, it is necessary to optimise all the flows – in particular, logistics flows – that exist within a destination. Only by accepting the principles of the systems theory and the process approach is it possible to optimise the tourism destination as a whole, as well as the flows of people, energy, information and waste within it. This entails perceiving a tourism destination as a system, with logistics as its subsystem.

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## THE ROLE OF CARRYING CAPACITY WITHIN CONCEPTUAL FRAMEWORK OF CONTEMPORARY TOURISM

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**Abstract:** There is no doubt that theory of tourism lags behind increased tourism practice. In order to decrease such gap, theoretical work in tourism has been intensified during last two decades. The key problems focused as objects of research include: analysis, interpretation and management of heterogeneous tourism development effects, permeating different aspects of human life and work – from global to local level. Consequently, this paper discusses role, significance, and ways of estimation and interpretation of carrying capacity concept within the conceptual framework of contemporary tourism. The paper, also, analyses attitudes and conflicted opinions of certain authors regarding to the related concept that still remains an elusive and much debated concept. At the end of the paper, the crucial conclusions are presented, that can alleviate the application of carrying capacity concept in practice, assuming its important role in planning tourist destinations development and managing various tourism impacts.

*Key words:* carrying capacity, tourist destination, management.

### INTRODUCTION

In many interpretation of conceptual tourist frame, attraction is drawn by the approach which headlines the importance of *tourist need, movement and spending* as constitutive tourist factors. Mathieson and Wall (2006) focus 3 key elements of tourist phenomena:

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- *dynamic element*, which includes making decision about tourist movement and choosing desirable destination that also include series of social, economic and institutional factors important for making this kind of decision;
- *element of tourist destination* includes staying of tourists on the place that represents the aim of his/her movement and interactivity of economic, social and natural subsystems of some place;
- *consequential element* comes from the two previous elements and it is present in economic, socio-cultural and natural-ecological effects which in the direct or indirect way affect the quality of experience that tourists have in some destination.

This conceptual frame is not conceived as the mean of prediction demand or creation of presentation of an offer strategy on the market. The aim of this approach is, in fact, to show the complex structure of tourist phenomena and complex interrelation of its segments. It is clear that all elements as changeable values inside the tourist system don't have the same meaning, or they don't have the same effect causing certain consequences, so they couldn't be expressed in the quantity way. But this mentioned conceptual frame is acceptable from the point of view of identification, contemplation and interpretation of the heterogenic influences of tourism from the following reasons:

- it poses the set of different factors, identifies their reciprocal relations and effect, with which it makes an image of nature, quality and an extent of effects caused by tourism;
- tourist influences last long period of time and they can be cumulative and they reciprocally penetrate;
- tourism influences result from the complex process of tourist interactivity, local communities in the receptive areas and natural, economic and socio-cultural environment;
- evaluation of influences includes all phases of tourist process, including making decision about movement, preparation for its realization, journey from and to some destination, staying there and memories of coming back to the place of staying;
- tourism influence can be revealed in different ways, and this is the reason why their valuation should be used by greater number of aggregate and partial measures.

This conceptual frame also respects the fact that those tourist influences are the result of the process of changes. Tourism influences don't have the character of individual, momentary or temporary event which is spatially and temporally explicitly connected to some particular object or manifestation. Even if the construction or hotel decoration, souvenir shop and ski tracks, e.g. is related to exact defined period of time and it has certain indirect consequences, mentioned contents represent only a part of wide processes of changes in the way of satisfying the cultural-recreational needs and development of tourist destinations.

The process of tourist development doesn't mean something that is unavoidable and has continuous character, because this kind of process can be stopped, can change its direction, can modify its character and can produce sudden and unpredictable consequences. Causes of changes of tourist development can be situated inside tourist system – changes, expectations, interests, competencies and aspiration of tourists and inhabitants of receptive areas; as well as the changes in the frame of subjects of tourist economy (agencies, hotels). On the other hand, the changes can be initiated or stimulated by the factors outside the tourist system on which the key agents of tourist process don't have any influence and it can't be controlled. These factors include mostly political and economic situations in emission and receptive areas, accessibility of energetic, moving of exchange rates on the market or even weather changing and climate. War in Iraq in 2003, then spreading of global terrorism, epidemic threats of dangerous diseases and similar things, influenced on many experts and institutions to move their research focus on the effects of those events on the tourist demands and creation of strategy of imperilled destinations recovery.

Tourism depends on spending and on usage of discreet income and time of an individual so any change of these factors produce serious repercussions on tourist economy. Having in mind that the participants of tourist movements show their needs and expectations in different ways, tourist market is fragmented in the way that even the influences on which some destinations are exposed are characterized bigger diversity. However, the diversity of tourist influences should be identified, in detail examined and anticipated, on which basis is possible to draw out valid conclusions, as the basis for making adequate management decisions and tracing of sustainable development. Starting from mentioned conceptual frame, in the next presentation we will take in consideration the role and importance of tourist destination and on evaluation of its *carrying capacity*.

### **CARRYING CAPACITY – MEANING, SIGNIFICANCE, POSSIBILITY OF PRACTICAL APPLICATION**

The evaluation of carrying capacity is used as indicator of tourism influence on the space and life environment. It represents an important component of planning the space development of tourism and it is also one of the mechanisms for posing the standards of sustainable tourism. Carrying capacity could be defined *as maximal number of tourists who can stay on some space and use its contents without unacceptable and irretrievable exchange of natural-ecological environment, social, cultural and economic structure of one destination and decrease of quality of tourist experience*. Insight in disposable literature shows that many authors and institutions worked on this problematic and defining of carrying capacity of tourist destinations and particularly with those on tourist-recreational areas.

According the Federation of national parks in Europe, carrying capacity represents the capacity of ecosystem to self-preserve and stimulates development of human activities in unlimited extent, without negative feedback effects. World tourist organization defines 3 levels for evaluation of carrying capacity: ecological, socio-cultural and psychological capacity. In a similar way, carrying capacity explains Mitchell (1979) and O'Reilly (1986).

The conclusion that is obvious that even if extent explorations were dedicated to the theoretical approach towards carrying capacity, on the plan of practical application of this concept there are some difficulties. In spite the fact that the concept of carrying capacity is attractive and useful, experiences show that in the attempts of their practical application comes to abandoning, or exchanging of this approach with other concepts as: *limits of acceptable changes in a destination*, *systems of managing the visitors* etc. In practical application, the concept of carrying capacity should also include natural and human factor exchange/built environment but in recent researches dominates primary the connection and relation of carrying capacities and natural environment.

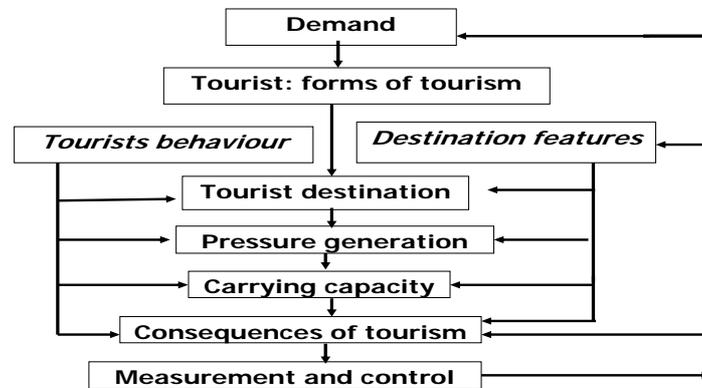
Carrying capacity, means even today characteristics of "uncatchable" concept about which there will be debates in the future and there will be many confrontations of different approaches of theoreticians. In observation of the problematic of sustainable development, it is noticed that tourism generates different negative effects which could imperil development perspectives on long-term where the carrying capacity is marked as useful frame for identification, observing and resolving the evident problems (O'Reilly, 1986). On the other hand, other authors propose using alternative and more flexible frame.

Butler (1999) disputes that defining sustainability of tourist development and concepts of carrying capacity are obligatorily connected. According to him, if sustainable development means respecting the needs of today's, without disturbance of needs of future generations, instead of carrying capacities it has to accentuate defining the limits of usage of tourist space, before coming of important decrease of quality of tourist resource basis or tourists' experience.

Long-time discourses about the concept of carrying capacity directed its attention on needs for clear and precise setting of tourist objectives and of evaluation of degree where they are realized. In fact, recreation area or tourist place don't have one permanent defined carrying capacity. The capacity is reflection of objectives which are fixed for some place or locality, and there is a need of specification of the nature of tourist experience which could be realized, as well as the acceptable level of modification of life environment. Setting and realization of objectives, undoubtedly, depend on factors as disposable material means, manager capabilities and etc.

## **MEASUREMENT AND EVALUATION OF CARRYING CAPACITY**

Measurement of carrying capacity could imply tourist destination as a whole with all its contents or individual services and capacities. In both cases, the capacity has economic, physical and social attributes that could be measured. Each type of capacity could vary depending on destination, on natural-ecological characteristics of some area, on the way of its usage and of development objectives which should be realized. Every type of capacity is characterized the tolerance limits for destination as a whole or as separate objects and capacities. This kind of limit marks threshold of changes, and with the exceed tourism produces mostly negative effects. If the tolerance limit won't be exceeded, the effects of tourism could be generally estimated as positive.



Conceptual frame of tourism (adopted from: Mathieson, Wall, 2006)

Many researches made in the world, especially in the USA, with the aim of précising the procedure for calculation of carrying capacity and for making concrete formulas which would be suitable for certain type of destination. Beside that, there is no still reliable and scientifically proofed method for calculating the carrying capacity. This mostly comes from the different approach of setting the average standard of surface which belongs to the space user (including tourists, their activities and built capacities), which serves for calculation of carrying capacity. Many authors use different standards which they reach on the basis of empirical experiences. The experiences are different so the applicable standards are also different.

Capacities exist for each of economic, physical and social subsystems inside the system of a tourist destination. Ensure the space for shops and souvenir shops, restaurants, hotels or parking, could signify taking of space already occupied by the company or economic subjects whose activities are primarily assigned to satisfy the needs of domicile inhabitants, or of local market. In this aspect, it is very illustrative an example of one historical town in Britain whose major expressed his malcontent because in his town there were 3 department stores specialized in selling sweets, but there were no department store specialized in selling shoes. Here there is a need of evaluation of economic capacity that shows the possibility of absorption of tourist functions, without repressing demanded local activities or dramatic increasing of products' expenses or services assigned to domicile inhabitants. Damaging and decaying of historical objects or contamination of beaches because of inadequate treatments of waste waters show the situation when tourism exceeds upper level of physical or ecological capacity. Also, it is well known that the tolerance limits of domicile inhabitants toward staying and behaviour of tourists in some cases could be exceeded, which is manifested with unkindness toward visitors: here we are talking about exceeding of social carrying capacity.

Some authors figuratively remark that "carrying capacity doesn't represent the aim but the mean with which we could reach the aim". In other words, carrying capacity doesn't have to be considered as a spatial and time permanently defined size, but as an important instrument with which development of some tourist destination is directed. The

changes with which the destinations are faced in their development are unavoidable. The application of the concept of carrying capacity makes possible an effective and efficient evaluation of acceptability of degree and direction of changing that is brought by the tourism. It means that the carrying capacity is mostly the matter of manager considering, so the values of accuracy and validity of that considering are quite different, depending on place, interest and expectations of different interest stakeholders who participate in tourist process. It is certain that making valid managerial decisions in tourism should be based and emphasized by adequate scientific and research work and setting the successful monitoring system as basic prerequisite for modification of once made decisions.

### KEY FACTORS OF INFLUENCE ON THE CARRYING CAPACITY

Capacity of tourist destination for absorbing the tourists' demands, from the one side and offer carriers, that is tourist economy, from the other side, depends on reciprocal relations of numerous and complex factors, and specially it depends on tourist's characteristics, destinations and its inhabitants. E.g. level of irritation of domicile inhabitants caused by tourists' staying could be increased in the cases when the traffic concentration is bigger which considers the packages with longer staying of guests, continuous demonstration of material superiority of visitors in relation to domicile inhabitants and to the choice of activities which bring to closer contact between local inhabitants and guests. Malcontent and repulsive attitude of hosts toward tourists could be expected in the destinations with highly developed traffic or limited inclusiveness of local community in the tourist development.

Having in mind all above mentioned, it could be told that the levels of capacity and tolerance limits coming from all that mostly depend on 2 factor groups: *characteristics of tourists and characteristics of tourist destination and its inhabitants.*

Characteristics of tourists which have implications on carrying capacity include:

- *Socio-economic and psychological characteristics.* It includes sex, age, income level, purchasing power, motivation, attitudes and expectations, perceptions of tourist attractions quality, racial and ethnic structure, tourists' behaviour etc. Revising all mentioned characteristics contribute and determinate impersonal communication between tourists and domicile inhabitants and between the tourists;
- *Level of usage.* Number of tourists and their distribution in space and time represent key parameters for level of usage evaluation of some tourist space;
- *Length of staying and season traffic;*
- *Type of tourist activities;*
- *Level of tourist's satisfaction.*

Each of mentioned tourists' characteristics has its own importance, importantly influencing on extent, frequency and type of interactivity with physical attributes of destinations and their inhabitants. It is important to notice that the level of usage it is not only the number of tourists because it could show wrong image about tourism

development. Very often the type of tourist activities and eventual conflicts between tourists of different needs, interests and expectations could be more important indicators of usage level of some tourist area about which the people who are making decisions have to pay attention about that.

Characteristics of destination which influence on carrying capacity include:

- *Natural-geographical characteristics and processes*: topographical, geomorphologic, hydrographical, petrography, climatic, biogeographical characteristics etc.;
- *Economic structure and development*. Here this means the level of economic development, diversity and interrelation of elements of economy basis, spatial characteristics of development, forms of investment, relation of import and export, costs of preparation and delivery of tourist services;
- *Social structure and organization*. This category includes: demographical profile of domicile population, power and perseverance of local culture, availability and quality of public services and capacities, forms of social organization, woman role, religious belonging, ethics, level of health and public protection, attitudes and opinions about tourists, language, tradition and gastronomic characteristics;
- *Political organization*. Political structure of a receptive country and its tourist places and areas has a big importance. Factors as the form and principles of socio-political organization, regulations about planning and zoning, measures of tourist stimulation, the role and supervising of national, regional and local tourist organizations, in an important way set effects which are produced by tourism;
- *Level and type of tourist development*. This includes a degree of involving of local community in tourist development, phase and dynamics of tourist development, character and type of tourist attractions, form and quality of accommodation-catering contents and transport, the role of agency and local companies in creating and delivery of tourist services.

## CONCLUSION

Having in mind the series of factors which influence on carrying capacity of destinations, it is very difficult, even impossible, to calculate its exact value, even if in practice there were many attempts to operate mathematically carrying capacity. Besides that, the concept of carrying capacity has big significance because it shows that tourism makes serious effects on all subsystems of tourist destinations, natural as well as anthropogenic origin. With all that, this concept has important role in planning the destination development and in managing the tourist activities. Some subsystems have low level of tolerance on the influences of tourist activities, whilst other subsystems that level is on the high level. Identification, cognitions and interpretations as consequence of overcoming of tolerance level, represent important factors of creating the policy and strategies of destination development, with particular emphasis on introduction of control mechanism. Destination has its limits regarding the intensity of tourist development

which is able to absorb because its overcoming produces serious and permanent negative consequences.

We can conclude that following starting points are particularly important for correct understanding and usage of carrying capacity concept in the efforts for creation of sustainable tourism:

- Carrying capacities are changing during the time together with the changes of aims and technological process which are changing during the time together with the changes of objectives and technological processes that concern the field of tourism, where type and extent of tourist traffic decisively influence on the variability of carrying capacity;
- It is indispensable to obtain an agreement on desirable/acceptable ecological, social and economic conditions and effects of tourism development (inside a destination), as well as indicators for following and evaluation of the same;
- To use the concept of carrying capacity as valid mean of destination management, it is necessary to identify precisely the relation between two of them and types of tourist traffic of some area and effects (influences) coming from it;
- It is necessary to make political, legal and financial frame, inside which the managerial authorities and planning services could set the limits of tourist usage of space.

Undoubtedly the carrying capacity would be overcome if some destination is not able to absorb tourist demand. In these situations motivation values and total resource basis of tourist economy could be seriously disturbed, even irretrievably damaged (destroyed). The biggest polemics and disputing of carrying capacity are related to the fact if there is in question unchangeable size that serves as an indicator of maximal permitted level of tourist usage of some space. There is domination of opinions that the concept of carrying capacity is considerably complex than this simplified approach and explanation. Regardless all that, it is very important to accept the point of view that adoption of strategies of tourist development and increasing has to be followed by accepting the fact that tourism produces different natural-ecologic, socio-cultural effects and influences on a destination and on its subsystems with which we have to manage in an optimal way (in the measure in which this is objectively possible). Only this kind of long-time discourses and debates about the concept of carrying capacity could have favourable repercussions regarding the evaluation and managing effects of tourist development.

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## TOURISM DESTINATION MANAGEMENT COMPANY (DMC): A CENTRAL ACTOR OF A DESTINATION AS A MILIEU

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**Abstract:** Today in Croatia, discordant views can be encountered at local and regional levels regarding responsibilities for the development of towns, municipalities and counties as tourism destinations. This underlines the necessity of establishing a superior tourism organisation that would integrate the interests of local authorities, tourism organisations, tourism supply providers and residents, and that would, on the one hand, possess the legitimate authority, knowledge and vision needed for destination development, while, on the other hand, it would be accountable for the destination's development.

*Key words:* destination management company (DMC), destination marketing organisation (DMO), tourism destination, destination management, milieu.

### INTRODUCTION

An important advancement in managing a tourism destination is the establishment of a Destination Management Company (DMC), representing the integrated interests of all stakeholders in the tourism industry of a given destination.

A DMC should be organised as a public-private partnership (PPP). Considering a tourism destination from the standpoint of the milieu concept, the DMC would be a central actor of a tourism destination's milieu.

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## 1. DEFINING A TOURISM DESTINATION AS A MILIEU

Of Latin origin, the word destination means “a place at the end of a journey”. It entered the vocabulary of the tourism industry via the travel trade, especially air travel in which English nomenclature is applied. In the early 1970s, the term gradually began to find its application in tourism studies and increasingly to be used as a synonym for tourist site, zone, region, country, group of countries, and even continent.<sup>2</sup>

In the literature, there are many different definitions of a tourism destination. Taking the view of the optimum usage of available resources and tourism destination competitiveness, a destination can be defined as an optimally combined and to the marketplace adapted area that, through the development of vital and dominant competencies within the destination, is capable of creating the preconditions that will enable it, in the long term, to achieve good results in tourism relative to its competitors<sup>3</sup>

The application of the milieu concept in destination management may help to improve a destination’s competitive position by more efficiently managing the relationships among actors within a destination.

A milieu can be defined as a geographically confined socio-spatial unit in which business and non-business entities are interconnected through the frequency of socio-economic exchange and in which they share a common presentation of business and a set of unwritten rules – “the law of the milieu”.<sup>4</sup>

From the above definition, it is obvious that a milieu is characterised by four basic elements:<sup>5</sup>

1. a territory,
2. a network of heterogeneous actors (business entities, government agencies, civil society organisations and others) interconnected within a given area,
3. a common presentation of business conditions and shared common values among actor’s and
4. a series of rules and norms (“the law of the milieu”) regulating the interaction of actors.

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<sup>2</sup> Magas, D.: Management turističke organizacije i destinacije, Sveučiliste u Rijeci, Fakultet za turistički i hotelski menadžment u Opatiji, Opatija, 2003, p. 16

<sup>3</sup> Magas, D.: Turistička destinacija, Sveučiliste u Rijeci, Hotelijerski fakultet Opatija, Opatija, 1997, p. 20.

<sup>4</sup> Cova, B., Salle, R.: Project marketing and project management: A first attempt to bridge the gap, 18th Annual IMP Conference, 5th-8th September, 2002, Dijon, France, [www.imogroups.org/uploads/papers/501.pdf](http://www.imogroups.org/uploads/papers/501.pdf), 4.11.2005, p. 10

<sup>5</sup> Cova, B., Mazet, F., Salle, R.: Milieu as a Partinent Unit of Analysis in Project Marketing, International Business Review, Vol. 5, No. 6, (1996), p. 654

The theoretical framework of the milieu concept is derived from the network theory and the B2B (business-to-business) marketing theory, the characteristics of which coincide with the economic considerations in the field of regional economy and the economy of innovation that focuses on localised production systems.<sup>6</sup>

The milieu concept has been used in ecology and geography for a long number of years, but only in the past decade has it been applied in social economy.

The milieu concept is very close to the concept of industrial districts, to which Becattini referred in Italy's regional economy as early as the 1990s. These districts are characterised by the fact that companies and local communities share common values and a common culture. Similar to the industrial district concept, the milieu concept represents a network of innovation within a given territory in which an underlying regulation pattern of trust exists within a clearly defined area.<sup>7</sup>

The trust that exists between the actors in a milieu is closely linked to the notion of credibility, which each company in the milieu must create or maintain and which Blomqvist defines as "an actor's ability, as perceived by the other milieu members, to perform something that he claims he is able to do on request".<sup>8</sup>

Although the application of the project marketing concept in the business operations of tourism actors and tourism destinations as a whole does not represent a situation characteristic of project marketing in all its elements as described in the project marketing literature, this application opens up new opportunities in the business management of tourism actors and tourism destinations. Hence, the application of the project marketing theory based on the milieu concept presents an opportunity to improve the marketing of individual tourism actors, as well as of the destination at large, by managing the relationships and relationship networks between business and non-business actors of a destination.

Unlike the network theory that considers only relationships between business actors, the project marketing theory within a milieu framework takes into account the relationship between project-selling firms and project-buying firms, as well as relationships between business and non-business actors linked through a particular activity within a defined territory in which specific business conditions exist. Notably, by analysing a milieu, the existence of relationships and the need to invest in

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<sup>6</sup> Piore, M.J., Sabel, C.F.: *The Second Industrial Divide*, basic Books, New York, 1984. & Courlet, C., Soulage, B.: *Industrial Dynamics and Territorial Space*, Entrepreneurship and regional Development, Vol. 7, 1995; taken from: Cova, B., Mazet, F., Salle, R.: Milieu as a Pertinent Unit of Analysis in Project Marketing, *International Business Review*, Vol. 5, No. 6, (1996), p. 652.

<sup>7</sup> Campagni, R.: Local Milieu, Uncertainty and Innovation Networks: Towards a New Dynamic Theory of Economic Space, in Campagni, R. (Ed.), *Innovation Networks: Spatial Perspectives*, Belhaven Press, 1994.; preuzeto iz: Cova, B., Mazet, F., Salle, R.: Milieu as a Pertinent Unit of Analysis in Project Marketing, op. cit. p. 652.

<sup>8</sup> Blomqvist, K.: The Many Faces of Trust, in *Scandinavian Journal of management*, Vol. 13, No. 3, 1997, p. 279.; taken from: Skaates, M.A.: *Focal Relationships and the Environment of Project Marketing: A Literature Review with Suggestion for Practicioners and Future Research*, [www.em-lyon.com/english/faculty/professors/salle.asp-46k](http://www.em-lyon.com/english/faculty/professors/salle.asp-46k), 7.9.2005.

relationships between milieu actors are identified, together with the links that a milieu actor might have or does have with actors beyond the milieu's boundaries.

By analysing the milieu, a company will be able to define its position within the relationship network of destination actors and, if necessary, invest in relationships with various actors of the milieu with the purpose of becoming capable of anticipating the offering of future projects on the destination market, assuming that the required functional positions exist.

When applying the project marketing concept to relationship management within a destination, a distinction should be made between two categories of relationship management:

1. managing relationships with project buyers (tour-operators, other organisations and institutions)
2. managing relationships with key milieu actors (complementary companies and other actors)

providing that the management of a destination's offering and development is project based.

In regarding a destination as a milieu and in studying the possibilities of applying the milieu concept to a destination, it is important to underline the following definition of a destination, which the authors describe as:<sup>9</sup>

- The basic unit of analysis in tourism,
- Distinctly recognisable area with geographic or administrative boundaries,
- Where tourism revenue is significant, or potentially significant, to the economy and
- Serviced by both private and public sector.

With regard to the above definition of a destination and the attributes of a milieu, the possibility of and need for applying the milieu concept to the management of a destination derive from the following:

1. In terms of territory, some counties in Croatia can represent a milieu, such as the milieu of the Kvarner destination,
2. Within the individual counties, it is necessary to identify the networks of all business and non-business actors that are interconnected within a particular territory and that participate in creating a tourism offering, that is, in developing new projects.

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<sup>9</sup> Carter, R., Fabricius, M.: Destination management-an overview, UNWTO Conference, «Creating competitive advantage for your destination», Budapest, 7 February 2007; [www.destinationmanagement2007budapest.com](http://www.destinationmanagement2007budapest.com)

3. It is also necessary to identify the relationships that actors within the milieu of a particular county have with actors outside the milieu, in delivering projects.
4. It is necessary to establish a series of rules and norms – the so-called law of the destination milieu – that will regulate the interaction between a destination's actors.

## **2. ROLE OF TOURISM ORGANISATIONS IN DESTINATION MANAGEMENT**

On the subject of managing destinations, the literature demonstrates that different authors agree that securing the long-term competitiveness and the sustainable development of a destination is the fundamental mission of destination management.

Surveys conducted among tourism supply providers of the Kvarner destination indicate that a singular attitude does not exist with regard to the following questions:

- “Who represents destination management?”
- “Who is responsible for the development of a destination?”

The attitudes of tourism supply providers to these two questions vary:<sup>10</sup>

1. The management of tourism and hotel companies (30.4%)
2. The local government and self-government (29.1%)
3. The management of tourism associations (19%)
4. All of the above together (5.1%)
5. Special bodies organised on a profit basis (8.9%)
6. Special bodies organised on a non-profit basis (6.3%)
7. Private and public sector collaboration under the supervision of the local government and self-government (1.3%).

The result of these discordant views is the fact that “everyone and no one” is responsible for the development of a destination. This fact underlines the need of establishing a superior tourism organisation that would bring together the interests of all stakeholders (local authorities, tourism organisation, tourism supply providers and residents) within a destination. Such a tourism organisation would also need to possess the appropriate authority and responsibility for destination development.

The attitude of hotel enterprises and tourist agencies in the Primorsko-Goranska County (PGC) confirms the need for a superior tourism organisation within the destination, which would be responsible for managing and developing the destination.

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<sup>10</sup> Glavni plan turizma Primorsko-goranske zupanije, Sveuciliste u Rijeci, Fakultet za turisticki i hotelski menadzment u Opatiji, Opatija, ozujak 2005., p. 173-174.

All PGC hotel enterprises surveyed (companies, concerns and holdings), together with 88.9 % of surveyed tourist agencies (having an extensive network of offices), consider that, within the County as a destination, a Destination Management Company should exist that would be:

- a source of information to tourism actors regarding opportunities for delivering projects on the PGC tourism business market
- the central actor of the milieu
- organised as a public-private partnership
- responsible for the destination's development.<sup>11</sup>

In Croatia, the Croatian National Tourist Board acts as a national tourism organisation. It is a legal entity with an established hierarchical structure. This structure represents a system of tourist boards, at the head of which is the Croatian National Tourist Boards, with lower levels comprising County Tourist Boards, followed by the Tourist Boards of towns and municipalities.

A tourist board is a non-profit tourism organisation, whose primary sources of revenue are tourist tax and membership fees.

The 1994 Act on Tourist Boards and the Promotion of Croatian Tourism<sup>12</sup> defines the structure, that is, the bodies of a tourist board and its objectives and tasks, that range from common to the individual within the framework of lower-level tourist boards.

The primary function of the Croatian National Tourist Board and lower-level tourist boards is to promote tourism products and offerings at their corresponding level.

Today, these organisations are frequently perceived as not being efficient enough, and they are generally criticised for:<sup>13</sup>

- a lack of accuracy in defining business objectives and inadequate focus on business objectives;
- limited funding and financial issues;
- bureaucratic structure lacking in professionalism and specialisation;
- the application of obsolete marketing technologies and insufficiently sophisticated tools
- a low level or lack of collaboration with the private sector.

In addition to the above criticism, a key dilemma in debates pivots on the question: "Are these destination marketing organisations or are they destination management organisations?"<sup>14</sup>

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<sup>11</sup> Primary research conducted as part of: Basan, L.: *Projektni marketing u funkciji razvoja turističke ponude i potražnje*, Doktorska disertacija, Sveučiliste u Rijeci, Fakultet za turistički i hotelski menadžment u Opatiji, Opatija, 2007., p. 263.

<sup>12</sup> *Zakon o turističkim zajednicama i promicanju hrvatskog turizma*, [www.nn.hr/clanci/sluzbeno/1994/0522.htm](http://www.nn.hr/clanci/sluzbeno/1994/0522.htm)

<sup>13</sup> *Strategic Marketing Plan, Tourism Development Strategy of Republic of Serbia, Second Report*, Horwarth Consulting Zagreb i Faculty of Economy Belgrade, 12 April 2006, p. 71.

<sup>14</sup> *Ibidem*, p. 71

To help clarify this dilemma, it is necessary to define a destination marketing organisation (DMO) and a destination management company (DMC).

A DMO is a “non-profit marketing organisation established for the territory of a city, country, province, region or area, the primary purpose of which is the promotion of the destination”.<sup>15</sup>

A DMC can be defined as being a “general contractor that possesses the skills, resources and relationships needed to achieve the goals set, and that designs an offering; engages and manages subcontractors; links up with external agencies to obtain licences, insurance, etc.; manages financing; and secures the continuous supervision within and over the entire project management.”

The Association of Destination Management Executives (ADME), which represents an international association, defines a DMC as being a “professional services company possessing extensive local knowledge, expertise and resources and specialising in designing and implementing events, activities, tours, transportation and logistics programs.”<sup>16</sup>

Upon examining these definitions, it is clear that Croatian tourist boards have the function of DMOs.

Foreign practise, however, points to the fact that successful destination marketing companies around the world have no doubts with regard to the question previously raised. From a historical point of view, the primary function of these organisations was marketing, that is, promotion and sales. However, the growing need of enhancing a destination’s competitiveness, at either the national, regional or local level, caused the organisations to develop non-marketing functions and tasks. This, in turn, caused their areas of management to expand, so that the thus designed destination marketing organisations, in fact, represent destination management organisations<sup>17</sup> or Destination Management Companies (DMC).

A fundamental precondition to the possibility of setting up a DMC, as a PPP-based business actor, is making amendments to legislation so as to broaden the scope of management, within the tourism destination, for which they have been established, to include:<sup>18</sup>

- responsibility for managing the territory for which a DMC is established;
- the development of local infrastructure;
- collaboration with local tourism companies, and
- the organisation of tourist events.

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<sup>15</sup> Tourism Terms Made Simple, Scottsdale, Convention & Visitors Bureau, [www.apbd.org/images/about/scottsdaletourismterms.pdf](http://www.apbd.org/images/about/scottsdaletourismterms.pdf)

<sup>16</sup> Schaumann, P., CMP, CSEP, DMCP: *The Guide to Successful Destination Management*, John Wiley & Sons, Inc., USA, 2005., p. 5

<sup>17</sup> Strategic Marketing Plan, op. cit., p. 71

<sup>18</sup> Ibidem, p. 73

### 3. DMC FUNCTIONS IN MANAGING A DESTINATION

Defining the functions of a DMC as a central actor of a given destination's milieu is based on the following assumptions:

- the application of the project marketing theory (which refers to the ability of a project-selling firm to anticipate project demand based on relations with project-buying firms and other parties interested in projects within a given milieu)
- the expansion of the tasks and functions of the DMC Kvarner to include non-marketing functions
- amendments to existing legislation, because, in comparison to the PGC Tourist Board, the tasks and functions of the DMC Kvarner are broader and more comprehensive to ensure greater efficiency in managing the destination.

Therefore, the basic functions of the DMC Kvarner would relate to:<sup>19</sup>

1. Managing the development of the PGC destination and its brand;
2. Managing the relationship network of actors – project-sellers and project-buyers in the milieu of the PGC as a destination;
3. Managing the offering of the PGC destination based on projects;
4. Devising a pricing policy for the PGC destination;
5. Selling the tourism product of the PGC;
6. Promoting the tourism product of the PGC, and
7. Representing the interests of actors with the PGC.

By assigning, to PPP-based DMC, the functions related to managing destination development, the question of who is responsible for the destination's development would finally be answered. Considering that the DMC Kvarner would integrate the interests of all stakeholders in the destination, it can be assumed that a higher level of efficiency would be achieved in destination management.

The function of destination development is closely linked to creating and managing a destination's brand, as a basic determinant of a destination's competitiveness and its distinctiveness on the tourist market.

Notably, destination branding should evolve in two segments:

1. in the area of business-to-consumer (B2C) branding, and
2. branding in the area of the business-to-business (B2B) market.

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<sup>19</sup> Basan, L.: Projektni marketing u funkciji razvoja turisticke ponude i potraznje, op. cit., p. 269.

Today, when reference is made to destination branding and destination brand management, it is almost always about the segment of B2C marketing, that is, making a destination distinctive on the end-consumer market. We forget the importance of branding and brand management on the tourism business market, which is no less important than branding on the B2C market. As B2B marketing refers to the marketing of the products and services of one company to another, the most important function of branding on the B2B market is reflected in:<sup>20</sup> increased information efficiency, risk reduction and value added/image benefit creation.

Within the framework of managing the relationship network of project-selling and project-buying firms, the Kvarner destination is viewed as a milieu with relationship management evolving across the three levels:

- the milieu level,
- the customer level, and
- the level of individual projects.

In this sense, the DMC Kvarner would manage: the networks of business and non-business actors of the destination to create a competitive project-based tourism offering, that is, the milieu of supply; the networks of customers – networks of business and non-business actors impacting on project demand – that is, the milieu of demand; and the network of actors of the level of individual projects.

This means that the DMC Kvarner, as well as tourism companies, must take into account:

- the external business conditions that impact, within the framework of specific activities (projects), on the operations of business and non-business actors in the territory of the destination/milieu
- the competencies and resources of firms (internal and external)
- the position of firms in the network of relationship with business and non-business actors in the destination, and
- the position of firms in relationships with project-buying firms.

Therefore, to manage the milieu of the destination, it would be necessary to create databases on the project portfolios of tourism companies and databases on the portfolios of relationships with customers and key actors in the milieu, as well as to create a “Kvarner Investment Support System (KISS), information system for investment opportunities in Kvarner tourism, designed primarily for potential investors”<sup>21</sup>.

The next DMC function relates to the project-based management of a destination’s offering. The definition of a DMC used previously indicates that DMCs apply the project-management concept to their operations. The project marketing concept, however, is broader than the concept of project management, and implicitly,

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<sup>20</sup> Kotler, Ph., Phoertsch, W.: B2B Brand Management, Springer, Germany, 2006, p. 13

<sup>21</sup> Glavni plan turizma Primorsko-goranske zupanije, op. cit., p. 414.

project marketing involves project management. Also, the theory of project marketing has caused the perspective of project management to broaden in the direction of developing and maintaining relationships with project-buyers<sup>22</sup>. This, then, points to the necessity of DMCs using the project-marketing concept in their operations, as a new opportunity to enhance their performance in destination management.

A pricing policy is about determining the price of tourism products to make them competitive on the market, on the one hand, and profitable to destination actors, on the other hand, while providing indirect benefits to residents. It should be noted that today the measure of value has become more complex, and that whereas<sup>23</sup> value was previously expressed as a price-quality ratio, now it can be defined as price, quality and a personal approach relative to time and energy invested.

Through the distribution function, a DMC will develop and use an optimum combination of various channels for selling the product of a tourism destination. It should be kept in mind, however, that the project-marketing concept sees a project as a transaction, that is, it explores the interaction between a project-selling firm and a project-buying firm through the six phases of project life cycle. In this context, tour operators, as well as other organisations and institutions may emerge as the buyers of individual projects.

A DMC's promotional activities are focused, on the one hand, at promoting a destination as a whole to the end user market and, on the other, at promoting hotel facilities and other complementary firms, as tourism supply providers, to various business actors – project buyers (for example, tour operators) with the purpose of demonstrating that the destination possesses the competencies and resources needed to deliver future projects.

The last DMC function pertains to representing interests. This function brings together the interests of local authorities, tourism organisations, tourism supply providers and resident, based on the development model of the Kvarner destination.

Therefore, the establishing of the DMC Kvarner, together with the application of the milieu concept in the destination, represents an innovation that provides an opportunity for improving the efficiency of destination managements as a result of the following:

1. A DMC is based on knowledge, the use of modern IT, innovativeness and creativity, credibility and integrity, all of which are also preconditions to developing long-term and network-based relationships;
2. Through the existence of relationships among tourism actors and by identifying the need to develop new ones, while investing in current ones, firms will build the ability to anticipate demand for future projects.

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<sup>22</sup> Cova, B., Salle, R.: Project marketing and project management: A first attempt to bridge the gap, op. cit, p. 9

<sup>23</sup> Gerald, M.: Prirucnik za tvrtke za upravljanje turistickom destinacijom, USAID, rujun 2007., p. 7

3. In the modern literature, relationships and relationship quality are considered a segment of a firm's intellectual capital<sup>24</sup>, which today represents a major part of firm's market value and its primary competitive advantage. This would clearly contribute to increasing the market value and enhancing the market positions of tourism companies;
4. Defining networks based on relationships set up among destination (business and non-business) actors involved in specific activities will result in improving the coordination of activities at the destination level;
5. By defining the "law of the tourism destination milieu", the rights and obligations of tourism actors involved in delivering individual activities (projects) will be clearly identified.

## 5. CONCLUSION

The application of the project marketing theory, through the application of the milieu concept in a destination, opens up new opportunities for improving the marketing of both individual tourism actors and the destination as a whole. By establishing networks and by managing relationships and the networks of relationships among business and non-business subjects of a destination viewed as a milieu, it is possible to improve the coordination of all activities in a destination.

A vital step forward in managing a destination is the setting up of a Destination Management Company (DMC), following the lead of positive experience in other countries. Organised as a public-private partnership, the DMC would be a superior tourism organisation, integrating the interests of local authorities, tourism organisations, tourism supply providers and residents. It would be a primary source of information to tourism actors about opportunities for delivering projects on the tourism business market, and it would be responsible for managing the tourism destination.

Therefore, the establishment of a DMC and the application of the project marketing theory based on the destination milieu concept would contribute to enhancing the efficiency of destination management, a ubiquitous issue in all Croatian tourism destinations.

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<sup>24</sup> Intellectual capital is a synonym for the intangible assets (intangible business factors) of a firm that, while impacting heavily on its performance, are not explicitly expressed in its balance sheets. This calls for the introduction of new forms in management accounting and new ways of managing and measuring the performance of firms. Intellectual capital comprises three basic components: human capital (competencies, education, knowledge, skills, attitudes, experience, beliefs, values and co-worker relationships), market capital (brand value, relationships with supplier and partner firms, licences, loyalty, etc.) and structural capital (copyrights, corporate culture, IT, relationships with consumers – customers, clients, guests, etc.) after: "Prirucnik za upravljanje intelektualnim kapitalom u tvrtkama", Hrvatska gospodarska komora, zajednica za unapređivanje intelektualnog kapitala, Zagreb, prosinac 2001.; www.skandia.se (07.07.2005) and Schaumann, P., CMP, CSEP, DMCP: The Guide to Successful Destination Management, op. cit. p. 169.

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## INTELLIGENT TRANSPORTATION SYSTEMS IN IMPROVING TRAFFIC FLOW IN TOURISM DESTINATIONS\*

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**Abstract:** The rapid growth and development of motorisation combined with relatively small investments made to improving transportation infrastructure in cities, as well as in tourism destinations, has led to serious problems in the unobstructed movement of vehicles in public traffic areas. Traffic congestion on roadways, in ferryboat ports and at state borders during the summer months and year-round lines of cars going to or returning from work are a regular presence in traffic in most urban and tourism destinations in Croatia, as well as in the rest of Europe.

Intelligent transportation systems (ITS) can be implemented in urban and tourism centres, which, for example, have no opportunity for increasing the capacity of their traffic networks by constructing new, or expanding existing, transportation infrastructure, and no opportunity for increasing parking capacities. The only solution would be to optimise traffic networking by introducing intelligent technologies. Intelligent transportation systems and services represent a coupling of information and telecommunication technologies with transportation means and infrastructure to ensure greater efficiency in the mobility of people and goods. ITS implementation helps to provide better information to motorists and travellers (tourists); improve traffic and tourist flows, cargo transportation, public passenger-transportation; facilitate the work of emergency services; enable electronic traffic-related payments; enhance the security of people in road traffic; and monitor weather conditions and the environment. To motorists the system provides guidance to roads on which traffic is less intense, guidance to available parking spaces, and guidance, for example, to a good restaurant or interesting tourist attraction.

his paper focuses, in particular, on ITS application in city and tourism destinations in connection with parking problems. Guiding vehicles to the closest vacant parking space helps to reduce traffic congestion, reduce the amount of time lost in searching and increase the occupancy rate of car-parks.

*Key words:* Intelligent Transportation Systems, city and tourism destinations, traffic and tourism flows, traffic congestion, parking problems.

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## **1. INTRODUCTORY REMARKS**

The rapid growth and development of motorisation combined with relatively small investments made to improving transportation infrastructure in cities, as well as in tourism destinations, has led to serious problems in the unobstructed movement of vehicles in public traffic areas. Traffic congestion on roadways, in ferryboat ports and at state borders during the summer months and year-round lines of cars going to or returning from work are a regular presence in traffic in most urban and tourism destinations in Croatia, as well as in the rest of Europe.

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For any tourism destination, being accessible in terms of traffic is a precondition vital to tourist arrivals. Nevertheless, today accessibility alone is not enough to ensure tourist visits to a given destination. Modern tourism is inconceivable without the transmission of all relevant information with the help of information and telecommunication technologies. Communication of this type appears in all segments of tourist travel, from pre-arrival communication to booking, personal contacts and information provided during the trip (about roadside services, traffic flow, optimal traffic routes, weather conditions, etc.)

## **2. IMPACT OF TOURISM ON THE DEVELOPMENT OF TRANSPORTATION INFRASTRUCTURE**

In the professional literature, discourse on tourism-development factors attributes a high level of prominence to the development of transportation and its infrastructure. Tourism, as a mass phenomenon, is about moving about, changing residence and using transportation means. The wide-sweeping scope and upward trend of world tourism can best be illustrated by tourist arrivals expressed in numbers: from 25 million tourists in 1950 to 70 million, in 1960; 166 million, in 1970; 285 million, in 1980; and 475 million, in 1990! Expectations for 2008, upward of 700 million tourists, are indicative of a growth rate that has rarely been recorded in other economic

branches. Because the tourism-growth pattern is linked to, and will continue to coincide with, transportation change and demand, it is advisable, in advanced tourism regions, to ensure that tourism-development planning and transportation development are complementary.

At the current level of technical development, in a time of rapid and frequent technological change and favourable political climates around the world providing huge opportunities for the increasing the number of tourist travels and other types of travel, the economic growth of any country is inconceivable without modern transportation infrastructure. In conditions of relatively high living standards and in a century of great scientific and technological advancements, today's life style is not compatible with conventional, uncomfortable, slow and time-consuming transportation.

Seeing how transportation infrastructure influences the quality of transportation services, tourism can impact on intensifying its construction and modernisation, and the road network can be adjusted to the requirements of making tourism destinations accessible in terms of traffic. Modernising transportation facilities and increasing their capacities will result in a greater effect, in terms of traffic, in the field of passenger transportation, as well as cargo transportation.

Tourism, also, has a constraining effect on transportation development. In tourism regions, care should be taken to ensure that transportation infrastructure and equipment do not degrade tourism attractions and nature and that the emission of harmful gasses, substances and noise is monitored to prevent compromising the quality level of tourism services. Hence, tourism destinations require transportation to be organised in a specific way that will make tourism facilities and services accessible and that will contribute to achieving the fundamental goals of tourism development.

The concept of sustainable transportation and tourism development is dominant in countries in which tourism development numbers among primary economic targets. Through its pronounced concern for environmental preservation, this concept focuses on the long-term planning of development, not only in transportation and tourism, but also in those branches with goals that are in collision with the goals of tourism, to ensure that the greatest effects are achieved for society in the long run.

### **3. ROLE OF INTELLIGENT TRANSPORTATION SYSTEMS (ITS) IN TRAFFIC INFRASTRUCTURE**

The multidisciplinary approaches of research and technological development in the field of transportation are brought together in **Intelligent Transportation Systems (ITS)**, which we encounter today in various forms and technological designs. ITS applies modern advancements in the field of computer, information and telecommunication sciences to the traffic system with the aim of enhancing mobility, safety and security, and the quality of environmental factors.

The specific problems of cities and tourism destinations, in most cases reflected in the impossibility of substantially increasing useful traffic spaces, imply the

need to properly manage existing traffic spaces. Today, the diverse and often conflicting interests of various factors of transportation demand are extremely difficult to coordinate without the application of well-formulated concepts and strategy, which is the primary task of any ITS.

ITS involves interconnecting modern traffic systems, the roles and functions of which are complementary:

1. Intermodal transportation systems (travellers use different forms of transportation; generally, they begin from home by car, then take a train, ship or airplane, and finally use a car again to take them to the place they wish to reach);
2. Intelligent traffic-control systems (traffic network management):
  - Traffic lights
  - Public city-transportation systems
  - Parking Guidance and Information (PGI) systems, and others;
3. Navigation systems, enabling motorists/tourists in vehicles to receive information regarding:
  - General information on weather and traffic conditions
  - Real-time traffic conditions in a specific area
  - Alternative directions, if necessary (due to congestion or various incidents)
  - The optimum route to a specific destination with regard to the existing transportation network and real-time traffic conditions.
4. Safety systems: Assisted by weather stations, these systems provide warnings regarding adverse weather conditions. Some systems are built into the latest generation of passenger vehicles, and they range from simple systems that warn motorists of ice, wet lanes and gusts of lateral winds to systems that alert the motorist when the distance between vehicles is too short and cause the vehicle to slow down, relative to its velocity and the safety distance.
5. Variable Message Sign (VMS) system and radio messaging. VMS are generally large panels on which various messages to system users in a town or tourism destination are written out (using LED or optical fibres), such as “Traffic jam”, “Traffic jam at intersection”, “Roadwork”, “Parking” and similar useful information. VMS can also render graphic symbols. This type of information system enables participants in traffic to stay clear of critical areas before they reach the point where the resulting situation is impossible to avoid.

ITS has been in use in major European cities and tourism destinations for many years. Traffic-light management systems appeared as early as the 1950s, followed by systems for supervising and managing public city-transportation. Of a later

date are PGI and VMS. In recent years, major efforts have been made in bringing together the existing technological units in terms of a selected traffic policy for:

- Enhancing mobility and the quality of transportation
- Increasing safety and security
- Achieving the desired usage ratio of public to private transportation
- Improving the environment
- Other traffic-policy objectives.

#### **4. ITS IMPACT ON TRAFFIC FLOW IN TOURISM DESTINATIONS**

The primary function of roadways and other transport lines is to ensure accessibility and mobility. During peak loads, this basic function is jeopardised on major roads in almost all large cities in Europe, including Croatia. A distinct problem arises in tourism destinations during the tourist season when seemingly endless lines of tourist vehicles 'forge ahead' towards their destinations. Traffic congestion occurs on a daily basis in almost every city and appealing tourism destination throughout the tourist season due to the lack of and failure to build adequate roads and parking spaces.

The unconstrained and spontaneous expansion of car traffic has comprised the fundamental purpose of roads and the overall quality of life in urban and tourism centres. In large cities, these problems are not limited only to rush hours but also extend across increasingly longer peak periods, incurring high costs to individuals, companies and society at large. The cost of traffic congestion in European cities has reached about 2 percent of their GDP<sup>2</sup>, while the total damage caused by traffic incidents, stress and time wasted has not yet been fully realised. The average transportation time to the workplace, school or to tourism destinations and other destinations is increasingly longer and uncertain. This is the result of an insufficiently holistic approach to solving traffic problems in which the focus has been on constructing or expanding roads.

ITS represents the efficient and effective application of management and IT technologies in improving the performance of transportation systems and enhancing the overall quality of life. The ITS concept stands for a comprehensively developed system that includes providing traveller/motorist information, enabling automatic toll collection (no stopping), managing transportation demands and flows, managing fleets and city logistics, ensuring the safety and security of motorists and travellers, etc.

A benefit/cost analysis shows that the effects of a comprehensively designed, developed and applied ITS are demonstrated in:

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<sup>2</sup> Surveys conducted in several major cities (Frankfurt, Turin, etc.) show that the introduction of PGI systems has achieved the following effects: reduced transportation time by car through the city (by 30 – 40 percent); reduced fuel consumption (approx. one million litres/year in Frankfurt); reduced number of kilometres spent in searching for parking space (10 million km/year in Frankfurt). (For details cf.: Bosnjak, I., Pobjolsanje prometa primjenom inteligentnih prometnih sustava, *Journal Ceste i mostovi*, Vol. 3 - 4, Zagreb, 2004, pp. 84– 90).

- increased traffic flows on existing roadways
- the effects of managing demand through traveller/motorist pre-arrival communication
- greater personal mobility within the available time intended for travelling
- enhanced security in travelling
- greater safety of motorists and travellers in public transportation
- reduced fuel consumption
- reduced environmental pollution
- increased productivity of individuals and companies due to fewer losses caused by waiting
- an improvement in the tourism offering by providing optimum routing to tourism facilities
- less stress and better prediction of transportation system behaviour

and, perhaps most importantly, the satisfaction of residents and visitors/tourists with the total quality of the city or tourism centre, which cannot be expressed by concrete measurable elements.

Today, the extensive development of private transportation has made the application of these systems a necessity. A decade ago, telematical solutions commercially applied through ITS in city transportation, were looked upon as an “upgrade” to the existing infrastructure, something that only the richer cities could afford, something not really needed.

Today, city ITS represent a fundamental factor in providing an efficient, safe and environmentally-acceptable city system.

#### **4.1. Intelligent parking-management systems in improving traffic flow in tourism destinations**

An element of ITS is the parking management system with its PGI (Parking Guidance and Information) subsystem. The parking management system should be made to support a number of functions that improve the usage of and operations connected to street or off-street parking (in open car-parks and multi-storey garages). Guiding vehicles to the closest vacant parking space helps to reduce traffic congestion and the time wasted in searching, and it increases the occupancy rate of parking lots. It is estimated that motorists seeking parking space cause about 30 percent of downtown traffic in European cities and that PGI helps to save an average of 6 minutes from each trip.

The construction of car-parks/garages does not solve all the parking problems in the centres of city and tourism destinations; it is often the case that all parking spaces are taken in those locations that are appealing to motorists, making them seek other locations with vacant parking spaces and causing additional traffic in the already overloaded network. An added problem is the line of vehicles waiting to enter a car-

park or garage, further reducing the security and flow of traffic. At the same time, parking facilities nearby that motorists are less familiar with remain under-utilised.<sup>3</sup>

The above stated points to the necessity of putting in place an information system that will enable all facilities to be used equally, and, above all, serve as a source of information to motorists telling them the total of parking spaces and the number of currently available ones and guiding them there through the network of roads. Because this information is not static but changes over time, the need arises for variable traffic signs and variable message signs (VMS).

The first application level of parking-related VMS is providing information at car-park/garage entrances regarding occupancy and vacancy numbers. This manner of communication is sufficient at the parking-facility level, but at the city or destination level, it is inadequate for the previously stated reasons; hence the need of setting up a Parking Guidance and Information system.

By using variable traffic and message signs, PGI provides motorists approaching a specific city or tourist area with information on vacant parking facilities in that area, how far away they are and how they can be reached. This gives the motorist enough time to decide which location to choose, without fear that it will fully occupied when he gets there. After that, the system assumes the guidance function and guides the motorist to the selected location with the use of VMS. If the parking system is divided according to parking rates, statistical signalisation is usually used to notify motorists of the various rate zones, letting them select the rate and service level they desire.

The main PGI tasks involve:

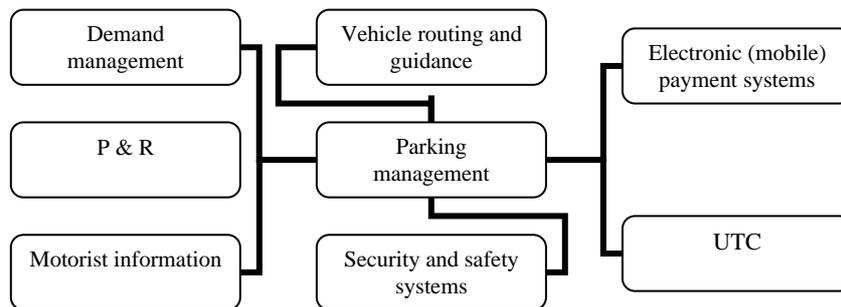
- providing the motorist with information on vacant parking spaces
- guiding the motorist to the location he has selected
- assisting motorists/tourists unfamiliar with the city road network to arrive easier and faster to a given location (which does not necessarily need to be connected to parking)
- reducing the amount of traffic caused by motorists looking for parking, and thus directly heightening the quality of life in a city or tourist destination

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<sup>3</sup> How great is the need for introducing PGI systems is illustrated in practical examples of two Croatian cities. In 1998, for the elaboration of a "Traffic Study for the City of Zagreb, a survey was conducted in Zagreb in which so-called idle driving was measured (in search of vacant parking space, vehicles are recorded two or more times at survey points). In the same year, the survey was carried out in Rijeka for a "Study on Automatic Traffic Management in the Town of Rijeka". Idle driving in the morning hours in Zagreb amounted to 30 percent and in Rijeka, 17 percent, confirming the necessity for introducing PGI solutions to these city destinations. These examples, translated into the language of traffic models, indicate that the unnecessary load on traffic space in the morning hours in Zagreb amounts to 6.4 km, and in Rijeka, 2.2 km. These values correspond to an average occupation of six metres of space per vehicle. The environmental effects of this can easily be measured – noise: the number of times a vehicle passes through a particular part of the network is reduced; fuel consumption and exhaust emissions – reductions result from shorter transportation times and improved traffic flow. (For details cf.: Gudac, V., *Uputni garazno-parkirni sustav u gradu Rijeci, Korema, Automatizacija u prometu*, Congress Proceedings, Zadar, 2003, p. 26).

- reducing the amount of traffic in downtown areas of city or tourism destinations by previously separating motorised traffic and referring motorists to use the “Park & Ride” system<sup>4</sup> (providing such exists)
- enhancing the occupancy rate of parking facilities.

**Figure 1:** The association of parking management with other ITS parts and services



The basic working principle of PGI is to gather data from all parking lots involved, process the data and present it using VMS. Input data include the number of parking spaces (total and per individual location) and the number of vehicles entering and exiting parking facilities (the most accurate way of obtaining this information is by using a boom gate). A computer is used to correlate the data captured and to add a contingent time-space reserve depending upon the rate at which the various parking facilities fill up and empty out. The processed data is sent to VMS displays placed at various locations in the city zone. Motorist information can be provided in two ways:

- in written form, such as SPACE /FULL /CLOSED
- in numerical form, showing the exact number of vacant spaces.

Although PGI can also operate as a separate system, it has a considerably greater role and potential as part of a broader ITS, where it interacts across several levels with the system's other elements (traffic-light management, guidance and supervision system for public city transportation, and others). The levels at which it interacts can range from the lowest (exchange of information) to the highest (exchange of system's basic operational parameters and the operational strategy of the city traffic network).

<sup>4</sup> “Park & Ride”, an intermodal transportation system, has found broad application worldwide, and it involves driving by car from home to a public-transportation terminal. When applied in tourism purposes, “Park & Ride” allows tourists arriving at a hotel to temporarily park their vehicle in the hotel's parking lot to settle check-in formalities and unload their luggage, upon which they leave their vehicle in a garage located in the outskirts of the city. Having parked their vehicle (“Park”), they take public transportation (“Ride”) to arrive at a destination in the city (their hotel) or to the next means of public transportation (for example, the city railway – tram, underground or city bus).

A particularly important contribution of this system is displayed during tourist arrivals to a city-tourism destination. It cuts back on the needless cruising of tourists, as well as residents, in search of a vacant parking place. This enhances the quality of a destination, and makes it easier for tourists to adjust to a situation they are familiar with because they have already encountered the same system in their home countries. Most tourists arrive at a tourism destination they are unfamiliar with and have a hard time of getting around. These types of intelligent systems can make it easier for them to find vacant parking spaces.

Considering that all advanced European countries (from which come most of Croatia's inbound tourists) generally have ITS, this will minimise confusion and disorientation. Many such systems can also be upgraded with various subsystems (for example, a subsystem for directing tourists to cultural and historical monuments and sights, museums, art galleries, attractions, etc.) that can further contribute to increasing destination quality. PGI with its subsystems should not be viewed through the fairly highly cost of this investment, but rather through the benefits that such a system can bring by enhancing the quality of city-tourism destinations.

## **5. CLOSING REMARKS**

Today, ITS concepts and strategies provide transportation development in cities and tourism destinations, throughout the entire year and during the tourist season, with the best possible response to the diverse requirements of transportation demand. In advanced countries, motorists in traffic increasingly depend upon the information they receive while driving. Before leaving for vacation, motorised tourists are greatly in need of information concerning traffic and weather conditions, the optimum route to their chosen destination, etc.

The strong desire of people to use private transportation is at odds with the need to increase the mobility, security and quality of life in cities and tourism destinations. ITS helps to create the preconditions needed in achieving the goals of traffic policies by improving the quality of public transportation, minimising the use of private transportation (driving in search of parking space, getting to one's destination using longer transportation routes with heavy traffic) and properly managing traffic areas (reducing and preventing congestion, providing timely information on extraordinary situations in the network).

ITS represents the efficient and effective application of management and IT technologies in improving the performance of transportation systems and enhancing the overall quality of life. The ITS concept stands for a comprehensively developed system that includes providing traveller/motorist information, enabling automatic toll collection (no stopping), managing transportation demands and flows, managing fleets and city logistics, ensuring the safety and security of motorists and travellers, etc.

During the tourist season, traffic congestion is a daily occurrence in almost every attractive city and tourism destination. A parking management system should be made to support a number of functions that improve the usage of and operations

connected to street or off-street parking (in open car-parks and multi-storey garages). Guiding vehicles to the closest vacant parking space helps to reduce traffic congestion and the time wasted in searching, and it increases the occupancy rate of parking lots.

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## THE PROCUREMENT PROCESS IN THE HOTEL INDUSTRY\*

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**Abstract:** Procurement has a vital role in the hotel industry, with hotel performance depending largely upon how well it operates. This role consists of ensuring the continuous supply of a hotel and its departments with the materials and equipment required to operate a hotel, enable its warehousing and transportation divisions to function properly and ensure the sales of the prepared services. The organisational structure of a hotel and its procurement department needs to be designed in such a way that will enable the hotel's objectives and tasks (which involve creating a well-designed hotel offering) to be accomplished as best as possible.

*Key words:* procurement, organisation, hotel, procurement logistics.

### INTRODUCTION

Procurement is a basic business function of any company, including a hotel. Hotel performance largely depends upon procurement. In operating terms, procurement involves organising acquisitions; surveying the supply market; planning the acquisition of materials, goods and equipment; determining the optimum quantities of goods required; placing orders; monitoring order execution; transporting and receiving materials, goods and equipment and conducting qualitative and quantitative controls; and logging, supervising and analysing acquisitions.

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In a hotel, procurement activities are managed by the Procurement Department. This department is concerned with ensuring that a hotel's production capacities are systematically supplied so as to avoid delays or disruptions in sales and production.

The primary task of the Procurement Department is to secure the coordinated flow of the production process through the timely and cost-efficient procurement of production materials, raw materials and others. The tasks of procurement are not easily carried out, because they depend not only upon internal conditions and the hotel staff, but also upon external factors, in particular, market conditions.

## 1. PROCUREMENT LOGISTICS

Logistics is an activity that encompasses all efforts required in preparing and realising, in terms of space and time, the transformation of goods, materials, services, energy and information to ensure that products and services required by tourists are provided and rendered in a timely manner. Logistics is an "ambiguous term", with even the origin of the word being varied, if not ambiguous: "logic", "calculation" and "quartering".<sup>2</sup>

Logistics applies the rules of planning, organising, managing and controlling the flow of goods, material, energy, people, knowledge and information. It is closely linked to management and organisation. In the hotel industry, logistics needs to unify the creation of an appropriate infrastructure, which would enable the entire procurement system to be in the service of hotel management. This means that in addition to procurement, transportation, warehousing, selling and providing services, logistics also involves financial and accounting operations, control and auditing, research and development, planning and analysis, and managing human resources and information flows.

A hotel should be organised in the form of a flexible and adaptable system based on logistics elements. Because the hotel operates in a turbulent environment, it is necessary to establish and optimise strategic goals, transportation technology, organisational culture, human potentials and an information and communication system. However, without the external elements that represent the environment, a hotel will not be able to adapt to its surroundings.

Procurement logistics deals with coordinating all movements and states of materials and goods from the supply market, across the preparation of a hotel offering, to sales to hotel guests. The target of procurement logistics is to supply a hotel with the appropriate goods, materials and foodstuffs, in the right quantity and in the most cost-effective way.

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<sup>2</sup> Segetlija, Z., *Uvod u poslovnu logistiku*, Ekonomski fakultet, Sveucilista Josipa Jurja Strossmayera u Osijeku, Osijek, 2002, p. 9.

The task of procurement logistics is to manage the flow of goods, materials, foodstuffs and others by selecting an appropriate procurement system. This entails selecting a type of storage, a location where the goods will be stored and the manner in which they will be delivered to the hotel. A vital task is controlling the quality of the goods procured. For tasks to be fully completed, it is necessary to control the quality of the goods and materials procured.

It is important for the hotel management to select the right logistics channel of procurement that will meet the requirements of cost-effectiveness, security and control. The features of each product vary with regard to perishability, standardisation, prices, and usage. The characteristics of materials impact greatly on the selection of procurement channels. The supply market also influences the choice of a procurement channel. The hotel management will select the market that has a variety of different participants in goods traffic and that provides a greater number of services. The attributes of the hotel will also effect the selection of a procurement channel.

## **2. ORGANISING PROCUREMENT IN A HOTEL**

Organising is “the process of arranging people and physical resources into a structured grouping to carry out plans and accomplish organisation objectives”<sup>3</sup>. Organising is a management function that defines in detail the role and executive tasks of individuals and, in turn, of the group to which the individuals belong. The group responsible for carrying out procurement tasks in a hotel is called the Procurement Division, Procurement Service, Procurement Department, etc.

How procurement will be organised is determined by the totality of links and relationships between the execution of procurement tasks and the overall task of the hotel. Also, the degree of material intensity, the structure of the product, the location of the hotel, and the complexity of the hotel will impact on the way procurement is organised.

Procurement can be organised on a centralistic or decentralistic basis, or a combination of both. When a single organisational unit is responsible for carrying out the job of procurement, procurement is said to be centralised. Procurement is decentralised when it is the task of various organisational units. There can also be a combination of centralised and decentralised procurement.

The centralised organisation of procurement seeks to centralise the acquisition of production materials, capital equipment and other hotel needs. The advantage of this type of procurement is that it ensures the implementation of a single procurement policy and supplier-relationship policy. In addition, the costs of procurement are often lower. However, due to reduced elasticity, the supply chain is longer, a fact that should be taken into account in calculating the time needed for procurement.

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<sup>3</sup> Boone, E. L., Kurtz, L. D., *Management*, McGraw-Hill, Inc. New York, 1992, p. 219.

The decentralised organisation of procurement allows other hotel departments to carry out certain procurement functions. For example, the Purchasing Office can procure office supplies; the Engineering Department, capital equipment, and so on. The advantage of this type of procurement is that it is accomplished in a shorter time and it is usually more effective.

To circumvent the drawbacks in both types of organisation, a combination of the centralised and decentralised method is generally applied in organising procurement.

A distinction can be made between the internal organisation of procurement and its external organisation.

The internal organisation of procurement involves organising a procurement department in which overall acquisitions, according to quantities and the procurement schedule, are allocated either according to a hotel's internal nomenclature, or according to nomenclature elaborated per economic branches. Categories usually include primary production materials, auxiliary materials, small inventory, fuel, etc. Each category can be further decomposed, depending upon the factors stated.

The external organisation of procurement involves organising purchasing stations and surveying the materials market.

### **3. PROCUREMENT MANAGEMENT**

Procurement management is the process of coordinating procurement factors to accomplish specific objectives. The task of procurement management is to focus its activities on achieving objectives through the work of the Procurement Department's staff.

The Procurement Department is vital in supplying a hotel and its departments with the materials and equipment required to operate the hotel, enabling its warehousing and transportation divisions to function properly and ensuring the sales of the prepared services. This department is responsible for securing the acquisition of all needed goods and inventory under the most favourable conditions and ensuring the storage of goods and inventory acquired. The effectiveness of a Procurement Department is a precondition to a hotel's performance, for the simple reason that when this department is properly organised it can yield substantial earnings and enable top-quality service.

A procurement manager heads the Procurement Department. The manager is responsible for the acquisition of the right types and quantities of materials, goods, equipment and services for the planned work operations to be carried out. As this requires the mobilisation of substantial funds, it is essential that procurement is as efficient and effective as possible. Poor quality and expensive materials, goods, equipment and services have a direct impact on the quality and cost of the entire hotel offering. The untimely acquisition of goods needed may lead to delays in the

production process that will be reflected in the existing, as well as the future, hotel offering. Should a procurement manager decide to procure a large quantity of goods to secure the production process, this will result in large stocks that require the mobilisation of funds and cause business costs to grow.

The job of a procurement manager is to survey the supply market, plan procurements, contract the procurement of hotel assets (fixed and current), organise the transportation of goods to the warehouse, organise the storage and conservation of goods, keep records on goods and assets procured, monitor stocks, collect requests for procurement, track the delivery of goods contracted, check the invoices of suppliers and propose measures for improving procurement.

As in other industries, procurement in the hotel industry must be carried out according to the Public Procurement Act and the Regulation on the Procurement of Goods, Work and Services of Small Value. The Public Procurement Act governs the conditions and practices of public procurement that precede a contract for the supply of goods and service or contract awarding.

#### **4. CONCLUSION**

The Procurement Department plays a vital role in hotel operations. This role consists of supplying a hotel and its departments with the materials and equipment required to operate a hotel, enable its warehousing and transportation divisions to function properly and ensure the sales of the prepared services. The Procurement Department is also responsible of securing the storage of goods and inventory procured. It must take care not to procure overly large quantities of stock and to ensure the shortest possible storage period.

Procurement is a complex process that must meet the conditions determined by the technology of work processes within a hotel. The procurement process in a hotel involves entering materials into stock according to categories, warehousing materials according to categories, issuing materials from stock according to categories and costing points, and keeping financial records.

The objectives of a well-developed procurement process are to supply sales points with the right goods and materials as required, maintain the quality of services and the overall hotel offering, and cut back on costs. Planning, which is extremely important, is carried out based on analysing the structure of future demand for the hotel's offering and on analysing the market of goods and services.

The procurement manager puts forward to the top management proposals for strategic plans, objectives and tasks, as well as for tactical and operating procurement plans. It is also necessary to draw up a stock balance according to time schedules, quantities and quality, and to select the best possible supplier.

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## MANAGING INFORMATION AND INTELLECTUAL CAPITAL IN THE DEVELOPMENT CONCEPT OF TOURISM DESTINATIONS\*

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**Abstract:** Tourism of the twenty-first century is evolving into an industry of entertainment, active holidaymaking, events and experiences. By innovating their development concepts based on original solutions and ideas and through the synergy of tourism supply providers and the local population, tourism destinations need to take an active part in creating the future and find answers to the key issues of: (1) how to be better and different relative to the competition, (2) how to more fully meet the needs of modern clients. In permanently optimising a destination's offering, it is vital to use the new strategic orientations of benchmarking, business intelligence (competition), IQM and CRM (clients) to gather and transform data into information and knowledge as a starting point for making decisions and devising a destination's development concept. The key is to identify what is essential in a plethora of data and to manage information in selecting a variant of development that provides the greatest likelihood of success. On the globalised, turbulent marketplace, intellectual capital and information are becoming primary resources in gaining higher competitive advantages (speed – time).

*Key words:* information, intellectual capital, development concept, destination, innovation.

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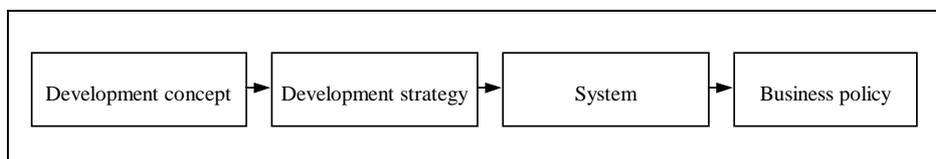
## INTRODUCTION

The turbulent environment of the twenty-first century (the evolution of tourist preferences and the differentiation of competitor activities) is giving rise to new challenges in the development of tourism destinations. Merely managing change is no longer enough. Instead, it has become necessary to actively create the future by innovating the offering in order to reposition a destination above its competitors and demand. Managing data to create information and knowledge and implementing intellectual capital in the development concept and strategy is the key to a proactive approach. The future belongs to the destination that is capable of seeing opportunities before they become obvious. Through the rethinking of development and business decision-making, information management should result in expanding those aspects of the offering that are crucial to attracting potential tourists today and tomorrow.

### 1. TOURISM DESTINATION DEVELOPMENT-CONCEPT MODEL

Based on a tourism destination's existing situation and resource base, a development concept model needs to be put in place that will provide a qualitative response to market challenges in an uncertain future within a new value system on the marketplace. It needs to undergo continuous change in keeping with the increasingly discerning requirements of demand and activities of rivals. The competitive ability of a destination signifies that not only does it hold a competitive advantage in its current market niche today, but that it is also ready to respond to all market incentives tomorrow by building its own competencies in the present.

**Figure 1:** Development design model



Source: By the Author.

A development design model encompasses four closely linked notions:<sup>2</sup>

- **Concept** – This represents a set of rules and principles upon which depends the selection of a strategy as a dynamic discipline and the choice of a system and business policy to accomplish an enterprise's goals and mission. This means anticipating the future in the present. The concept serves to identify the enterprises objectives or mission and its long-term goals, determine alternative strategies and choose optimum lines of development, and to help allocate resources to achieve these goals. It represents the game plan that is defined by the enterprises goals, opportunities and resources for growth and development.

<sup>2</sup> Stipanovic, C., *Koncepcija i strategija razvoja u turizmu – Sustav i poslovna politika*, Fakultet za turistički i hotelski menadžment u Opatiji, Opatija, 2006, p. 13.

- Strategy – A strategy represents the activities a business undertakes in carrying out its development concept to achieve corporate goals. It is an expression of “will do” as a continuation of the concept’s “can do”. It is used to confront today’s and tomorrow’s growing uncertainties caused by the increase in and networking of a company’s internal uncertainties with the external uncertainties of its environment. This is a live discipline that does not require a formal design.
- Business development system – This represents the totality of activities, interactions and links needed to realise the development strategy with the intention of accomplishing business objectives. The management sets up and optimises the business development system to ensure the continuous improvement of destination processes and projects, based on knowledge and intellectual capital, in creating new values and accomplishing objectives.
- Business policy – The final link in the development design model, a business policy, in the present and in the future (development policy), is used in trying to realise business goals and the state desired, within a changing environment. This involves operationalising the development strategy and realising a business development system focused on growth and development.

A development concept model represents the permanent activity and synergy of all stakeholders of a destination’s offering and the local population, aimed at improving performance in terms of quality (destination IQM) and achieving competitiveness in a turbulent marketplace. This model highlights a destination’s attractions and distinctive features, with individual tourism providers differentiating services and facilities with the purpose of attracting potential tourists. In the globalised tourism industry of the twenty-first century, “either-or” alternative strategies no longer have a place in development concepts. A synergetic resultant is formulated that embodies the best of each concept and strategy in response to challenges emerging within the dynamic tourism market. Continuous efforts are made with a view to optimisation, finding better business models, and adjusting to future changes. The success of a development concept model depends upon information management and the level of intellectual capital of the stakeholders in a destination’s offering.

## **2. IMPORTANCE OF INFORMATION AND INTELLECTUAL CAPITAL IN THE FUNCTION OF DEVELOPMENT**

In a development concept model, the tourism destination needs to valorise information and intellectual capital as the most important resources (proficiencies, skills, competencies, creativity and inventiveness are becoming the most essential sources of long-term comparative advantages for economic growth) in generating competitive advantages based on quality, cost and focus (Porter’s generic competitiveness model) and innovations (quick response) as a crucial advantage in twenty-first century tourism. Tourism destination logistics, a vital factor of the value chain, is transformed into the logistics of information and knowledge as the basis for selecting a development concept. Meaningful information provides direction for the

development of the destination at the macro level and for development of tourism providers at the micro level, while reducing uncertainty and identifying change as opportunities that can be valorised to enhance the strengths of both the destination and tourism providers. The aim is to resolve problems and bridge the gap between the limitations of reality and the unlimited opportunities for destination development, that is, to facilitate the knowledge-based transformation of a destination from a low-profit to a high-profit area. It is about engaging and encouraging the intellectual and creative forces of all tourism providers in the destination in managing change in their environment, and creating new competitive advantages.

Meaningful information is the basis and starting point of all of the activities of a destination. It has the following characteristics: its value grows through repeated use; it is not subject to the law of conservation of matter and energy; any number of users can use it simultaneously; it requires little energy and space; it enhances work productivity and business efficiency. Information coordinates over all other resources, which gain in value through its use in business decision-making. It has the right value providing it is accessible at the right time and in the right place. It implies a change in mindset and it impacts on the behaviour and judgment of the recipient of information. Today, technology is no longer the greatest challenge. The challenge is to use information in an intelligent way.

In the post-information society of the twenty-first century, the body of knowledge doubles every two years. Given this plethora of data, being able to identify the key data and transform them into information and knowledge as the basis of decision-making is crucial. This is an especially complex task in conditions of “daily values” when it is not known whether the information obtained today will be valid tomorrow. The only constant presence in the marketplace is change (change in demand, supply, competition, in the external and internal environment). In conditions such as these, it is imperative to react, change and innovate, because waiting means stagnation and doom. Information must become a basis for anticipating change, and it must be incorporated into intellectual capital to help innovate the concept of development. Intellectual capital represents a dynamic concept, a strategic orientation, and an imperative in generating new knowledge, understanding and activities in the affirmation of knowledge. “Intellectual capital represents the totality of knowledge, information, technology, intellectual rights, experience, organisational learning, competencies, client relationships, and brands within a company”<sup>3</sup> or “the totality of intangibles that create value and competitive advantage”<sup>4</sup>. It involves using materialised knowledge in practise to create competitive advantages. Knowledge is a renewable source, it recognises no boundaries, and its value grows the more it is used. New discoveries open up a new view of the future, a view towards future lines of research. Each new discovery reveals how much we still need to learn and how new knowledge can be deepened at an increasingly faster and more efficient rate. The number of discoveries will grow propulsively in opposition to the argument that all

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<sup>3</sup> Stewart, T. A., *Intellectual Capital: The New Wealth of Organisations*, Doubleday/Currency, New York, 1997, p. 23.

<sup>4</sup> Edvinsson, L., *Developing Intellectual Capital*, Long Range Planning, Vol 30, 3/1995, p. 8.

epoch-making discoveries have already been made. Key to this process is the transformation of new data and information into knowledge.

### 3. TRANSFORMING INFORMATION INTO KNOWLEDGE

Information regarding clients, competition and other market activities must be embedded in knowledge, business intelligence and a new development concept aimed at multiplying and increasing profits. The objective is to create information capable of opening new business horizons in the decision-making process before the competition does. Information needs to become the basis for anticipating change; it should encourage change and needs to be embedded in the on-going process of optimising the development concept to improve performance. "Intelligence raises information to a higher level within a company. Data and information are objects. Intelligence is organic, it is derived from information, and it contributes to the state of a company, which can be characterised as collective intelligence. Intelligence is the result of a comprehensive assessment of information, past actions and opportunities. Once created, it tends to spread through a company."<sup>5</sup> It implies the ability to understand and cope with new circumstances, the ability to discover the regularities between facts and problem solving. Providing a destination with a new view of the future, it represents an organised body of knowledge of one's performance and of all the determinants of the external environment. Twenty-first century knowledge needs to discard obsolete paradigms, and embrace new understandings and evolve from the obsolete phase into the phase of intelligent and applicable knowledge. The question is how can knowledge be implemented, that is, how can knowledge be used to optimise business. Knowledge is becoming the key to managing change and actively creating the future.

**Table 1:** Interfacing obsolete and intelligent knowledge

Obsolete knowledge	Intelligent knowledge
Knowledge of the determinate (facts)	Knowledge of transition, dynamics, forms
Focus on laws of ossification	Focus on laws of oscillation
Knowledge that objectifies itself	Knowledge that generates growing mental energy
Logic and logical thinking as a choice	<i>Transligion</i> as a source
Sagacity	Wisdom

Source: Gerken, G.: Mind Management, Econ Verlag, 1994, p. 9.

Knowledge management is carried out in four key areas:

- Innovativeness – recruiting and implementing new operatives; bringing operatives together in virtual, development teams; creating forums for cooperation and the exchange of ideas - all of this free from the limitations of space and time;

<sup>5</sup> Liautaud, B., Hammond, M., *e-Poslovna inteligencija*, Prudens-Consilium, Varazdin, 2006, p. 123.

- Response speed – the availability of information to managers as a starting point for activities aimed at providing a timely and more effective solution to client (tourist) demands. This also involves being able to detect weak market signals as they emerge and to respond as quickly as possible if a competitive advantage is to be gained;
- Productivity – embracing and sharing best business practises as well as other useful knowledge to eliminate redundant activities and the time required for problemsolving;
- Education – the continuous development of skills, competencies and knowledge of operatives based on the concept of lifelong learning. The most profitable investment is the one made in education.

Intellectual capital needs to be firmly embedded in the development concept and strategy of a destination to enable qualitative improvements and the diversification of the tourism offering and all segments of tourism operations.. Competitiveness on the tourism market of the twenty-first century cannot be gained using knowledge acquired in the twentieth century; instead, new knowledge, understanding and discoveries must be consistently acquired, and research, continuously conducted. Gaining new knowledge, concepts, research methods and overcoming uncertainty is all about learning to live in a turbulent environment. “The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic”.<sup>6</sup> To this end, it is necessary to implement new strategic orientations within a tourist destination and to break down all resistance to change.

#### **4. NEW STRATEGIC ORIENTATIONS OF TOURISM DESTINATIONS**

The tourism industry of the twenty-first century is growing ever more propulsive, dynamic and turbulent under conditions of increasingly fierce competition, and it is transforming its traditional offerings into an industry of entertainment, events and active holidaymaking commensurate with ever more sophisticated tourist preferences. Through its development stages, tourism takes on new forms and seeks to meet the increasingly stringent criteria set for the wide range of tourism products and services; it is constantly being enriched with new motivations that bring about decisive changes to the purpose, manner and contents of holidaymaking. Novel facilities and services look to bring about a qualitative shift away from the existing offering, a step further in fulfilling the increasingly discerning demands of tourists. The development of new tourism based on ecology and sustainable development is specified through the identification, assessment and valorisation of all potential and actual tourist attractions with the purpose of creating new tourist experiences. Demand has become more dynamic and heterogeneous, and it is very difficult to anticipate the direction and speed at which tourist preferences are likely to develop. Tourists are setting higher criteria by developing preferences that are ever more sophisticated. Tourism supply is striving to lessen the gap between its own static and limited nature and the demands of today’s

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<sup>6</sup> Drucker, P. F., *Inovacije i poduzetnistvo*, Globus, Zagreb, 1992, p 123.

tourism markets (competitors, clients). By rethinking development and applying proactive marketing, it is crucial to predict future demand, that is, to define future forms of the offering and generate demand for this segment of the offering. The tourism offering should not be adapted to current demand because of its static nature and the time needed for adjustment. By the time an offering reaches the required level of adjustment, new requirements will already have crystallised in the marketplace. In creating a new tourism offer, it is crucial to be the first to do so, because no copy can stand up to the original. "Competitive ability can be gained only by competing, and the performance of an enterprise in the future will increasingly depend upon diversity and readiness for the changes to come."<sup>7</sup> Regardless of how absurd or financially unsound it may seem to us today, the offering in the future will be adapted to each individual client.

To adjust to the new system of market values, a destination needs to introduce standardisation, implement information technology, train operatives and a new generation of destination managers, define IQM (a destination's integrated quality), carry out qualitative changes to destination management...In developing, a destination must manage information regarding rivals and clients by establishing new strategic orientations:

- Benchmarking – directly comparing and interfacing one's practises to those of the closest or best rivals in order to enhance one's own strengths and overcome weaknesses. Benchmarking provides a destination with guidelines to improving its problem-solving and business processes, it solutions and functions. It indicates the need of breaking with the previous way of doing business that has failed to yield the results desired, and putting in place new or modified practises.
- Business intelligence – a strategy that focuses on gathering and analysing external information, as the starting point of business decision-making, based on the implementation of modern software and IT solutions. BI is a systematic and ethical way of capturing, gathering, sorting and analysing publicly available information on the activities of competitors, based on which future business trends can be predicted to help establish and ensure one's competitive ability in the marketplace.
- CRM – a process or methodology used to study and analysis client needs and behaviour for the purpose of creating a better and more personalised relationship with each client. It represents a synergy of sales and marketing and serves to create an image of potential clients that will help to determine in which way they should be treated and handled.

The primary issue is how to capture as much meaningful data on rivals and clients, and how to transform this data into information and knowledge. Today 80 percent of all information is available in the marketplace. The problem with this plethora of information, however, is how to select information that is crucial to making the business decision that is most likely to ensure success. Based on the information captured, a company's analysts should use development scenario and timelining

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<sup>7</sup> Dujanic, M., *Upravljanje promjenama u poduzeću*, Proceedings of the Faculty of Economics of Rijeka, Rijeka, Vol. 24., No. 1, 2004., p. 51.

methods in an attempt to forecast and anticipate future business moves of competitors and clients. Development scenarios for other stakeholders within the environment are incorporated into a destination's development concept to help strengthen its market position. With an aim to improving a destination's market position, the objective is to forecast all the activities of rivals and clients and to be ready to undertake counteraction against any action they may take. Should the competition catch a destination unprepared, it will require time and resources for the destination to come up with an appropriate response, which will have an adverse impact on its financial results. The problem is that the market is becoming increasingly more dynamic, making it necessary for development concepts to be continuously changed, modified and optimised. An optimum state does not exist; a destination's performance can and must always be improved upon based on information and knowledge in order to bring about its growth and development.

## 5. CONCLUSION

In the process of innovating its development concept and adjusting to a new value system, a tourism destination must enrich its tourism product while improving promotion in order to reposition itself on the tourism market. The objective of a destination development concept must be to implement and assert intellectual capital in practise in solving concrete problems and situations in optimising operations. The challenge lies in uncovering what we have (intellectual capital and information) and in using it. An advantage will be gained by the destination that is more successful in managing data, information and knowledge in logistic processes to create new values. There is a continuous commitment towards implementing new strategic orientations, mutual learning and creating new knowledge as a starting point in gaining competitive advantages at higher, qualitative levels (innovations).

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## PPP IN CROATIAN TOURISM: CHANCE FOR CROATIAN FAMILY HOTELS

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**Abstract:** In the last fifty years world tourism and hospitality industry experienced a phenomenal growth of international tourist arrivals, overnights and receipts. It is widely recognized that the tourism became one of the most dominating socio-economic activities at the beginning of the 21<sup>st</sup> Century. The example of Croatia speaks in favour of that statement. Tourism is the most prosperous industry and the essential development factor in Croatia. The great share of tourism results refers to family business that is of high importance to development strategy of Croatian tourism. Family business in Croatian tourism is based on households and family hotels. Family hotels are recognized on the tourism market by its original and identifiable service imbued with indigenous values and cultural heritage, diversity and individuality. Moreover, they are the most sound and prosperous segment of Croatian tourism and their top-level quality and high professionalism are basic elements of tourism development. Croatian strategic tourism development documents highlight the participation of private sector in tourism development. One of the possible ways of such participation is through public-private partnership (PPP). There are many examples of public-private partnerships in tourism around the world. According to world experiences, marketing and promotions and product development are the main areas where public-private partnership has developed. Despite the fact that tourism is very important economy generator, Croatian experiences with integral implementation of public-private partnerships in tourism are only at the beginning. The aim of this paper is to examine how Croatian family hotels could take a part in establishing public-private partnerships in tourism. Considering the world best practices on public-private partnership in tourism investment, the paper also suggests two acceptable partnership models. The first is related to existing tourism clusters while the second is more innovative and is related to the development of a new tourist complex. Proposed public-private partnership model for the new tourist complex development includes government (on local or/and national level) as public sector representative and family hotels as private sector representative. The paper also examines necessary prerequisite conditions for establishing such a partnership offering a win-win solution for all project stakeholders.

*Key words:* public-private partnership (PPP), tourism, family hotels.

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## INTRODUCTION

In the last fifty years world tourism and hospitality industry experienced a phenomenal growth of international tourist arrivals, overnights and receipts. It is widely recognized that the tourism is making a significant contribution to the socio-economic development of many countries.

The example of Croatia speaks in favour of that statement. Tourism is the most prosperous industry and the essential development factor in Croatia that both directly and indirectly accounts for approximately 22,4 per cent of total GDP and 27,4 per cent of total employment. The great share of those results refers to family business that is of high importance to development strategy of Croatian tourism. Family business in Croatian tourism is based on households and family hotels. Family hotels are recognized on the international tourism market by their high professionalism and original and top-level service imbued with indigenous values and cultural heritage, diversity and individuality. Considering their current results and future potential, they represent the most prosperous segment of Croatian tourism.

In the last two decades, public-private partnership (PPP) became a world trend resulting in numerous projects in power-supply, transportation, telecommunications, public utilities but also tourism. In addition, public-private partnerships in tourism are well accepted around the world by both developed and developing countries and can be established at all levels of tourism and can include both tourism and non-tourism sectors.

The participation of private sector and especially family hotels in Croatian tourism is highly recommended. Public-private partnerships could be one of the possible ways of such participation.

## TOURISM – THE GENERATOR OF CROATIAN ECONOMY

Tourism in Croatia is the most prosperous industry and is of great importance for both the government and the private sector. The tourism industry involves a wide range of players from both the public and private sectors and they can significantly contribute to enhance the excellence of the Croatia in general. The degree of importance of tourism could be analysed by some statistical data (Table 1). Over the last several years Croatian tourism registered constant raise in total number of tourist arrivals and overnights. In 2005 there were registered almost 10 million tourist arrivals and 51,4 million tourist overnights with more than 80 per cent international.

**Table 1:** Croatian Tourism Statistical Data for Selected Years

Year		1996.	1998.	2000.	2002.	2004.	2005.
Tourist arrivals	Total (in 000)	3.899	5.449	7.137	8.320	9.412	9.995
	% of internat.	67,9	75,4	81,7	83,4	84,0	84,7
Tourist overnights	Total (in 000)	21.455	31.287	39.183	44.692	47.797	51.420
	% of internat.	77,1	83,1	88,4	88,8	88,9	89,4
Beds	Total	645	725	759	804	-	-
	% of main	31,1	27,6	-	-	-	-
Average length of tourist stay/in days		5,5	5,7	5,8	5,7	5,4	5,1

Source: Croatian Bureau of Statistics (2000); Ministry of the Sea, Tourism, Transport and Development

Total tourist demand in 2003 is estimated at almost 8 billion USD. Foreign tourist expenditure is estimated at around 4,6 billion USD what makes around 40 per cent of total Croatian export.

The importance of tourism for Croatian economy could also be examined by the shares that tourism has in total GDP and total employment. World Travel & Tourism Council (WTTC) claims that tourism in 2003 directly accounts for approximately 2.5 billion USD or 10,6 per cent of total Croatian GDP and 139 thousand jobs or 13 per cent of total employment in Croatia (Table 2). Both directly and indirectly, tourism contribute with 5,4 billion USD or 22,4 per cent of total GDP and 294 thousand or 27,4 per cent of total employment in Croatia. As shown in Table 2, tourism in Croatia contribute to GDP and employment more then EU and world average.

**Table 2:** Travel&Tourist Satellite Account – the Contribution of Tourism to Economy

Contribution/Year		2001.	2002.	2003.	2013. (estim.)
<b>1.Direct Contribution</b>					
Croatia	- GDP	12,7%	12,3%	13,0%	15,9%
	- Employment	9,8%	9,8%	10,6%	14,8%
EU	- GDP	-	-	4,2%	4,4%
	- Employment	-	-	4,5%	4,8%
World	- GDP	-	-	3,7%	3,8%
	- Employment	-	-	2,6%	2,9%
<b>2.Direct and Indirect Contribution</b>					
Croatia	- GDP	27,3%	26,2%	27,4%	33,9%
	- Employment	20,8%	20,8%	22,4%	31,6%
EU	- GDP	-	-	11,5%	12,5%
	- Employment	-	-	12,5%	13,6%
World	- GDP	-	-	10,2%	10,8%
	- Employment	-	-	7,5%	8,4%

Source: WTTC, 2003

Despite those considerable results, Croatian tourism is also characterised by some negative aspects:

- inadequate accommodation structure in destination – hotels account for 12,2 per cent, camps 25,3 per cent and households 48,8 per cent of total number of beds,
- short length of stay in destination – in 2005 only 5,1 day on average,
- pronounced seasonality – around 86 per cent of total overnights are made during the four summer months,
- low average utilization level of accommodation capacities,
- shortage of moorings in marinas, especially moorings for yachts more than 20 meters in length,
- natural resources and accommodation make the base of tourist offer,
- traffic infrastructure in destination does not satisfy,
- tourists are the most dissatisfied with those elements that make quality of tourism supply, or in other words with the level of organization in destination and with the substance of tourism offer – attractions, services and other activities.

### **FAMILY HOTELS AS A REPRESENTATIVE OF SMALL BUSINESS IN CROATIAN TOURISM**

Similar to other EU countries, small business is highly important segment of Croatian economy which includes more than 99 per cent of total number of business subjects, accounts for more than 65 per cent of total employment and makes approximately 55 per cent of total GDP. In comparison, in former EU-15 small business includes more than 99,8 per cent of total number of business subjects, accounts for more than 66,4 per cent of total employment and makes approximately 63 per cent of total GDP. Countries that join the EU later also have very similar data.

Although there are no relevant statistical data for tourism industry, it could be undoubtedly concluded that great share of total tourist results on national level refers to small business. Family entrepreneurship and/or family business are relevant representatives of small business in tourist industry and they are of high importance to development strategy of Croatian tourism.

Family business in Croatian tourism industry is based on households and family hotels. Although households account for more than 45% of total accommodation capacities in Croatia they are not the subject of interest of this paper. Qualitatively only few could satisfy present tourist demand. For those capacities that are not in congruence with present and future tourist trends there are only two solutions – adjustment/modernization or closure.

Family hotels in Croatia arise on the basis of households tradition. There are approximately 200 family hotels that account for only 7 per cent of total accommodation capacities. Their average value is around 1,5-2 million EUR, they have approximately 15 employees and at most 50 rooms or 25 apartments (Stipanovic, 2006; Dukovac, 2006). The majority is situated in seaside destinations but they are also very popular in continental destinations.

For comparison, Italy has 23 thousand small and family hotels, Greece and Austria 10 thousand each. Small and family hotels in that countries account for 70 per cent of total hotel accommodation. Moreover, the Croatian family hotels have occupancy rates that are 40 per cent worse than European and prices that are 40 per cent lower than European (Dukovac, 2006). Those data reveal great growth potential Croatian family hotels have.

Small and family hotels in Croatia are allied in Association of Family and Small Hotels of Croatia that is very active in representing the interests of its members. The Association opened info-call centre in 2005 with purpose to give financial, marketing and other information to anyone interested in joining the business. It has also significant influence in tourism planning at national level and is very considerable partner to Croatian Ministry of the Sea, Tourism, Transport and Development and other tourism organizations.

Some of the major problems for family hotels emerging from doing business include insufficient financial potential/power, inferior access to financial assets (banks and other financial institutions), shortage of adequate market information, inferior negotiating power in relation to suppliers and tourist agents etc.

Despite the few problems, there are much more positive aspects of family hotels such as:

- family atmosphere and hospitality,
- innovative and flexible but highly professional and top-level services,
- each hotel represents specific micro location and offer unique tourist experience,
- original and identifiable service imbued with indigenous values and cultural heritage, diversity and individuality,
- entrepreneurship and management functions are integrated,
- simple organizational structure with high independence of management and employees,
- high motivation of employees and team work.

It could be concluded that family hotels are the most sound and prosperous segment of Croatian tourism and their top-level quality and high professionalism are basic elements of tourism development. Croatian Government recognized a huge potential that family hotels have and launched a special credit line and support program *Initiative for Success* in 2002. Under the program 164 small and family hotels were built and started business. In next three years it is planned that 300 more small and family hotels projects will be realised while in next 5-7 years it is expected that Croatia have 1.000 new small and family hotels with 70.000 new beds (Dukovac, 2006).

Some positive examples of family hotels in Croatia are hotel *Vicko* in Starigrad, *Villa Laetan* in Peroj, *Valsabbion* in Pula, *Manora* in Nerezine, *Sv.Mihovil* in Trlje, *Villa Neretva* in Opuzen etc.

### **PUBLIC-PRIVATE PARTNERSHIPS – WORLD EXPERIENCES**

Public-private partnerships (PPPs) are essentially partnerships between public sector organizations and private sector investors and business for the purpose of designing, planning, financing, constructing, providing and/or operating infrastructure, facilities or related services (Kim, Kim and Lee, 2005). The key motivator to partner is that all partners, whether from the private or the public sector will benefit from the partnership.

For the public sector, a partnership with private sector can bring access to new sources of capital, private sector innovation, accelerated development of infrastructure assets, better asset utilization, maintenance or improvement of service levels, risks and responsibilities sharing, access to skills, better value for money. Public-private partnership offers more business opportunities to the private sector.

Public and private sector working together could achieve a synergic effect. In order to establish any successful partnership, it's necessary to recognize partnership as a business relation wherein partners share the risks, rewards and responsibility for the success or failure of the initiative. The basis of a partnership lies in the partners sharing both risk and return (CTO, WTO, WTOBC, 2004).

In the last fifteen years, public-private partnership became a world trend resulting in numerous projects in power-supply, transportation, telecommunications, public utilities, sport facilities, education facilities including student accommodation facilities, hospitals, government office buildings etc.

Some more common forms of public-private partnership include Operations & Maintenance, Design-Build (DB), Turnkey Operation, Wrap Around Addition, Lease-Purchase, Temporary Privatization, Lease-Develop-Operate (LDO) or Buy-Develop-Operate (BDO), Built-Transfer-Operate (BTO), Build-Own-Operate-Transfer (BOOT) etc. (GAO, 1999; Juricic and Veljkovic, 2001; Kim, Kim and Lee, 2005).

When public-private partnerships are used in the appropriate context, government can realize important benefits, and contrary, without examining their suitability to specific circumstances some risks may appear.

Potential benefits and risks include (Kim, Kim and Lee, 2005):

**Potential benefits:**

- Cost savings,
- Risk Mitigation or Risk Sharing,
- Improved service levels or maintaining existing levels of services,
- Enhancement of revenues,
- More efficient implementation,
- Other economic benefits (increased employment and economic growth, "export" of expertise etc.).

**Potential risks:**

- Loss of control by government,
- Increased user fees,
- Political risks and labour issues,
- Accountability issues,
- Unreliable service,
- Lack of competition,
- Reduced quality or efficiency of service,
- Bias in the selection process.

### **Public-private partnerships in tourism**

Concerning tourism, in the early years of tourism development, governments have played pioneering role in providing the basic infrastructure and facilities necessary to open up areas of the country to tourism and to attract growth. Also, the governments have traditionally played a key role in the promotion of their countries as tourist destinations. However, the growth of tourism enhanced its potential commercial value and private sector became more and more interested in the business opportunities it offered (WTOBC, 2000).

At the same time the government started to disengage from tourism in favour of the private sector and see their role more as that of facilitator, or stimulator of private sector investment. Traditional government role is still important in developing and transition countries, especially in the case of tourism development due to overall and particular effects that tourism has on development.

Increased interest of private sector led to opposite extreme - until recently, the travel and tourism industry has been hesitant in establishing public-private partnerships, because of the very competitive market within which it operates. However, public-private partnerships can do quite the opposite and there is a growing awareness of the benefits of partnerships in present times.

According to world experiences, marketing and promotions are the main area in which public-private partnership has developed. Product development, human resources - education and training, technology and operations, advocacy, safety and security, financing and investments are some other areas in which partnerships could have significant contribution to tourism growth and an increasingly competitive industry (WTOBC, 2000; Kim, Kim and Lee, 2005).

Partnerships in fact form for a variety of reasons. Some typical partnership objectives include (CTO, WTO, WTOBC, 2004):

#### **Products**

- Enhance and preserve resources
- Set quality standards
- Develop attractions, theme parks & accomm.
- Provide technical support for innovative product development programs
- Contribute to the economic wealth of the community
- Create sustainable development of tourism sector
- Overcome trade and investment barriers
- Protect consumers
- Deal with competition

#### **Research and Technology**

- Provide research and measurement methodologies
- Implement Tourism Satellite Accounts
- Enhance technological innovation and application

#### **Human Resources**

- Set service and quality standards
- Provide training and education programs
- Improve productivity and innovation

#### **Marketing and Sales**

- Improve destination image
- Improve marketing efficiency
- Improve market coverage and reach
- Provide support for electronic marketing and distribution, including Internet
- Provide support for participation at trade shows
- Harness power of co-op marketing programs
- Access new markets

#### **Infrastructure**

- Improve roads, transport infrastructure& basic services
- Provide impetus for intermodal transport
- Improve public health and sanitation
- Improve safety and security
- Enhance telecommunications system

#### **Financing**

- Obtain investment and funding
- Leverage public investment
- Obtain start-up financing
- Improve yield

In addition, public-private partnerships in tourism are well accepted around the world by both developed and developing countries and can be established at all levels of tourism (local, provincial, national, even international). The opportunity to partner is not just with organizations that are traditionally viewed as being within tourism sector and partnerships can include both tourism and non-tourism sectors.

In the context of this paper, selected ‘best practice’ case studies could illustrate the variety of partnerships and give guidance on how to build, implement and further develop partnerships (Table 3 and Table 4).

**Table 3:** Selected Case Studies around the World - Europe, Caribbean and Latin America and Africa

Regions	Case Studies	Partners	Areas of cooperation
<b>Europe</b>	Revitalizing a core tourism asset: Hungary’s Spa and Wellness Industry	Prime Minister’s Office Hungarian Tourist Offices Other Ministries Private Sector Parliament Tourism Committee Municipalities	Product development, infrastructure, financing, human resources
	Creating a tourist cluster: the Armada Hotel, Istanbul	Armada Hotel Sabahattin The Fisherman Restaurant Sehir Restaurant Alafranga Restaurant Turkish Government	Product development, financing
<b>Caribbean and Latin America</b>	Creating a comprehensive development program: Small Tourism Enterprise Project (STEP), Caribbean	Organization of American States (OAS) United States Agency for International Development (USAID) Partners on specific projects: CAST, IFC, CHA, private sector working groups	Product development, marketing & sales, financing, human resources
<b>Africa</b>	Integrated Tourism Development Programme for Ghana	Ministry of Tourism Related ministries, departments and agencies Ghana Tourist Board World Tourist Organization (WTO) United Nations Development Programme (UNDP) Ghana Tourism Federation (including hotel, restaurant, car rental associations)	Research & planning, product development, infrastructure development

**Table 4:** Selected Case Studies around the World – Middle East, Americas and Asia

<b>Middle East</b>	Creating a destination: the Red Sea Riviera, Egypt	Tourism Development Authority (TDA) Banks, International and Domestic Local Authorities Environment Ministry Private-Sector Investments	Product development, infrastructure, financing
<b>Americas</b>	Bridging the gap between non-traditional partners: Canadian Sport Tourism Alliance	Canadian Sport Tourism Alliance (CSTA) Canadian Tourism Commission (CTC) Sport Canada Approximately 50 municipalities across Canada Sport event rights holders Sport tourism service providers	Product development, research & technology
<b>Asia</b>	Development of Jungmun Tourist Complex, Republic of Korea	Government of the Republic of Korea Jeju Provincial Government Korea National Tourism Organization (KNTO) Individual private companies/investors	Financing & investment, product innovation

Source: WTOBC, 2000; CTO, WTO, WTOBC, 2004

There are more other examples of public-private partnerships like the *Cruise tourism policy* of Grenada in the Caribbean (WTOBC, 2000). It is a very important example of public-private partnership in the area of *tourism master plan development*. The result of a joint effort of all partners (Ministry of Tourism, Grenada Board of Tourism and shipping agents, tour operators and taxi associations) was a policy which is going to serve as a guide. In this manner, it was expected to improve service and facilities offered to cruise passengers, to enhance visitor satisfaction and generate increased business.

One of the most impressive formulas of tourism promotion and marketing operate under the name *Maison de la France*. It is a determined, commercially minded combination of public sector and private sector funds and interests. This partnership involves the central government, the different provincial and local authorities, the tourism professionals and linked sectors of the economy such as automobile manufacturing, department store chains, high fashion goods and French perfumes (Owen, 1992; WTOBC, 2004).

### **IMPLEMENTATION OF PUBLIC-PRIVATE PARTNERSHIPS IN CROATIAN TOURISM**

Despite the fact that tourism is very important economy generator, there are no real experiences about integral implementation of public-private partnership models in Croatian tourism. Various types of partnership are just in early phases of application.

A public-private partnership with the longest existence is the Croatian Tourist Organization (CTO). This organization operates in marketing and promotion area at national level. In the cooperation with tourism industry and professionals, it is in charge of promoting Croatian tourism all over the world (Peric and Dragicevic, 2005).

Istria Master Plan (THR and Horwath Consulting Zagreb, 2003) and Master Plan of Tourism for Kvarner Destination (Peric et al., 2005) are two partnerships in area of tourism planning. The later is established between three strategic partners - Government of Primorsko-goranska County and University of Rijeka as representatives of public sector and the Tourism organization of Primorsko-goranska County as representative of tourism industry. This is for the first time in Croatia that one scientific and educational public institution is a partner in planning of tourism development.

Strategic importance of the Master plan is *restructuring and repositioning development model for Kvarner destination* that is based on principles of Integrated Quality Management – IQM (European Commission, 2000). It should simultaneously take into account and have favourable impact on the activities of tourism professionals, tourists, the local population and the environment. Moreover, the implementation of the Master plan will give the opportunity for creation more partnerships on lower levels. Such new partnerships are expected between micro destinations and local tourism industry. In that sense, the key element of the Master plan is a review of various development projects that need to be realised in the next ten years.

There is one more important aspect of public-private partnership in tourism. Development of the infrastructure becomes crucial if Croatian economy is to rely on

tourism as a main generator. In this sense, motor roads, energetic and other public infrastructure are essential tourist facilities. Some type of cooperation exists in this area and some important projects are initiated or finished such as motor roads Zagreb-Rijeka and Zagreb-Split, water-supply projects for islands etc. (Peric and Dragicevic, 2005).

### **New public-private partnerships in tourism include family hotels**

The participation of private sector and especially family hotels in Croatian tourism is highly recommended. Public-private partnerships could be one of the possible ways of such participation and it is of great importance to include family hotels in future partnerships. Family hotels participation depends on whether the tourist destination already exists or not. In general, it is possible to identify:

- A. Public-private partnership model in existing tourism clusters, and
- B. Public-private partnership model in new destination development.

### ***Public-private partnership model in existing tourism clusters***

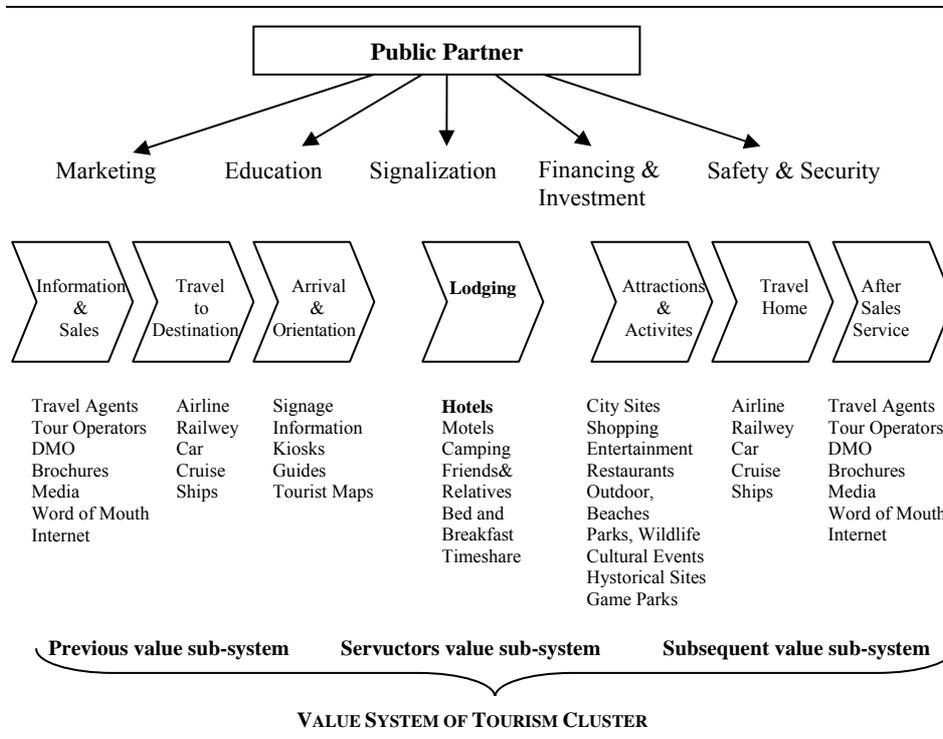
A tourism cluster is a geographical space in which the entire tourism experience takes place. Clusters are a group of tourism resources and attractions, infrastructure, equipment, service providers, other supporting sectors and administrative bodies whose integrated and co-ordinated activities contribute to providing costumers with the experiences they expect from the destination they choose to visit (WTOBC, 2004).

Family hotels entering the existing cluster need to establish their own activities that create the value or their value chain. The value chain in tourism sector begins and ends outside the destination, where the idea to travel is first presented and converted into the decision to travel. Despite the fact that it seems that the family hotels have to concentrate only to the centre of the value chain – lodging, they could be competitive only if establish their whole value chain.

The value chain of every company or service provider in a cluster is part of a bigger chain of activities that we call *value system of the cluster*, and it includes the value chains of hundred of suppliers and distributors and the clients (Figure 1).

Each part of the value system can be supported by public sector, usually local authorities. Family hotels as a part of that value system need to partner with public sector too. All well-known types of partnership could be used. The main support of public sector is usually oriented at promotion, financing and investment, safety and security, signalization and educational area.

**Figure 1:** Value System of Tourism Cluster



***Public-private partnership model in new destination development***

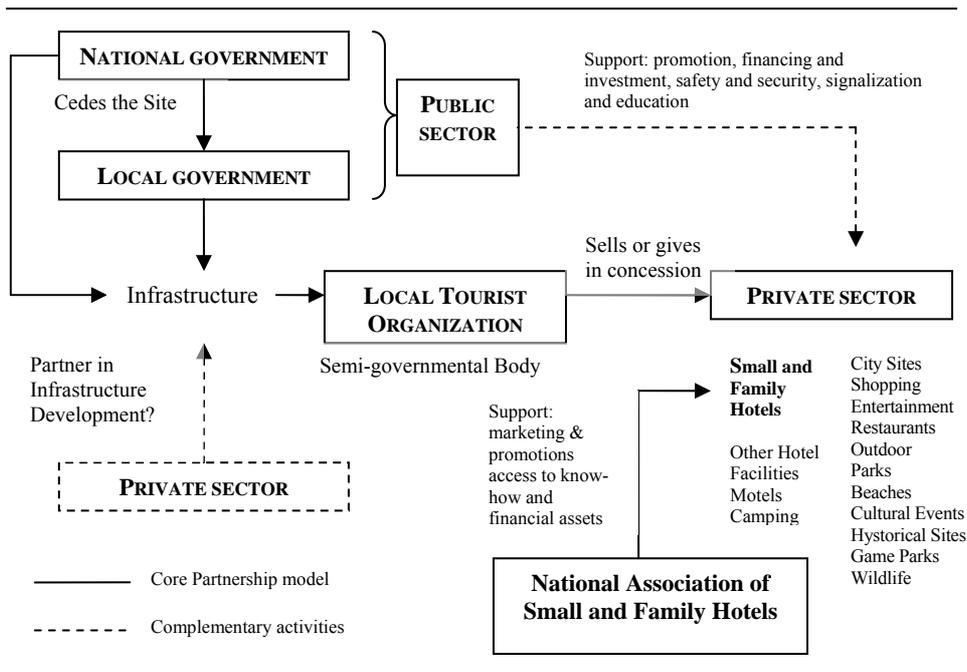
For Croatian tourism circumstances, family hotels participation in new tourist complex development is more innovative solution. Although there is no universal model to replicate, some world best practices on public-private partnership in tourism investment can be very useful as guidance. Lessons learned could be transferable beyond the Croatian cultural and economic context.

There are several adequate sites for development of tourist complexes in Croatia. Some of them are in the ownership of the national government. If recognized for revitalizing the local economy by creating jobs as well as increasing the level of income, the national government can cede the site to local authorities or local government. Local government then partner with private sector in developing the tourist complex (Figure 2).

It is proposed for government to provide the infrastructure such as roads, bridges, communication system, water supply and sewage, etc. Local tourist organization or some other semi-governmental body takes charge of purchasing and preparing the site for the complex. Then, the site is sold in lots or given in concession to private companies to build tourist facilities and manage them. Family hotels are supposed to have significant share in those private companies. Moreover, if the

complex will be planned in that way, some sites could be sold to small and family hotels as exclusive representatives of accommodation facilities.

**Figure 2:** Public-Private Partnership Model in Tourist Complex ‘XY’ Development



Some general necessary prerequisite conditions for establishing such a partnership in practice are as follow (Kim, Kim and Lee, 2005):

- Research is key
- Quality staff are key
- Education and training
- Keeping a tight focus
- Giving partners enough time and opportunities to get to know and trust each other
- Ensuring good and transparent communication
- Replacing competition with cooperation for achievement and strong bargaining position.

Some specific conditions for family hotels in Croatia such as insufficient financial power, inferior access to financial assets and inferior negotiating power are main factors that could prevent its participation in similar projects. For that reason, it is desirable that all family hotels and those who want to enter the business join the Association of Family and Small Hotels of Croatia. In such a way, the acces to *know-how* and financial resources can be facilitated. The Association also opened info-call centre,

makes significant efforts in marketing and promotions area and facilitates bargaining with other suppliers and potential tourist markets in order to create truly competitive cluster.

The whole public-private partnership model gives the opportunities in establishing even more partnerships. For example, the development of infrastructure can offer new possibilities for public and private sector to partner. Also, the role of public sector is not only to build or to partner in the building of the infrastructure, but also to support private initiatives in various aspects: financial facilitation, safety and security, education and training, etc. Once again *Initiative for Success* has to be mentioned but also educational seminars *Family and Small Hotels*.

The Association of Family and Small Hotels of Croatia, Erste&Steiermärkische Bank and the Ministry of the Sea, Tourism, Transport and development organized the seminars which were free of cost to all interested parties. The aim of the seminars was to inform present and potential entrepreneurs about planning, realization and managing the small and family hotels. The main seminars' themes were: starting the business, spatial planning, location analysis, hotel market, defining the optimal hotel product, elaboration of marketing plan, preparation of investment plans and financial analysis for small hotels.

Finally, there is no need to remind that establishing adequate individual value chains will lead to an adequate value system in the new tourist complex. Only if those general and specific preconditions are obtained, it could be possible for the partnership to offer a win-win solution for all project stakeholders.

## CONCLUSION

Tourism is very important generator for Croatian economy, qualitative and quantitative growth. Family hotels are the most sound and prosperous segment of Croatian tourism and the Government wants to increase their share in tourism. One of the possible ways in that purpose is family hotels participation in public-private partnerships in tourism.

World experiences indicate that public-private partnership in tourism is already spread all over the world and is still growing. Each partnership case is unique and there is no correct formula to follow in establishing public-private partnership into practice.

Lessons learned could be transferable beyond the specific cultural and economic context. The formation of partnerships depends on local circumstances, economic, organizational, cultural, and structural capability of the private sector or the public sector to participate, and the willingness of the potential partners to assume the additional responsibility that the partnerships entails.

The model of family hotels participation in public-private partnerships depends on whether the tourist destination already exists or not. Public-private partnership model in existing tourism clusters is all about family hotels entering the existing cluster and establishing their own value chain. Public sector support is oriented to all parts of value chain through promotion, financing and investment, safety and security, signalization and educational activities.

New tourist complex 'XY' is a development project that is a model of collaboration between the government and private sector. In Croatia, that model includes both national and local government, local tourist organization or some other semi-governmental body and private sector. It is proposed for government to provide the basic infrastructure while local tourist organization takes charge of purchasing and preparing the site for selling in lots or giving in concession to private companies (including family hotels!) which will build tourist facilities and manage them.

Adequate planning and research, quality staff, education and training (seminars), mutual trust and cooperation, transparent communication and tight focus are some prerequisite conditions for establishing such a partnership. The support of Association of Family and Small Hotels of Croatia is of great importance for family hotels in accessing to *know-how* and financial resources.

Only if joined in partnership, national and local authorities and private sector could be successful in facing the challenges of the tourism industry and in managing the new tourist complex in a sustainable way.

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## THE IMPACT OF GLOBALIZATION ON SUPPLY AND DEMAND IN THE CRUISE INDUSTRY

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**Abstract:** The paper investigates how globalization processes have reshaped the de-territorialisation of capital, labor and the tourist destination. The fact that cruises as a form of tourism supply are not tied to just one destination has contributed to a more rapid development of globalization processes in the cruise industry. The growth in demand and the economy of scale have caused the appearance of gigantism. Ships have become floating hotels or destinations similar to on-land resorts, and the ports visited have become part of the program offered onboard. Today, ships that carry few thousand people including passengers and crew, and offer a multitude of facilities, can be viewed as a global microcosms, considering that the passengers and crew come from various countries around the world. The multinational atmosphere onboard is frequently marketed as part of the cruise experience. This is further strengthened by the fact that a ship does not usually sail under the flag of its country of domicile, but rather under a flag of convenience that allows the company to lower considerably their running costs and access to global laborforce markets. Today, cruising is worldwide, demands show high growth rate, new markets are emerging, new cruise regions are developing, and the profile of cruise passengers is changing. Multinational companies cover almost all cruise regions, and the sector is dominated by three corporations that control more than 75% of the market.

*Key words:* cruise markets, globalization, cruise ships, gigantism, flags of convenience.

### INTRODUCTION

Globalization processes are present worldwide in many fields, in the economy, culture, politics and society. Political-institutional factors influenced the progress of globalization, such as trading policies, control of capital, regulation of ownership rights, immigration limitations, corruption controls, a stable monetary system, etc., and

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economic-technological factors, such as innovations in transport, progress in communications, and so on.<sup>2</sup> The intensification of globalization processes was helped by the modernization of information technologies, which allowed the uninterrupted flow of information, primarily the development of computers and telecommunications. The modern business of many tourist companies is also globally oriented. Tourist trends are taking on increasingly more global features, competition is increasing, new tourist destinations are developing, integration processes are stronger between economic entities, and tourist companies are becoming larger and therefore more capable of conquering new markets.

Globalization is an extremely complex notion for which there is no universally accepted definition, as definitions reflect the various evaluations of global changes. However, the definition that best suits the situation in the cruise sector is given by A. J. Scholte who sees globalization as “de-territorialization – or... the growth of supra-territorial relationships between nations”, or as “a group of processes that turn the world into one place, changing the meaning and the significance of distance and national identity in world scales”.<sup>3</sup> The development of cruise tourism offers a clear manifestation of how global economic restructuring both reflects and promotes new forms of the deterritorialization of capital, labor, and touristic place itself.<sup>4</sup> The powerful development of business centralization makes more difficult the entry of new and independent operators, which gives the cruise market an oligopolic character. This paper investigates and analyzes the influence of globalization processes on supply and demand in the world cruise industry.

## 1. THE IMPACT OF GLOBALIZATION ON THE DEVELOPMENT OF NEW GENERATING MARKETS AND CRUISE REGIONS

Cruise tourism has become a mass phenomenon and increasingly more passengers worldwide are choosing this form of vacation. In comparison with international tourism, the world cruise industry is showing pronounced dynamic growth. In the early 80s, cruising noted slightly less than two million passengers, which at the time represented only 0.7% of world international arrivals. The number of passengers – tourists on cruises from 1980-1999 increased by 385% or 8.7% on average annually<sup>5</sup>. At the start of the twenty-first century, the trend of growing demand continued, and in 2005, there were 14.47 million cruise passengers, accounting for 1.8% of world international arrivals. Considering that there were 9.72 million cruise passengers during 2000, then the number of passengers increased by almost 50% (Table 1) in the period from 2000-2005. According to forecasts, 16 million cruise passengers are expected by the year 2010.<sup>6</sup>

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<sup>2</sup> Grguric, I., „Globalization, Growth, Inequality and Poverty“, *Financial Theory and Practice*, No. 2, Institute of Public Finance, Zagreb, 2004, p. 236

<sup>3</sup> [www.globalizacija.com/com/doc\\_sr/s0013glo.htm](http://www.globalizacija.com/com/doc_sr/s0013glo.htm); 30.03.2007

<sup>4</sup> Wood, R.E., “Caribbean Cruise Tourism: Globalization at Sea”, *Annals of Tourism Research*, Vol. 27, Issue 2, Elsevier Science Ltd., Amsterdam, 2000, p. 350

<sup>5</sup> Ban, I., “Tourist Cruising in the World”, *Modern Traffic*, Vol. 21, No. 1-2, Institute of Transport Sciences, Zagreb, 2001, p. 20

<sup>6</sup> *Shipping Statistics and Market review*, Vol.47, No.7, Institute of Shipping Economics and Logistics (ISL), Bremen, 2003, p. 10.

The increasing number of cruise passengers has also had an effect on business strategies of cruise companies, and on the internationalization of their business. Cruise companies are expanding to foreign markets in order to reduce business risks, to attract as many passengers as possible and to achieve an economy of scale. They shift ships from one region to another, and particularly in those regions planned on being new markets. In this manner they can: avoid bad political circumstances or other disadvantages in a certain region, enrich and widen their program, offer new itineraries to their loyal clients, simultaneously conquer new generating markets and contribute to the popularization of cruising on new markets and to the development of ports. The ship has become a tourist destination that travels from destination to destination, and is therefore a unique example of the deterritorialization of the tourist destination itself.

**Table 1:** International arrivals and the number of cruise passengers in the world, 1980 – 2005

Year	Tourist arrivals in mil.	Annual growth rate (%)	Cruise passengers In mil.	Annual growth rate (%)
1980 – 1985	285,9 – 327,2	2,3	1,8 – 2,8	7,7
1986 – 1990	338,9 – 458,2	6,2	3,3 – 4,5	6,4
1991 – 1995	463,9 – 565,5	4,0	4,92 – 5,67	2,9
1996 – 2000	596,5 – 681,3	2,7	6,5 – 9,72	8,5
2001 – 2005	680,3 – 802,0	3,3	9,92 – 14,47	7,8
1980 – 2005	285,9 - 802,0	6,6	1,8 – 14,47	13,9

Source: Compiled and calculated from Yearbook of Tourism Statistics, WTO, Vol.1, Vol. 2, 47. ed., Madrid, 1995.; Yearbook of Tourism Statistics 1995. – 1999. Vol.1, 53. ed., Madrid, 2002., Tourism Highlights, 2001., First edition, WTO, Madrid, 2001., Ban, I., The World Cruise Market (II), Economic Thought and Practice, Vol. 7., No. 1., Faculty of Tourism and Foreign Trade, Dubrovnik, 1998, p. 31; Contribution of cruise tourism to the economies of Europe, prepared by G.P. Wild (International) Limited and Business Research & Economic Advisors, February 2007, p. 5; UNWTO World Tourism Barometar, Vol.5,No.2, June 2007, www. unwto.org (11.08.2007)

Without regard to the flag or the company's country of domicile, ships can sail in regions where the cruising season prevails. New regions, where demands are being directed, are starting to compete strongly with leading regions that realize half of the world cruise business. The number of cruise passengers from Europe and other regions of the world are on the rise. The share of North America, as the leading generating market, dropped from 81,30% in 1991 to 68,83% in 2005 while the share of the European market rose from 14,23% to 22,81% in the same period (see Table 2). Of the remaining regions, the Australian market shows the greatest growth, where the number of cruise passengers doubled (from 75,000 to 158,000 passengers) in the period from 2001 – 2004.<sup>7</sup>

<sup>7</sup> Peisley, T., "The Future of Cruising – Boom or Bust? A Worldwide Analysis to 2015", Seatrade Communications Ltd., Essex, 2006, p. 109

**Table 2:** International demand for cruises (in million passengers)

Region	1991	%	1995	%	2000	%	2005	%
North America	4,00	81,30	4,40	77,60	6,88	71,59	9,96	68,83
Europe	0,70	14,23	0,97	17,11	1,95	20,29	3,30	22,81
Rest of the world	0,22	4,47	0,30	5,29	0,78	8,12	1,21	8,36
<i>Total</i>	<i>4,92</i>	<i>100,00</i>	<i>5,67</i>	<i>100,00</i>	<i>9,61</i>	<i>100,00</i>	<i>14,47</i>	<i>100,00</i>

Source: Compiled from Worldwide Cruise ship Activity, World Tourism Organization, Madrid, 2003, p. 27; Contribution of cruise tourism to the economies of Europe, prepared by G.P. Wild (International) Limited and Business Research & Economic Advisors, February 2007, p. 5

The development of “fly-cruise”<sup>8</sup> packages allowed geographically distant markets to become reachable, as the ports of embarkation came closer to the large and distant city centers. On the other hand, due to the fear of terrorism, more embarkation ports are developing closer to the passenger’s domicile in each cruise region. The development of regional embarkation ports affects the growth in demand by local residents for cruises, and globalization processes make these ports more accessible by customers worldwide. Passengers are demonstrating greater interest for cruises along the Mediterranean and in other distant and exotic regions, as shown in Table 3.

## 2. A CHANGE IN CRUISE PASSENGER PROFILE

The growth in tourist trends, which are taking on global features, leads to changes in customer behavior and demand. The rise of living standards allows people to have increasingly more available resources and increasingly less free time, which are the two main prerequisites for joining tourist flows.<sup>9</sup> The change in tourist demands, influenced by globalization, can also be seen through:<sup>10</sup> a strong segmentation of tourist markets towards a population’s age and social features; more frequent travel (more frequent use of holidays, which means more, but shorter holidays annually); a greater number of travels undertaken occasionally between annual short-trip travels; an increase in the demand for more creative and interesting tourist products; and the more frequent reservation of “last-minute” holidays.

<sup>8</sup> A cruise sold with flights to and from embarkation/disembarkation port included in the price

<sup>9</sup> Croatian Tourism Development Strategy 2010, Final version, Sept. 18, 2003., p. 8 (www.mmtpr.hf, 11.04.2007)

<sup>10</sup> Weiermair, K., „Tourism as a Determinant of European Economic Development and Economic Integration: Problems and Prospects“, *Tourism*, No.11-12, Institute for Tourism, Zagreb, 1993, p. 236.

**Table 3:** Cruise ship deployment by region (in bed/days)

	1993		2005	
	bed/days ('000)	Share (%)	bed/days ('000)	Share (%)
Caribbean & Bahamas	14.398	44,3	35.847	42,0
Panama canal	1.626	5,0	2.719	3,2
Mexican Riviera	5.582	17,2	5.759	6,7
Alaska and west coast	2.323	7,2	6.850	8,0
East coast and Bermuda	1.420	4,4	2.537	3,0
<b>Total North America</b>	<b>25.349</b>	<b>78,1</b>	<b>53.712</b>	<b>62,9</b>
Mediterranean	3.005	9,2	14.657	17,2
North Europe	1.853	5,7	5.923	6,9
<b>Total Europe</b>	<b>4.858</b>	<b>14,9</b>	<b>20.580</b>	<b>24,1</b>
Asia - Pacific	479	1,5	4.639	5,4
Hawaii	969	3,0	2.907	3,4
South America and Antarctica	280	0,9	1.569	1,8
World cruises	368	1,1	1.340	1,6
Middle East and Indian ocean	170	0,5	665	0,8
<b>Rest of the world</b>	<b>2.266</b>	<b>7,0</b>	<b>11.120</b>	<b>13,0</b>
<b>Total world</b>	<b>32.473</b>	<b>100</b>	<b>85.412</b>	<b>100</b>

Source: Compiled and calculated from Ban, I., The World Cruise Market (II), Economic Thought and Practice, Vol. 7., br. 1., Faculty of Tourism and Foreign Trade, Dubrovnik, 1998, p. 44; Lloyd's Cruise International, Issue 70, Informa Publishing Group, London, August/September 2004, p. 42; Lloyd's Cruise International, Issue 71, Informa Publishing Group, London, October/November 2004, p. 23; Lloyd's Cruise International, Issue 75, Informa Publishing Group, London, June/July 2005, p. 18; Lloyd's Cruise International, Issue 83, Informa Publishing Group, London, October/November 2006, p. 24 i 34; Lloyd's Cruise International, Issue 84, Informa Publishing Group, London, December 2006/January 2007, p. 23; Lloyd's Cruise International, Issue 85, Informa Publishing Group, London, February/March 2007, p. 58; Lloyd's Cruise International, Issue 86, Informa Publishing Group, London, April/May 2007, p. 34.

Globalization influences constant change in the demand for cruises. The cruise passengers are changing, particularly their geographic and socio-economic profile, their motives for travel, there is less demand for long and expensive cruises, and a growth in demand for short cruises that last only a few days and offer various activities, entertainment and lots of interesting events. There are more and more young passengers, who go on cruise for relaxation, as a get-away from daily routines, for socializing, and for getting to know regions visited during the cruise, etc. Classic cruises that last longer motivated by peaceful sailing in a luxurious ambience, visiting

ports and sightseeing the cultural-historical sights of towns visited, are being pushed aside by elaborate programs and by completely different passengers who want to be well entertained in a short period of time for a relatively small amount of money.<sup>11</sup>

**Table 4:** Demographics of cruise passengers from North America, according to 1996 and 2006 surveys for CLIA

	1996	2006
<b>Gender</b>		
Female (%)	47,0	51,0
Male (%)	53,0	49,0
<b>Age (%)</b>		
25-39	34,0	30,0
40-59	35,0	48,0
60 +	31,0	22,0
Average	49	49
<b>Annual income (%)</b>		
20 000-39 999 US\$	26,0	-
40 000-59 999 US\$	33,0	22,0
60 000-99 999 US\$	25,0	39,0
100 000 + US\$	16,0	39,0
Average (US\$)	66 000	104 000
<b>Marital status</b>		
Married (%)	75,0	83,0
Single (%)	25,0	17,0

Source: Peisley, T., *The North American Cruise Market*, Travel & Tourism Analyst, No.4., Travel & Tourism Intelligence, London, 1998, p. 9 (according to CLIA 1996); CLIA The 2006 Overview, [www.cruising.org/press/overview%202006/2006OV.pdf](http://www.cruising.org/press/overview%202006/2006OV.pdf); 09.09. 2007

In the early 70s, cruise passengers were on average 65 years old.<sup>12</sup> This average dropped in 1985 to 58 years<sup>13</sup>, and nine years later (1994) to 50 years.<sup>14</sup> In the last ten years (1996 – 2006), the percentage of older 60+ passengers dropped from 31% to 22%, while the percentage of young passengers increased. The most numerous passengers were from 40 – 59 years old, with an increase in percentages from 35% to 48%. There are less singles, and a greater number of married couples (Table 4). According to the CLIA National Market Profile Study 2006, 79% of passengers most frequently go on cruise with a partner, 24% are accompanied by friends, and 20% by other family members.<sup>15</sup>

<sup>11</sup> Ban, I., "Changes in the Cruise Market and Their Impact on Sea Ports", *Modern Traffic*, Vol.19., No.1-2., Institute for Transport Sciences, Zagreb, 1999, p.57.

<sup>12</sup> Worldwide Cruise Ship Activity, World Tourism Organization, Madrid, 2003, p. 41.

<sup>13</sup> Hobson, J. S.P., "Analysis of the US Cruise Line Industry", *Tourism Management*, Vol.14, Issue 6, Elsevier Science Ltd., Amsterdam, 1993, p. 456.

<sup>14</sup> Peisley, T., "The North American Cruise Market", *Travel & Tourism Analyst*, No.4., Travel & Tourism Intelligence, London, 1998, p. 9 (according to CLIA research 1994)

<sup>15</sup> CLIA The 2006 Overview, [www.cruising.org/press/overview%202006/2006OV.pdf](http://www.cruising.org/press/overview%202006/2006OV.pdf); 09.09. 2007

As a consequence in the change of passenger profile, there was less demand for long and expensive cruises, and greater demand for short cruises lasting only a few days, offering various activities, entertainment and interesting events for less money (Table 5).

**Table 5:** Demand for cruises by length of cruise – North American market

Lenght of cruise (days)	Passengers (000)		2005/1980 %
	1980	2005	
2 – 5	347	3,364	869,5
6 – 8	846	5,171	511,2
9 – 17	221	1,338	505,4
18+	17	36	111,8
TOTAL	1,431	9,909	592,5

Source: CLIA The 2006 Overview, www.cruising.org/press/overview%202006/2006OV.pdf; 09.09. 2007

The greatest interest shown by the North American market is for cruises lasting from 6 to 8 days. Short cruises, from 2-5 days, followed by 6-8 day cruises, show the highest growth rate in the period from 1980 to 2005. There is a drop in the demand for lengthy and expensive travel. Their share, measured by the number of passengers, dropped from 16.6% (1980) to 13.9% in 2005, the share of cruises lasting 6-8 days from 59.1% to 52.2%, while the share of cruises lasting 2-5 days increased from 24.3% to 33.9%. The passengers on short cruises are significantly different from those on long cruises.

**Table 6:** Cruise ship passengers by length of cruise

On short cruise passengers tend to	On a longer cruise passengers tend to
<ul style="list-style-type: none"> <li>• Be younger</li> <li>• Have more modest incomes</li> <li>• Have less education</li> <li>• Be more likely to work full-time</li> <li>• Be interested in a mass-market destination, like the Caribbean</li> <li>• be new to cruising</li> </ul>	<ul style="list-style-type: none"> <li>• Be older</li> <li>• Have higher incomes</li> <li>• Be more educated</li> <li>• Be more likely to be retired or semiretired</li> <li>• Be interested in a more exotic destination, like South America</li> <li>• Have already experienced cruising</li> </ul>

Source: Mancini, M., Cruising, A guide to the Cruise Line Industry, Delmar Learning, New York, 2004, p. 16

The cruise passengers are partially different from non-cruise vacationers. Research shows that 63% of cruise passengers want to go back to the region they encountered during the cruise. In comparison to other tourists, most are satisfied with the various activities and entertainment, accommodation amenities, holiday safety, and even 69% are satisfied with the value for money (as compared to only 31% of tourists in resorts on land).<sup>16</sup>

<sup>16</sup> Perucic, D., "Marketing Contributions to the Sea Cruises Development in the Secondhalf of the 20<sup>th</sup> Century", *Economic Thought and Practice*, University of Dubrovnik, Dubrovnik, 2006, p. 168, according to: CLIA, The Overview Spring 2004.

### 3. THE IMPACT OF GLOBALIZATION ON SUPPLY

The process of globalization on the cruise market is clearly evident in the supply. The cruise fleet is on the rise, there are increasingly more large ships that can carry more than 3,000 passengers, most cruise ships are being registered under favorable registries in order to avoid the legalities of national legislation, there is a strong development of business centralization, etc.

The appearance of gigantism in the cruise industry was primarily conditioned by economic reasons and the dynamic and continuous growth in demand. In 2006, the cruise fleet had 318,000 lower berths, and 12,219,000 gross tonnage (gt).<sup>17</sup> The number of lower berths over the last twenty years (1986 – 2006) increased more than three times (from 95,000 to 318,000 berths), and the average capacity increased by 85% (from 638 to 1,184 berths).<sup>18</sup>

The size of cruise ships changed significantly in the period from 1985-2006. The number and size of ships continues to grow. In 1985, 98.6% of cruise ships had a gross tonnage of up to 50,000, and in 2006, this percentage drops to only 60%. In 1985, only one ship had over 70,000 gt, and there were no ships over 100,000 gt. In 2006, ships with over 70,000 gross tonnage accounted for 31.2% of the total world gross tonnage. The first ship with over 100,000 gt was built in 1996 (Carnival Destiny). Their number increased on a yearly basis, in 2000, there were 6, in 2006, there were 24 ships of over 100,000 gt (table 7).

**Table 7:** Cruise ships by size

Ship size (gt)	1985			2000			2006		
	No ships	No-% share	gt-% share	No ships	No-% share	gt-% share	No ships	No-% share	gt-% share
1.000 – 15.000	84	57,1	29,9	83	34,2	8,1	71	26,4	4,3
15.000 – 30.000	51	34,7	46,8	64	26,3	17,7	52	19,3	9,3
30.000 – 50.000	10	6,8	17,2	37	15,2	18,2	39	14,6	2,5
50.000 – 70.000	1	0,7	3,0	20	8,2	15,3	23	8,5	11,1
70.000 – 100.000	1	0,7	3,1	33	13,6	31,9	60	22,3	39,6
100.000 +	-	-	-	6	2,5	8,8	24	8,9	23,2
Total	147	100,0	100,0	243	100,0	100,0	269	100,0	100,0

Source: Compiled and calculated from Ban, I., Vrtiprah, V., Gigantizam in Cruise Shipping, Proceedings of the 12th IGWT Symposium «Quality for the XXI st Century», Vol. II. The Poznan University of Economics Publishing House, Poznan, 1999, p. 1037; Shipping Statistics and Market Review, Volume 44, No. 7, Institute of Shipping Economics and Logistics (ISL), Bremen, 2000; Shipping Statistics and Market Review, Volume 50, No. 7, Institute of Shipping Economics and Logistics (ISL), Bremen, 2006. p.33.

<sup>17</sup> Shipping Statistics and Market Review, Volume 50, No. 7, Institute of Shipping Economics and Logistics (ISL), Bremen, 2006., 32.

<sup>18</sup> Calculated according to Shipping Statistics Yearbook 1989, ISL, Bremen, 1989, p. 78. and Shipping Statistics and Market Review, Volume 50, 2006, op.cit., p. 32.

The dynamic growth in the demand for cruises in the latter half of the 80s encouraged ship owners to invest in the construction of newer and larger ships. This was made possible by the revenues realized and the profits made precisely with the new ships and their numerous facilities, which thanks to their variety and abundant offer onboard attracted an increasingly greater number of passengers and additional revenues.<sup>19</sup> The companies increased the number of berths on the market and enriched their supply with the introduction of newer and increasingly larger ships.

The main reason for building increasingly larger ships is the economy of scale, as this kind of ship can accommodate more passengers at lower transportation costs (fixed and variable) per passenger (transport unit), and can offer cheaper travel packages, as well as achieving greater revenues and profits. Specifically, increasing the capacity of the production unit leads to a growth in productivity or a growth in contributions considering the scale and drop in average production costs.<sup>20</sup> In the cruise industry, the economy of scale is best expressed and seen as a growing economy of scale<sup>21</sup> which can be shown by the fact revenues grow above what is proportional according to the money invested in a new, larger capacity ship.<sup>22</sup>

The order book for new ships, where the average capacity of new ships on order is 2,636 berths, supports the claim that the cruise market is introducing increasingly larger ships. The data from the order book show that mainly leading cruise corporations invest in large ships, and that the price per berth decreases with the growth in the ship's capacity. In 2009, Royal Caribbean International, the owner of presently the largest ship in the world, Freedom of the Sea (160,000 gross tonnage and 3,634 lower berths), will introduce to the market an even larger ship whose capacity will be 5,400 lower berth and 220,000 gross tonnage. Only Pearl Seas Cruises and Seabourn Cruise Line, according to the order book, are building ships with lower capacities, as they are not oriented towards mass tourism, rather they are positioned in the luxury segment of the market.<sup>23</sup>

However, larger ships increase business risks, as the greater amount of invested capital assumes a high occupancy level of available capacities. Companies resolve the risk of filling capacities with aggressive marketing and the transfer of ships to regions where there is a high season. As compared to hotel industry that changes rates according to season, ship operators change cruise regions and itineraries.<sup>24</sup> Considering that ships can be transferred from one region to another, companies can resolve the problem of seasonality, which is characteristic for most cruise regions. In this way, they retain the same prices year round. The world has become a global destination, for today, all regions are included on cruise itineraries.

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<sup>19</sup> Ban, I., "The World Cruise Market (II)", *Economic Thought and Practice*, No.1, Faculty of Tourism and Foreign Trade, Dubrovnik, 1998, p. 18.

<sup>20</sup> Benic, Dj., *Basic Economics*, 3<sup>rd</sup> Revised and Expanded Edition, Skolska knjiga, Zagreb, 2001, p. 680.

<sup>21</sup> Growing economies of scale occur when a rise in all inputs leads to more than proportional growth in production levels (Samuelson, P. A, Nordhaus, W., *Economics*, 14.ed., MATE, Zagreb, 1992, p. 111.)

<sup>22</sup> Ban, I., "Changes in the Cruise Market and Their Impact on Sea Ports", op.cit., p. 58.

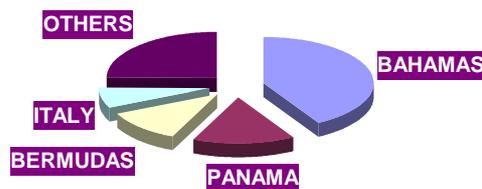
<sup>23</sup> <http://www.cruise-community.com/Search/nb.asp;09.07.2007>

<sup>24</sup> Toh, R. S., Rivers, M. J., Ling, T.W., "Room Occupancies: Cruise Lines Out-Do the Hotels", *International Journal of Hospitality Management*, Vol. 24, Issue 1, Elsevier Science Ltd., Amsterdam, 2005, p. 123

#### 4. FLAGS OF CONVENIENCE

The result of globalization in the cruise sector is the use of the so-called Flag of Convenience (FOC), which enables cruise companies to reduce substantially their running costs. This is not a new phenomenon, as some processes, which in theory we now consider to be the results of globalization, has occurred in practice even before. As with the case of cargo ships, most cruise ships are registered in favorable registries. The reasons are economic ones, as the ship operator can benefit from less stringent shipping regulations and lower taxes which strengthen their competitiveness and enables the sale of cruise package at lower prices.<sup>25</sup> The larger ships have up to 1,000 crew members from more than fifty various countries. For example, on one of the ships belonging to the Princess Cruises line sailing the Mediterranean, there were 2,054 passengers from 54 countries and 980 crew members from 64 countries.<sup>26</sup> Today, most cruise ships sail under the Bahamas, Panama and Bermuda flags (56.1% ships and 67.8% gross tonnage) (Figure 1).

**Figure 1:** Cruise fleet by major flags 2006 (% - gt )



Source: Shipping Statistics and Market Review, Volume 50, No. 7, Institute of Shipping Economics and Logistics (ISL), Bremen, 2006, p. 32

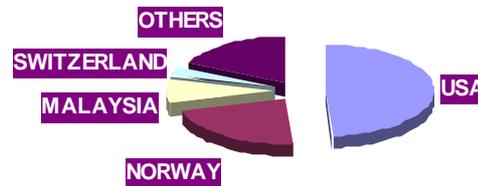
There is an obvious disproportion between the country of domicile and the registry where the cruise ship belongs. Leading countries, according to the number of ships and capacities, have practically no ships under their own flags. For example, the USA, a leading country of domicile, which accounts for 33% of ships and 48.5% gross tonnage (Figure 2), has only 3 ships under its own flag, representing only 2.1% of the total gross tonnage.<sup>27</sup>

<sup>25</sup> Ban, I., "The World Cruise Market (II)", op.cit., p. 22.

<sup>26</sup> Gibson, P., *Cruise Operations Management*, Butterworth Heinemann, An Imprint of Elsevier Inc., Oxford, 2006, str. 96.

<sup>27</sup> Shipping Statistics and Market Review, Volume 50, op.cit., p. 32

**Figure 2:** Cruise fleet by countries of domicile 2006 (% - gt)



Source: Shipping Statistics and Market Review, Volume 50, No. 7, Institute of Shipping Economics and Logistics (ISL), Bremen, 2006, p. 33

The use of a flag of convenience can create problems for the cruise operator in cases where the cruise starts and ends in the same country, and the cruise ship does not sail under the flag of the country that has the embarkation and disembarkation port, regardless of whether it is a national company. The reasons for this are the regulations which do not allow cabotage<sup>28</sup>, or transport of foreign flag ships between national ports. The European Union took steps towards the elimination of such regulations in 1999, by eliminating the monopole of all its members in cabotage. The government of Australia did the same in 1998 by removing the limitations in the cabotage traffic of cruise ships sailing under foreign flags, which contributed towards the rapid development of cruising and tourism on the Australian continent in general. However, this issue still exists in the USA, considering that regulations still exist by which ships registered outside the USA are forbidden the transport of passengers between two American ports without having first stopped temporarily at a foreign port. When passed, the law was meant to protect American ships from foreign competition in cabotage transport, and today it is absurd, considering that American economy only carries great losses.<sup>29</sup> It was precisely this problem that drove the Norwegian Cruise Line Company to establish the NCL America Branch with a fleet of three ships (Pride of Aloha, Pride of America and Pride of Hawaii), which sail under a US flag so that they can freely sail through the Hawaii Islands.

## 5. THE INTERNATIONALIZATION OF CRUISE COMPANIES

The process of business consolidation has been present through the history in the cruise industry. The purpose was to enter international markets, first within the region of activity, and then to distant regions, in the search for new attractive destinations, and new generating markets. Partnerships are made with other cruise companies, hotel companies, travel agencies, transportation companies, and so on. The

<sup>28</sup> Word deriving from the French *caboter*, which means to sail from cape to cape (Worldwide Cruise Ship Activity, World Tourism Organization, Madrid, 2003, p. 191.)

<sup>29</sup> Ban, I., "The World Cruise Market (II)", *op. cit.*, p. 24.

benefits of partnerships are derived from the following conveniences:<sup>30</sup> standardization of the tourist supply; common promotional activities; sales through a joint reservation system; development of brand identity; better use of available capacities and human resources; lowering of production costs; more efficient research of the tourist market; development of joint procurement, marketing and other departments; strengthening of competitiveness; successful positioning on the market. A small number of large companies dominate today with their capacities and financial powers.

One of the ways for large cruise companies to grow and to enter a foreign market was by joint investment and direct foreign investment. There are examples of joint investment of cruise companies and tour-operators, ie. in 2002, the Royal Caribbean Cruises Ltd. Group and the First Choice Holidays Tour Operator established the Island Cruises Company.<sup>31</sup> The Carnival Corporation has announced a merger with the Iberojet Cruceros Company, which is part of the largest Spanish tourist corporation Orizonia. The new company will operate under the name Iberocruceros, and will target the Spanish market.<sup>32</sup> Hotel companies are also joining the mass cruise market, for instance, the Radisson hotel chain decided to "test" its waiters on its own cruise ship.<sup>33</sup> The main objective in mergers is to create a unit that will be able to satisfy the tourist demands, using an adequate level of coordination between all parties, and to realize greater profit from this form of business.

Foreign direct investment is also a significant factor in the corporate strategy for entry on foreign markets. There are numerous examples of mergers and acquisitions of cruise companies with an already formed brand image and good knowledge of local markets and economy but no chance of market survival under the harsh competitive conditions. Such processes in the cruise market had already started in the early 70s, when the British cruise company P&O, due to a decline in demand from the European market, turned towards North American market and purchased the American Princess Cruises Company in 1974.<sup>34</sup> In the mid-90s, these processes intensify with the entry of American companies on the European cruise market. For example, in 1997, the Carnival Corporation became the 50% owner of the Italian company Costa Cruises (table 8). In 1998, it purchases the British Cunard Line and in 2000, the remaining 50% of the Costa Cruises. The biggest step was the merger with the British company P&O Cruises, the third in size in the world,<sup>35</sup> which already owned Aida Cruises, specialized for the German market, and the Princess Cruises brand for the North American market. The Royal Caribbean Cruises Group, second in size in the world, made similar moves. It entered the European market by becoming the owner of the Greek Celebrity Cruises in 1997. In fall of 2006, it took over a Spanish national operator Pullmantur S.A.<sup>36</sup>, and strengthened its position in Spain and in Europe.

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<sup>30</sup> Vrtiprah, V., Pavlic, I., *Economics for Managers in the Hotel Industry*, University of Dubrovnik, Dubrovnik, 2005., p. 235.

<sup>31</sup> Lloyd's Cruise International, Issue 73, Informa Publishing Group, London, February/March 2005, p. 9

<sup>32</sup> [www.cruise-community.com/Headlines.asp;05.09.2007](http://www.cruise-community.com/Headlines.asp;05.09.2007)

<sup>33</sup> Morrison, A. M., *Hospitality and Travel Marketing*, third edition, Delmar, New York, 2002, p. 263.

<sup>34</sup> Cartwright, R., Baird, C., *The Development and Growth of the Cruise Industry*, Butterworth Heinemann, Oxford, 1999, p. 38.

<sup>35</sup> Shipping Statistics and Market Review, Volume 46, No.7, Institute of Shipping Economics and Logistics (ISL), Bremen, 2002, p. 9

<sup>36</sup> [www.cruise-community.com/Headlines.asp;31.08.2007](http://www.cruise-community.com/Headlines.asp;31.08.2007)

Many cruise companies expanded their business by acquiring other operators with experience in a different market segment. The original brand name were frequently retained as they often carry with them considerable customer loyalty. The last decade has seen a powerful growth in the number of mergers and acquisitions in the cruise industry.

**Table 8:** Examples of mergers and acquisitions in the cruise industry (state 2003)

Year 1996.	Kloster renamed NCL (Norwegian Cruise Line)
Year 1997	Carnival Corporation buys Costa Cruises (50%) Royal Caribbean Cruise Group merger Celebrity Cruises Epirotiki and Sun Line forms Royal Olympic Cruises (ROC).
Year 1998.	Carnival Corporation buys Cunard Line Louis Cruise Line buys majority of Royal Olympic Cruises-a (ROC)
Year 1999.	Carnival Corporation buys Seabourne NCL (ex. Kloster) buys Orient Line
Year 2000.	Carnival Corporation buys Costa Cruises (100%) P&O Princess Cruises buys Aida Cruises Star Cruises buys NCL
Year 2001	-
Year 2002	Carnival Corporation merger P&O Princess Cruises

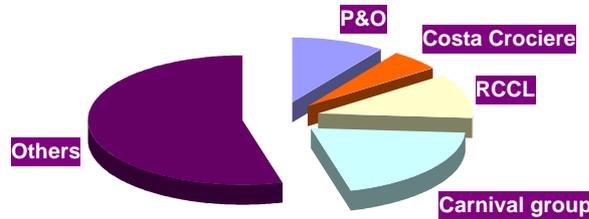
Source: Bjornsen, P., The growth of the market and global competition in the cruise industry. Paper presented at the Cruise and Ferry Conference, Earls Court, London, 2003, according to Gibson, P., Cruise Operations Management, Butterworth Heinemann, an imprint of Elsevier Inc., Oxford, 2006, p. 13.

The dynamics of the sector, buying, selling, merging, separating, entry and exit from large corporations have resulted in increasingly greater concentrations of capacities in fewer large companies. Figures 3 and 4 clearly show the changes that occurred from 1996. – 2006 and the trend of the pronounced domination by fewer groups. In 1996, four leading operators, P&O Princess Cruises, Carnival Corporation, RCCL and Costa Crociere accounted for 45.8% of lower berths and 50% of gross tonnage.<sup>37</sup> Ten years later, that is, in 2006, the concentration level is even greater, so that the 4 leading operators account for 78.5% of lower berths and 80.1% of the total gross tonnage.<sup>38</sup> In the meantime, P&O Princess Cruises and Costa Crociere became part of the Carnival Corporation, and Star Cruises Group and MSC joined the four leading companies.

<sup>37</sup> Shipping Statistics and Market Review, Volume 40, No. 7, Institute of Shipping Economics and Logistics (ISL), Bremen, 1996, p. 4.

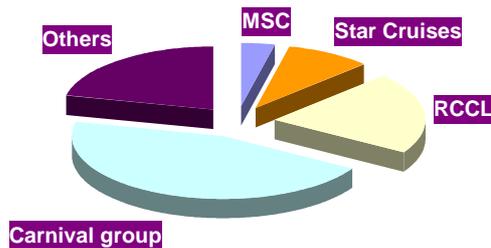
<sup>38</sup> Shipping Statistics and Market Review, Volume 50, 2006, op.cit., p. 9.

**Figure 3:** Market share of the four leading cruise companies 1996 (lower berth - %)



Source: Calculated from the Shipping Statistics and Market Review, Volume 40, No. 7, Institute of Shipping Economics and Logistics (ISL), Bremen, 1996, p. 4

**Figure 4:** Market share of the four leading cruise companies 2006 (lower berth - %)



Source: Calculated from the Shipping Statistics and Market Review, Volume 50, No.7, Institute of Shipping Economics and Logistics (ISL), Bremen, 2006, p. 9

Today, three large corporations dominate the cruise market. They account for 76.9% of the total gross tonnage and 75% of the total number of berths. Two leading global corporations - Carnival Corporation and Royal Caribbean Cruise Lines have over 68% of the total gross tonnage of world cruise ship fleet, followed by Star Cruises with 8.7%. European companies are growing stronger as well, and in 2006, four European companies were positioned among the twelve largest in the world.<sup>39</sup> Transnational corporations represent a great force, as their access to finances, technology and information gives them the strategic power that results in a competitive advantage.

<sup>39</sup> Ibidem

## CONCLUSION

Globalization processes have encouraged the development of the cruise industry, and have in great measure influenced the changes in supply and demand. In the period from 1980 – 2005, the number of cruise passengers increased by more than 8 times, while the international tourist arrivals increased by 2.8 times.

Cruise ships, which today are considered as a complete destination, are a unique example of de-territorialization. They are mobile, which means that they can relocate anywhere, anytime, the crew members come from various countries of the world, and they sail under 'flags of convenience', which allows them to realize greater profits. Without regard to flag or to the company's country of domicile, they sail regions of high season, and they are not tied to any location. Today, cruising is worldwide.

Even though the largest concentration of supply is in the North American region, its share is gradually giving way to Europe and other world regions. Cruise companies, in order to reduce their business risk and to achieve an economy of scale, are developing new markets, attracting new customers, seeking new destinations and new itineraries, etc. The cruise market today has the features of a global market.

The phenomenon of gigantism in the cruise industry is primarily conditioned by economic reasons and the dynamic and continued growth of demand. Only large multi-national groups that control the market have the financial power to invest in the construction of large cruise ships. The construction of increasingly larger ships, the use of flags of convenience and the employment of cheap laborforce from economically less developed countries led to cheaper package prices, directed towards a mass market.

Today, sailing the seas for pleasure has become a mass phenomenon and a greater number of passengers are selecting this kind of vacation. Passengers are changing and their motives for traveling too. The demand for shorter travels is rising, and passengers are younger with lower annual incomes. New generating markets are emerging, particularly those European, due to globalization processes. The concept of cruising for entertainment, pleasure and sailing through interesting regions, which was developed in the USA during the 70s of the last century, has spread to other markets once ruled by the classic cruises, motivated by a desire to discover new destinations.

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## THE HOTEL ENTERPRISE: A BUSINESS SYSTEM OF PROJECT BUSINESS ON THE TOURISM BUSINESS MARKET\*

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**Abstract:** As a business system, an enterprise represents a complex, dynamic, stochastic, open and organisational system. Certain specific features of a hotel enterprise as a business system of project business result from the activity it performs and from project-based business and development management. As an enterprise based on project business, its distinguishing features include the interconnectedness of business subsystems and the overlapping a hotel enterprise's business function.

*Key words:* hotel enterprise, business system, project marketing, project management, project business, logistics.

### INTRODUCTION

Rapid and frequent change to the business environment has caused the need to understand a hotel enterprise as a system that interacts with the environment in which it operates. It is also the reason why a great number of different factors from the environment impact on a hotel enterprise. Project business is an efficient way of adapting to emerging demands from the environment, while managing the performance and development of a hotel enterprise. Viewing a hotel offering as project-based – which is a crucial success factor of project marketing, in addition to the interactive relationship

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between a hotel enterprise as a project seller and tour operators as business actors - project buyers through all phases of the project life cycle, results in the fact that the marketing of projects conditions the overlapping of all business functions of a hotel company.

## 1. PROJECT MARKETING AND PROJECT MANAGEMENT

Project marketing represents a specific type of business marketing that can be frequently encountered in the recent literature under the name of “business-to-business (B2B) marketing”. The term “B2B marketing” refers to the marketing of products and services from one company to another. What is specific about this type of marketing is that the buyer of products/services is a company that is purchasing the products/services of another company not for the purpose of meeting personal needs or achieving personal satisfaction, but rather for the purpose of using them to accomplish company goals or selling them to yet another company which will utilise these products/services. Therefore, B2B marketing can be defined as a process of adapting a company’s products/services to the organisational objectives of its target customers.<sup>2</sup>

It is in this sense that B2B marketing essentially differs from business-to-consumer (B2C) marketing. These differences result from the specific nature of the B2B market.

**Table 1:** B2B attributes

Dimension	Attribute	Description
Nature of demand	“Derived”demand	Business demand depends on (is derived from) the firm’s own volume of sales
Buying influence	Large number of impacts	Often there is a large number of stakeholders influence on the buying decision.
Market structure	Often concentrated demand	A small number of “large” customers often make up a substantial share of the market.
Purchasing motives	Organisational, rational	Business products are purchased to accomplish organisational objectives
Purchasing decision process	Often complex and lengthy	Major organisational buying decisions can involve long and complex analyses and negotiation processes.
Purchasing skills	Professional, trained	Business actors (buyers) are qualified in purchasing.

Source: Brennan, R., Baines, P., Garneau, P., *Contemporary Strategic Marketing*, Palgrave Macmillan, UK, 2003, p. 38.

Research conducted in the 1990s by authors such as Cova, Holstius, Engelhardt and Günter, together with the initiatives of two organisations – the European Network for Project Marketing (also known as INMP-International Network for Project Marketing and System Selling) and the Industrial Marketing and Purchasing

<sup>2</sup> Brennan, R., Baines, P., Garneau, P., *Contemporary Strategic Marketing*, Palgrave Macmillan, UK, 2003, p. 37.

Group (IMP Group) – has been of particular importance to the development of project marketing as a special type of B2B marketing.

The reason behind the emergence and development of project marketing is based on the fact that it was in the 1990s that the concept of project management came to be widely implemented in a large number of companies, while in the literature, very little significance was attributed to the field of project marketing.

The INMP authors spotted the need to determine a conceptual framework, known as the D-U-C model, that would define the relationship unique and characteristic to the project-marketing concept and that would set it apart from other types of business-to-business marketing. Based on this model, three primary features of project marketing can be distinguished:<sup>3</sup>

- *Discontinuity (D)* – the discontinuity in demand for projects
- *Uniqueness (U)* – the uniqueness of each project in technical, financial and socio-political terms, and
- *Complexity (C)* – the complexity of each individual project in terms of the number of participants involved in the offering process.

The first step in defining the concept of project marketing is to define the term *project*, the meaning of which differs essentially from the meaning of *project* in project management.

In defining *project*, project marketing focuses on *transaction*. Based on this, Cova, Ghauri and Salle define a *project* as a *complex transaction covering a package of products, services and work, specifically designed to create capital assets that produce benefits for a buyer over an extended period of time*.<sup>4</sup>

This transaction or transaction cycle takes place between a project-selling firm and a project-buying firm, in the form of interaction through six phases<sup>5</sup> – *search, preparation, bidding, negotiation, implementation, and transition* – that represent the project marketing cycle.

The above definition of *project* from the aspect of project marketing is derived from the specific characteristics of a project relative to consumer and industrial goods and services for individual and business users. A project is characterised by a high level of specific features and complexity relative to other products and services, as well as by unit production or uniqueness, unlike mass production that is characteristic of consumer goods.<sup>6</sup>

Based on these features and definitions of a project, project marketing can be considered a process that enables project-selling firm, to take anticipatory action in

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<sup>3</sup> Taken from: Skaates, M.A., Tikkanen, H., Lindblom, J., Relationships and project marketing success, *Journal of Business & Industrial Marketing*, Vol. 17, No. 5, (2002), p. 391.

<sup>4</sup> Cova, B., Ghauri, P., Salle, R., *Project Marketing: Beyond Competitive Bidding*, John Wiley & Sons Ltd, England, 2002, p. 3.

<sup>5</sup> Taken from: Cova, B., Holstius, K., How to Create Competitive Advantage in Project Business, *Journal of Marketing Management*, No. 9, (1993), pp. 108-111.

<sup>6</sup> After: Ibidem, p. 106.

defining a project offer, thereby ensuring the desired degree of flexibility that is needed for adjusting to the requirements of the project buyer, based on relationships established with buyers and stakeholders in the project and by maintaining these relationships through specific activities during the “sleeping relationship” phase, in order to deliver future projects through the six life-cycle phases of a project: search, preparation, bidding, negotiation, implementation and transition.

An analysis of the definitions for *project* given by various authors in the field of project management offers several common characteristics of a project:

- It is target oriented, with clearly defined objectives.
- Its duration is limited to a specific period of time.
- It has a restricted budget.
- It involves designing and performing a large number of interrelated activities.
- It is unique and presents novelty.
- It has a specific way of organising resources.

Based on the definition of a project from a process-based aspect, *project management* can be defined as *the process of leading a project team and all stakeholders in a project through the various life cycle phases of the project, and organizing human, material and financial resources in such a way as to accomplish the basic objective of the project with regard to costs, time and quality, which will make it possible to realize the strategic objectives and strategies of the enterprise as well as the satisfaction of all stakeholders.*<sup>7</sup>

The above shows that project management considers a project to be a “temporary endeavour or a provisional attempt”, unlike project marketing that regards a project as a “transaction” between business actors – the project-selling firm and the buyer.

It should be noted that project marketing is a broader term than project management – this is also the viewpoint of INMP – so that project marketing always implicitly includes project management, but not *vice versa*.<sup>8</sup>

As a concept, project management is primarily focused on achieving internal project efficiency. A project-performance model is applied to track costs, time and the technical performance of a project over the various phases of the project cycle and to compare these results to planned values. In addition to these three performance criteria, modern project-management literature has introduced a fourth category – customer satisfaction. This is an expansion of the project-management concept to include the development and maintenance of customer relationships, resulting in Customer-based Project Management.<sup>9</sup>

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<sup>7</sup> Basan, L., *Projektni marketing u funkciji razvoja turističke ponude i potražnje*, Doktorska disertacija, Sveučiliste u Rijeci, Fakultet za turistički i hotelski menadžment u Opatiji, Opatija, 2007, p. 33.

<sup>8</sup> Skaates, M.A., Tikkanen, H., *International project marketing: an introduction to the INPM approach*, *International Journal of Project Management*, No. 21, Vol. 7, (2003); taken from: Cova, B., Salle, R., *Six key points to merge project marketing into project management*, *International Journal of Project Management*, No. 23, (2005), p. 355.

<sup>9</sup> Pinto, J.K., Rouhiainen, P., *Building Customer-Based Project Organizations*, John Wiley & Sons, Inc., 2001, p. 193.

Project management also focuses on organising resources and delivering all activities aimed at accomplishing the objectives of a given project. It ensures that relationships within a project are established and maintained, and it enables projects to be delivered in the implementation phase of the project marketing cycle.

Unlike project management, project marketing focuses on maintaining and improving relationships with buyers and other project stakeholders in the period between two projects, as well as within a project, and during the realisation of a project. The importance of project marketing becomes obvious in the segment of a firm's strategic management as it aims to build the ability of a project-selling firm to anticipate project demand during the "outside any project opportunity" or "independent of any project" phase.

## **2. ATTRIBUTES OF A HOTEL ENTERPRISE AS A BUSINESS SYSTEM OF PROJECT BUSINESS**

With regard to the previously listed characteristics of project marketing, it should be noted that when the concept is applied to a hotel enterprise, it does not represent a typical project-marketing situation in the manner in which this concept and its elements are described in the project marketing literature. However, because the application of project marketing can provide an opportunity to improve the performance of a hotel enterprise and help manage its development, it is useful to look into the possibilities and ways of applying this concept to hotel operations and development.

To this end, a hotel enterprise is regarded as a project business firm, implying that the hotel enterprise figures as a project-selling firm. Through the project-based management of its business and development, the hotel enterprise will also manage relationships with network partners with the aim of successfully delivering current projects, as well as selling future projects.

As a business system, an enterprise represents a *complex, dynamic, stochastic, open and organisational system belonging to the sphere of social systems*.<sup>10</sup>

The complexity of a hotel enterprise implies that it consists of multiple subsystems, and that the system, together with its subsystems, is subject to change under the impact of its environment. It is a dynamic system because a hotel enterprise undergoes constant change and development, which is a precondition to its flexibility and adaptability to changes in the environment. By achieving a sufficient level of flexibility and adaptability relative to change in the environment, a hotel enterprise ensures its survival on the market and secures its competitive position relative to other hotel enterprises. It is a stochastic system, implying the presence of uncertainty and risk in hotel operations, a presence that is especially pronounced today as a result of frequent and rapid change to the conditions in the environment in which an enterprise operates. Hence, a vital precondition to the successful performance of a hotel enterprise

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<sup>10</sup> Zager, L., Poduzece kao poslovni sustav, *Slobodno poduzetnistvo*, No. 17, TEB POSLOVNO SAVJETOVANJE d.o.o., Zagreb, (2000), p. 172.

is its efficiency in managing uncertainty and risk, that it, its ability to detect and identify uncertainty and risk, determine the level of their presence and their potential impact on hotel operations, and establish what action needs to be taken to reduce their presence to an acceptable level for future business.

The application of project marketing in the business operations of a hotel enterprise can provide a higher level of efficiency in managing risk. This is made possible by the fact that during the project-screening phase, every project is evaluated for its level of attractiveness to a hotel enterprise. In addition to other elements, a project risk evaluation is also made. Because a hotel enterprise's operations and development are managed based on its project portfolio, carrying out a risk evaluation for each individual project will enable greater efficiency in risk management in the project business of the hotel enterprise.

The openness of the system refers to the fact that a hotel enterprise operates within a given environment; change in the environment impacts on hotel operations and, reciprocally, the hotel through its operations will impact on the environment.

As an organisational system in today's business conditions, a hotel enterprise comprises means of labour that are increasingly acquiring the attributes of a technical system, means of consumption, and the work of employees, who accomplish the primary goal of the system's existence by creating means of labour and means of consumption. In doing so, employees must adhere to certain natural laws in relation to nature and the technical systems they have constructed and built into an enterprise's organisational system, and they must behave according to economic principles. This means that every complex system, including a hotel as a business system, is characterised by a number of crucial attributes: *objectives, function, structure, input, output, processes, code of behaviour, outcome, environment and information*.<sup>11</sup>

Each business system operates for a primary objective. A hotel enterprise, viewed as an actor on the business market whose operations are based on the principles of project marketing, has a dual primary objective. On the one hand, the hotel enterprise will seek to build its ability to anticipate demand and to formulate anticipative strategies and, in this way, secure the desired level of flexibility needed for adapted to the requirements of the project buyer. On the other hand, it will focus on optimising its performance, that is, operational profitability, which is the primary objective of any business actor and a precondition to its long-term survival in the marketplace.

Depending on its size, a hotel enterprise consists of a smaller or larger number of hotels. From the aspect of the decision-making level, each hotel within a hotel enterprise represents a strategic business unit. Viewed from a process perspective, a hotel can be considered an organisational unit in which a process is conducted.

Characteristic of all processes in a hotel is the fact that they are performed as product-service-sales processes, which are also a hotel's basic activities.

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<sup>11</sup> Galicic, V., Simunic, M., *Informacijski sustavi i elektroničko poslovanje*, Sveuciliste u Rijeci, Fakultet za turistički i hotelski menadžment u Opatiji, Opatija, 2006, p. 34.

### 3. SUBSYSTEMS OF A HOTEL ENTERPRISE'S BUSINESS SYSTEM

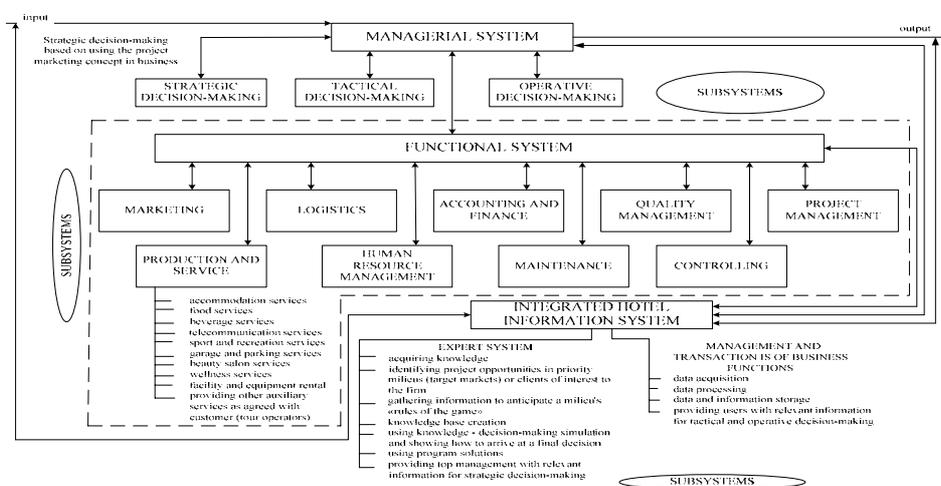
Every business system, including a hotel enterprise, consists of a greater or smaller number of subsystems, determined primarily by the size of the enterprise. A hotel enterprise as a business system consists of lower-level systems or subsystems. In turn, each subsystem has its own subsystems that consist of processes. Each process is made up of a greater or smaller number of activities and possesses specific inputs, which it transforms into outputs. The system and each of its subsystems have their own objectives, representing a hotel enterprise's hierarchy of objectives.

Figure 1 presents a hotel enterprise as a business system engaged in project business, that it, as an enterprise that manages its business operations and development based on projects through the application of project marketing. An analysis of Figure 1 shows that a hotel enterprise's business systems consists of three subsystems:

1. Managerial subsystem
2. Functional subsystem
3. Integrated hotel information subsystem.

Each of these subsystems can be considered a system at the first decomposition level of a hotel enterprise, and each has its own subsystems or systems at the second decomposition level.

**Figure 1:** Business system of a hotel enterprise as a project-based business



Source: Author's elaboration, after: Basan, L., *Projektni menedžment u funkciji razvoja hotelskog poduzeća*, Magistarski znanstveni rad, Sveučiliste u Rijeci, Ekonomski fakultet u Rijeci, Rijeka, 2002, p. 101;  
 Cova, B., Ghauri, P., Salle, R., *Project Marketing: Beyond Competitive Bidding*, John Wiley and Sons Ltd, England, 2002, p. 124;  
 Galicic, V., Simunic, M., *Informacijski sustavi i elektroničko poslovanje*, Sveučiliste u Rijeci, Fakultet za turistički i hotelski menadžment u Opatiji, 2006, p. 69 and 109;  
 Kis, M., *Informaticki rječnik, englesko-hrvatski i hrvatsko-engleski*, Naklada Ljevak, Zagreb, 2000, p. 367;  
 Vranesevic, T., Vignali, C., Vrontis, D., *Upravljanje strateskim marketingom*, Accent, Zagreb, 2004, p. 153;  
 Zekic, Z., *Logistički menedžment*, Glosa d.o.o., Rijeka, 2000, p. 105.

### **3.1. Managerial system**

A managerial system, as a subsystem at the first decomposition level, consists of three subsystems:

1. Strategic decision-making
2. Tactical decision-making
3. Operative decision-making.

The strategic decision-making of a hotel enterprise as an enterprise of project business, that it, an enterprise that manages its operations and development based on projects, will involve decision-making based on the application of project marketing. This includes making decisions linked to strategic segmentation, formulating and evaluating corporate strategies using the appropriate strategic methods. In formulating corporate strategies – the segment that deals with identifying products and target markets – the application of project marketing relates to making decisions that involve determining the project portfolios and markets (target market segment and customers) of strategic business units, as well as to making decisions that involve formulating anticipatory strategies for the project offering of a hotel enterprise as a project-selling firm at the milieu level and decisions involving devising strategies at the level of individual projects.

### **3.2. Functional system**

The functional system, as a subsystem of a hotel enterprise, consists of a total of nine subsystems: marketing, production and services, logistics, human resource management, accounting and finance, maintenance, quality management, control and project management.

The application of project marketing will influence which type of processes are to be realised within the functional systems, considering that the management of business and development is project based. A primary feature of a hotel enterprise as a project-business firm is the overlapping of all the enterprise's business functions, a fact that has been identified by the author's research in the field of project marketing.

A specific feature of the functional system is that it distinguishes project management as a separate business function of a hotel enterprise. The reason for this is the need for projects to be delivered efficiently, as a precondition to the successful performance of a hotel enterprise's project business. The function of project management is to enable project delivery to be effected within the limits of the planned project objectives, time-schedule and costs and to achieve the satisfaction of the project buyers. This will also make it possible for previously devised project strategies and corporate strategies to be implemented.

How the business function of project management will be organised is determined by:

- the number of projects an enterprise wishes to deliver. Through the anticipative actions of the hotel enterprise, these projects have been identified as being attractive to the enterprise, and they are a component part of the project portfolio of a hotel enterprise's strategic business units;

- the size and complexity of projects, and
- the competencies and resources (internal and external) that a hotel enterprise has at its disposal.

Project management involves managing specific project areas, which can be considered its subsystems. The Project Management Institute (PMI) lists a total of nine different areas of managing projects:<sup>12</sup>

1. Project Integration Management
2. Project Scope Management
3. Project Time Management
4. Project Cost Management
5. Project Quality Management
6. Project Human Resource Management
7. Project Communication Management
8. Project Risk Management
9. Project Procurement Management.

To these nine areas should be added a new, tenth project management body of knowledge: *Project-Customer Relationship Management*. This new area has emerged as a result of the introduction of customer satisfaction as a fourth project performance criteria, in addition to objectives, time and cost, in the project management literature or literature on customer-based project management.

### 3.3. Integrated hotel information system

An integrated information system is a system created according to a unique concept, for the purpose of covering all business aspects of an organised whole, and based on the identified natural or artificial interrelationships of its own subsystems.<sup>13</sup>

An integrated hotel IS consists of the following subsystems: an expert system, and management and transaction IS of business functions. The importance of using expert systems as business intelligence systems is reflected in the support these systems provide to top management in strategic decision-making, because they enable problem solving based on the available knowledge of experts in a given area and by demonstrating the path of arriving at a final decision.

In applying the project-marketing concept to business operations, the need to use intelligence systems results from the fact that these systems are required to ensure information is provided to a project-selling firm in two key segments:<sup>14</sup>

- In the “outside any project opportunity” or “independent of any project” phase, they must provide the information needed to identify project opportunities in priority milieus (in target market segments) or customers that are of interest to the firm.

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<sup>12</sup> *A Guide to the Project Management Body of Knowledge (PMBOK Guide)*, Project Management Institute, Pennsylvania, USA, 2000, p. 38.

<sup>13</sup> Zezelj, F., *Informacijski sistemi u praksi*, Informator, Zagreb, 1991., p. 12; taken from: Galicic, V., Simunic, M., *Informacijski sustavi i elektronicno poslovanje*, op.cit., p. 130.

<sup>14</sup> Cova, B., Ghauri, P., Salle, R., *Project Marketing: Beyond Competitive Bidding*, op. cit., p. 124.

- In the project screening and development phase, they must ensure the provision of relevant project information as support to efforts in trying to anticipate the “rules of the game” in a milieu.

#### **4. ROLE AND IMPORTANCE OF LOGISTICS IN A HOTEL ENTERPRISE’S BUSINESS SYSTEM**

In the literature, there are a large number of definitions for the term *logistics* that vary with regard to the aspect from which the term is viewed and the area to which it is applied. The research subject of this paper being the business system of a hotel enterprise, it is the most appropriate to consider logistics and its importance from the aspect of business logistics, because of how it regulates logistics processes within a business system.

Business logistics represents the totality of tasks and measures resulting from a firm’s objectives and involved in securing optimum material, information and value flows in a firm’s transformation process.<sup>15</sup>

Logistics in a business system, however, should not be viewed as an isolated business function; rather, logistics processes are interlaced with a firm’s traditional functional areas and, integrated with the elements of a firm’s environment, they form the complex and dynamic system of a modern firm<sup>16</sup>.

When considering the business system of a hotel enterprise as a project-business firm, special attention should be attached to the importance of integrating logistics with the marketing function, the production and service function, the accounting and finance function, and the project management function.

All the above leads to the conclusion that the importance of applying logistics in the business system of a hotel enterprise with project-based operations is reflected in two segments:

1. The application of logistics processes to the business system of a hotel enterprise enables it to reach higher levels of flexibility and adaptability as preconditions to its future growth and development<sup>17</sup> that indicate the degree to which the hotel enterprise monitors and reacts to change in its environment. As the application of project marketing in hotel operations ensures the desired level of flexibility needed by a hotel enterprise to adapt to project buyers, the integration of logistics processes in the business system of a hotel enterprise can help it to enhance its flexibility and adaptability.
2. Project marketing implies project-based business, that is, managing a firm’s operations and development based on projects. In this sense,

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<sup>15</sup> Rupper, P., *Unternehmens logistik*, III Auflage, Verlag Industrielle Organisation, Zürich, 1991, p. 8; taken from: Zekic, Z., *Logisticki menedzment*, Glosa d.o.o., Rijeka, 2000, p. 32.

<sup>16</sup> Zekic, Z., *Logisticki menedzment*, op. cit., p. 130.

<sup>17</sup> After: Ibidem, p. 151.

project marketing involves managing relationships at two levels: <sup>18</sup> managing networks and relationships related in individual project from beginning to end, and managing relationships at the level of “multiple projects” which implies managing relationships over a longer period of time and for multiple project activities (a larger number of projects). In this way, creating logistics networks can help to increase efficiency in managing relationships within and between various projects.

3. As a concept that focuses on internal project efficiency, project management has a vital function in ensuring the efficient delivery of a project. Contemporary project management literature and literature on customer-based project management underline the importance of supply-chain management as a primary element in successfully delivering customer-based projects, which enable a firm to build the preconditions needed to achieve external efficiency. As the Council of Logistics Management (CLM) considers logistics to be part of the supply-chain process<sup>19</sup> and supply-chain management, a substantial advancement in logistics research<sup>20</sup>, it can be maintained that the application of logistics to the project management segment impacts on the efficiency of project delivery.

## 5. CONCLUSION

A hotel enterprise as a business system of project business can improve its performance through the application of project marketing, which enables it to build its ability to anticipate and define project offerings and provides it with the desired level of flexibility needed for adapting to the requirements of project buyers. A hotel enterprise can achieve this by creating and maintaining relationships with buyers and other stakeholders in a project throughout the delivery process of individual projects, as well as in periods in which there are no projects, so as to ensure the delivery of future projects.

Project marketing implies project business, that is, managing the operations and development of a hotel enterprise based on projects and the overlapping of all business functions. Given the project-based management of a hotel enterprise, project management is established as one of the hotel enterprise's nine business functions within its business system framework, that is, within its functional subsystem.

As a concept, project management is primarily aimed at attaining internal project efficiency. However, because functions overlap, in particular, project management overlaps with the logistics functions, this enables a hotel enterprise to create preconditions to achieving external project efficiency by managing the project supply chain.

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<sup>18</sup> Skaates, M.A., Tikkanen, H., *Focal Relationship and the Environment of Project Marketing: A Literature Review with Suggestions for Practicioners and Future Research*, [www.em-lyon.com/english/faculty/professors/salle.asp-46k](http://www.em-lyon.com/english/faculty/professors/salle.asp-46k), 7.9.2005.

<sup>19</sup> Ayers, J.B., *Supply Chain Project Management: A Structured Collaborative and Measurable Approach*, CRC Press LLC, 2004, p. 9.

<sup>20</sup> Alvarado, U.Y., Kotzab, H., *Supply Chain Management: The Integration of Logistics in Marketing*, *Industrial Marketing Management*, Vol. 30, (2001), p. 185.

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## THE PRESENT POSITION AND FUTURE PROSPECTS OF THE GERMAN LANGUAGE IN CROATIAN TOURISM

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**Abstract:** The global competition on the tourist market and the internationalization of the tourist industry intensify the need for language learning. Knowledge of foreign languages is the most important prerequisite of the quality service in the tourist industry. The structure of foreign guests in Croatia classified by emitting countries proves that the part of the German speaking guests in comparison with other language communities is the most prominent one, so that German is the most important foreign language for the communication in Croatian tourism. Although its learning in Croatian educational institutions compared to English has been neglected, it has been learnt by all pupils in vocational schools for hotel and tourism industry. In Croatian tourism English as the language of the global communication can not satisfy all communication needs in tourism.

*Key words:* globalization, foreign languages and tourism, language needs in tourism, German in tourism, communication in tourism.

### 1. INTRODUCTION

The rapid and intense globalization of the late 20th century and early 21st century has performed a great impact on language policy all over the world. Although the Council of Europe promotes multilingualism, English as a language of international communication might soon become the only language to be learnt in European schools.

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The globalization of English has become a great challenge for the policy of multilingualism in the European Union as for practical reasons it might become the only official language of the Union. Nowadays the role of other languages in the international communication has been underestimated.

This research will show the present position and future prospects of the German language in Croatian tourism. In this context it will also try to answer the question if English as the language of the global communication can satisfy all communication needs in tourism.

## 2. THE MOST IMPORTANT LANGUAGES IN EUROPE AND IN THE WORLD

There are various data about the number of languages in the world. According to Haarmann (2001a, 2001b) 6417 languages have been spoken worldwide. Most of them are small languages and only 12 languages have been spoken as the first or as the second language by more than a million of speakers. To these languages belong Chinese, English, Hindi, Spanish, Russian, Arabic, Bengali, Portuguese, Indonesian, French, Japanese and German (Table 1).

**Table 1:** The biggest languages in the world

Language	Number of native speakers	Percentage of the world population
Chinese	1 210 000 000	23, 6 %
English	573 000 000	11, 3 %
Hindi	418 000 000	8, 2 %
Spanish	352 000 000	6, 9 %
Russian	242 000 000	4, 7 %
Arabic	209 000 000	4, 1 %
Bengali	196 000 000	3, 8 %
Portuguese	182 000 000	3, 5 %
Indonesian	175 000 000	3, 3 %
French	131 000 000	2, 5 %
Japanese	125 000 000	2, 4 %
German	101 000 000	2, 1 %

(Haarmann 2001 b, 11)

After Haarmann (1993: 53) the biggest languages in Europe are Russian, German, French, English, Italian, Ukrainian, Polish, Spanish, Rumanian, Dutch, Serbian/Croatian, Hungarian, Portuguese and Greek (Table 2).

**Table 2:** The biggest European languages

Language	Number of native speakers
Russian	135 000 000
German	91 473 000
French	58 120 000
English	56 390 000
Italian	55 437 000
Ukrainian	43 235 000
Polish	38 231 000
Spanish	28 616 000
Rumanian	23 741 000
Dutch	20 230 000
Serbian/Croatian	14 604 000
Hungarian	12 425 000
Portuguese	10 100 000
Greek	10 075 000

According to these data the leading language in Europe is Russian, which is also the fifth language in the world. In the second place is German, which takes the first place in the European Union. French takes the third place and English the fourth. The fact is that the number of native speakers is not the most important factor which determines the importance of some language in the world. If it were the case, Chinese would be the most important language in the world, and Russian in Europe. It does not mean that the number of native speakers is not important.

Besides the number of native speakers, the importance of some language is influenced by historical, cultural, political and economic factors. As a matter of fact, English has become the language of the international communication not only owing to a great number of native speakers, but also thanks to political and economic factors.

At the moment German and French, besides English, are the most important languages in the EU. German takes the first place as the mother tongue with more than hundred millions speakers and has a long tradition of learning as a foreign language. French takes as the mother tongue the third place, has a long tradition of learning as a foreign language and belongs to the leading languages in the world.

In Europe English takes the first place as a foreign language, the second one takes German and the third French (Hoberg, 177). As already mentioned, the importance of some language depends not only on the number of native speakers, but also on political, cultural, historical and economic factors. Regarding these factors, German should remain one of the most important languages in Europe, especially in tourism, where Germany is not only the European, but also the world leader.

Nowadays there are two trends in Europe – multilingualism on one side and on the other side monolingualism as a result of the globalization. Nobody can deny the

leading position of English as the first language of international communication in the history. While the former transnational languages like Greek and Latin were used by educated people mostly in Europe, English is today the most important means of communication all over the world.

Although many institutions in Europe support multilingualism, we can not say that it became a reality.

Researching learning German as a foreign language, Hoberg (2002) blames for the lower interest in learning it the lack of motivation. He found out that even people who like Germany and Germans often wonder why they should learn German, when they can communicate in English all over the world.

To increase the motivation in learning German as a foreign language Hoberg thinks that Germans should take some measures. The problem is that Germans do not appreciate their own language. Even when they can use interpreters, they rather communicate in English than in German, and in their companies abroad they prefer English to German and do not look for German speaking employees. Especially politicians and businessmen should not neglect their language, but they do that, and the others follow their example.

Hoberg also thinks that German teaching should be practical oriented with the stress on the language for special purposes. Even receptive teaching should be promoted. It is easier, does not take a long time and the communication could be realized if each speaker uses his mother tongue and if he just understands the language of the other speaker.

### **3. THE IMPORTANCE OF FOREIGN LANGUAGES IN CROATIAN TOURISM**

Tourism is becoming more and more important in human life. At the same time the tourist sector represents a considerable part of the economy in all European countries. The employees in tourism have to meet a wide variety of needs and demands of guests coming from various countries. That is the main reason why the communication in tourism is more sensitive than in other branches. Communication skills are a very important segment of the high-quality service in the tourist industry. Due to the orientation of tourism towards the international market, an important prerequisite for communication in this branch is the knowledge of foreign languages. Therefore foreign languages have been learnt as compulsory subjects in educational institutions for tourism, in language schools and in self-study.

According to the above mentioned reasons foreign languages are the most important part of the curricula of Croatian educational institutions for tourism. In vocational schools for tourism and hotel industry (waiters, cooks) two or three foreign languages are compulsory subjects (receptionists, tourist agents etc.). Two or three foreign languages are compulsory subjects at the university, too.

Moreover, the hotel categorization in Croatia classifies the command of foreign languages as one of its basic components<sup>2</sup>. Hotel managers, receptionists and the personnel communicating with guests are supposed to have command of four languages (in five-star-hotels), three languages (in four-star-hotels), two languages (in three-star-hotels) and one language (in two- and one-star-hotels).

#### 4. THE POSITION OF GERMAN LANGUAGE IN CROATIAN TOURISM

The position of foreign languages in tourism should be proportional to the structure of foreign guests by the country of residence. According to the statistical data<sup>3</sup> in the period from January to December 2006 the tourists realized in Croatia 53 006 946 nights: 11,3% domestic tourists and 88,7% foreign tourists.

Concerning the structure of the foreign tourist nights (Table 3) the most of them were realized by tourists from Germany (23,4%), Italy (11,6%), Slovenia (11,2%), Austria (8,7%), the Czech Republic (8,3%), Hungary (4,7%) and the Netherlands (4,1%). The tourists from other countries realized 28% tourist nights. Consequently, the German speaking guests (from Germany and Austria) realized more than 32% tourist nights.

**Table 3:** The structure of foreign guests by country of residence

Country of residence	Tourist nights (2005)	Tourist nights (2006)
Austria	3 756 535	4 069 302
Czech Republic	4 051 780	3 921 345
France	1 920 288	1 707 718
Italia	5 698 791	5 474 456
Hungary	2 405 145	2 196 365
Netherlands	1 910 080	1 938 295
Germany	11 001 142	10 986 866
Poland	1 374 595	1 612 013
Slovakia	1 183 499	1 428 346
Slovenia	5 099 116	5 245 881
United Kingdom	1 348 574	1 366 266

According to these data German should be the language number 1 in Croatian tourism. It has a long tradition in the tourism of our country and was for a long time the most important language in tourism schools. How is its position now? The answer to this question will give the results of two investigations.

<sup>2</sup> Pravilnik o razvrstavanju, minimalnim uvjetima i kategorizaciji ugostiteljskih objekata (1995). Zagreb: Narodne novine, br. 57, 1674.

<sup>3</sup> First release, Central bureau of statistics, Zagreb, 06. February, 2007.

The first one presents the attitude to foreign languages expressed by the employees communicating with guests in Croatian hotels and tourist agencies. The second investigation deals with the learning of foreign languages and shows the position of German language in Croatian schools.

## **5. ATTITUDES OF EMPLOYEES IN TOURISM TO FOREIGN LANGUAGES**

In order to find out the attitudes of employees in tourism to foreign languages, we interviewed 25 hotel managers, 23 sales managers, 55 receptionists, 45 waiters and 28 tourist agents who work in Croatian hotels and tourist agencies located in various tourist destinations. The interview was carried out in February 2007 partly during the training organized by the Croatian society of hoteliers and restaurateurs and partly by telephone. The employees were asked to answer two following questions:

*What foreign languages do you speak at work?  
Can English as the language of the global communication satisfy all  
communication needs in tourism?*

They were also asked to order the languages according to the frequency they use them at work.

The results show that the use of foreign languages is proportional to the structure of foreign guests by country of residence. 94% of employees put German in the first place. Italian is in the second place, English in the third place and French in the fourth.

100% of employees think that English as the language of the global communication can not satisfy communication needs in tourism. It does not mean that the employees in tourism should not have command in English. On the contrary, although English seems to be less important than German and Italian, the employees in tourism should have good command of it because of its international importance.

This research confirms the results of previous researches about the importance of foreign languages in tourism (Blazevic 1991, Blazevic 1996).

## **6. FOREIGN LANGUAGE LEARNING IN CROATIAN SCHOOLS**

As a small country Croatia is aware of the importance of foreign languages. It follows the multilingualism as the language policy of the Council of Europe, which means different languages and language varieties at different levels of proficiency and different types of competences.

A foreign language is compulsory from the first grade of the primary school. Pupils can choose the language they study according to their wishes, preferences and motivation. They can select among English, German, French or Italian. Once they have

made their choice, pupils are obliged to continue studying that language during their school careers: during the primary school (eight years), during the four or three years of the secondary school and one or two years at the university. The vast majority of pupils choose English as the first language, the second place belongs to German, which is followed by Italian and French (Table 4).

**Table 4:** Foreign language choice in the first grade in Croatian primary schools<sup>4</sup>

	2004/2005
English	41 656 (86,44%)
German	5 480 (11,36 %)
Italian	182 (0,38 %)
French	147 (0,30 %)

A number of parameters generally dictate the choice of a language. Those are usually geographical, geopolitical, social or economical factors. In most cases the parents make a decision instead of a six or seven-year-old child. In some cases it is the school because of the shortage of teaching staff it disposes with.

German has been learnt mostly in regions near Austria, where the tradition of learning this language has never stopped. In other regions parents choose the language their children will be going to learn due to utilitarian reasons (in tourist destinations) and because they know it will be easier to learn English after German than vice versa.

Italian and French have been learnt by a small number of pupils, Italian in places which are near Italy and French mostly in our capital because there are some schools with long tradition in teaching this language.

In Croatian primary schools it is possible to learn a second foreign language, too. Its learning begins in the fourth grade and lasts until the end of the primary school. At the moment the second foreign language is not a compulsory one, but it might become very soon.

As a second foreign language mostly German has been learnt, followed by Italian, English and French.

The learning of the languages once chosen in the primary school is usually continued at the secondary level and at the university.

In vocational schools for the hotel industry and tourism German is a compulsory subject and it has been learnt as a first, second or third language by all pupils.

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<sup>4</sup> Häusler/Karacic (2006:219)

## 7. CONCLUSION

According to the data given in previous chapters the present position of German in Croatian tourism is quite satisfactory. It is estimated as the most important language in tourism and it has been learnt by all pupils in vocational schools for hotel industry and tourism.

Although its learning in Croatian educational institutions compared to English has been neglected, it takes the second place as a foreign language, which makes it the second important foreign language in our country. Its position in schools will be much better when the second language learning becomes compulsory.

As long as German speaking guests are the most numerous foreign tourists in Croatia, it will be the most important language in tourism.

Although the time will come very soon when all German speaking guests and business partners will have good command in English, the communication in tourism in their mother tongue will be welcomed as in no other branch, for there is a Danish proverb which says: "*The Germans sell in English and buy in German!*" The fact is that nothing can convince more than when one speaks the mother tongue of its business partner or guest.

Having this proverb in mind, the future of German language in tourism might be not worse than its present position.

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## TOWN-MARITIME PASSENGER PORT INTERFACE IN THE REPUBLIC OF CROATIA - BASIC FACTOR OF THEIR SUCCESSFUL DEVELOPMENT

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**Abstract:** Contrasts between towns and ports are results of imposed coexistence within limited area-as two separate entities with interests and purposes appearing different at first sight. Port as traffic chain link has been oriented towards economy, productivity, market competitiveness and development of business operation whilst community of residents is oriented towards promotion of citizens' welfare and quality of their lives; therefore, it aims for ecological, cultural and visual values. Such difference of vision contributes to appearance of conflict making physical and functional compatibility of these two centers questionable. This work analysis possibilities and steps for cooperation between town and port, advantages and disadvantages of the port and town where the port is situated have been evaluated as well as factors having influence on attractiveness and efficiency of maritime passenger port and town development.

The research indicates the need to take into consideration and to implement additional factors from which the most important are: resources and range of services offered to tourists, structure, public services and town planning, communication and image as well as trends, as their influence on development of town and port is the most important. The research results indicate the fact that city-port interface should lead to creation of system that would taking into consideration and developing all interconnected factors seeks to create a port being strategic leader of transformation of the whole town, region and beyond.

*Key words:* passenger port, comparative analysis, town planning, development.

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## 1. INTRODUCTION

Port acting is determined by a number of factors considering the complex port function in traffic and economic system, but also with its position being in most cases in center of town. From ancient times, the towns have been developed along ports, as they have been reflection of development degree of the society and strong focal points of economic power, on one side and on the other side; they had had an effect on development of productive forces and society's relationships of specific age. It can be concluded that port history is partly also history of civilization.

There are many factors affecting more or less the role, development and value assessment of some maritime passenger port in specific development stages; however, all of them result with unique assessment when selecting ports by users (passengers, tourists, immigrants, tour operators or ship operators). As a rule, port users have possibility to select more ports, therefore some port make efforts to attract them in way to turn factors being condition for port selection to their favor. These factors, according to which advantage (value or importance) of some maritime passenger port has been assessed, are very different, but also very important, so their neglecting may have far-reaching consequences. Some of these factors may be influenced by appropriate business policy actions, whilst the other cannot be influenced in any way or can be influenced very little. Some factors became more important and more influenced in specific stages, whereas the other that in one period were positive may lose their importance and influence to reach even a negative effect on port.

## 2. COMPARATIVE ANALYSIS OF TOWN-PORT INTERFACE

Many factors plaid an important role in development of specific maritime passenger port, but currently modern maritime passenger ports cannot be only centers for accommodation, passengers' embarkation on and disembarkation of vessels and means of overland transport. Conventional passenger ports have been developed into modern passenger terminal with the task to meet needs of both ship operators and passengers. This are terminals which function extends to quality-acceptance of passengers, comfort during passengers' stay at the terminal and efficacious accommodation of means of other traffic branches, maritime passenger ports have become modern maritime "airports".

Competitiveness and quantification between maritime passenger ports is growing up and traditional factors (geographical position, natural characteristics of the port, level of development of traffic connections, ... , port policy measures) of increase in competitiveness and successful management and development of maritime passenger port are not sufficient. The research has revealed the need to analyze completely new factors, as resources and range of services offered to tourists, structure, public services and town planning, communication and image as well as trends. Funds invested in development of maritime passenger port and town in which the port is situated may be justified only by respecting and considering of all theses factors and in such way to meet also specific macro environment requirements providing for port services market respectively to attract flows of passengers to these ports.

This part of the work indicates, by comparative analysis that gives a real picture in scientific and practical terms that a successful management of maritime passenger ports shall be achieved through coordinated cooperation and support of the town and the region. More real and detailed analysis is a good base for making useful business decisions and moves as well as for creation and implementation of port's business policy but also of the town as an integral part of additional services. The analysis in this work is in fact subjective reflection of objective reality denoting position and possibility for acting of the passenger port. Following analyses are subjective opinion of the author based on detailed and long research, however subject to different interpretation by another expert.

### 2.1. Analysis of Resources and Range of Services Offered to Tourists

In order to realize advantages and disadvantages as well as circumstances the Croatian ports have in respect to their position on the Adriatic Sea and initiated development project in full, it is necessary to make cooperation and coordination between Port authorities<sup>2</sup>, towns and Counties completely. The Table 1 shows analysis of resources and range of services offered to tourists as ones of basic elements for realization of Croatian ports' advantages with respect to their location. Cooperation is specially required in terms of development of passenger shipping specially cruises being economically and socially useful for all participants.

**Table 1:** Analysis of Resources and Range of Services Offered to Tourists

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>▪ Favorable position – ports are situated in the town self or close to it</li> <li>▪ Proximity of tourist centers and national parks (Opatija, Vodice, Paklenica, Plitvicka jezera etc.)</li> <li>▪ Good traffic connection (with exception of the City of Dubrovnik)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of evaluation of tourist resources, specially with respect to additional offer (connection with surrounding)</li> <li>▪ Lack of business-like operation in service activities</li> <li>▪ Limited, insufficient quality-offer of tourist products (souvenirs and postcards)</li> <li>▪ Lack of tourist facilities (accommodation, activities, rest and leisure)</li> <li>▪ Poor offer of tourist information</li> </ul>

Source: Made by author

Investment of the local community in future development of cruises shall considerably contribute to efforts of passenger ports to reach the level of services consistently with target development. Before and after staying of the ship at the port programs that are more interesting have to be developed for passengers in cooperation with cruise operators and local hoteliers. Basic, additional and retail offer of the whole destination, both in port and surrounding have to be improved.

<sup>2</sup> Port authority is in charge for management of port and all area it is extending.

Basic offer includes a number of tourist attractions to be visited within not more than four hours (including transition time as well as time for embarkation and disembarkation of passengers). Additional offer includes visits to tourist destinations being situated in surrounding or visit to town resources representing addition to basic offer as e.g. art galleries, museums and thematic visits including journey of at least eight hours or four hours in addition to basic offer.

## 2.2. Analysis of Structure, Public Services and Town Planning

Analysis of structure, public services and town planning (cf. Table 2) indicates to need for expansion of tourist facilities. The first important step in this process is to provide for bus terminal and multimodal facilities as well as to improve parking possibilities (areas). In order to facilitate circulation to passenger (tourists) towards the port and to avoid traffic jams during the season, it is necessary to enable to tourist coaches and taxis to drive separate lane and to construct bypass road towards the port in the future. By bringing the separate lanes for buses and taxis into operation and selling permits for their use, the local communities could provide for considerable source of incomes and regulate transit traffic at the same time.

**Table 2:** Analysis of Structure, Public Services and Town Planning

STRENGTH	WEAKNESSES
<ul style="list-style-type: none"> <li>▪ Existence of port structure</li> <li>▪ Proximity of international airports</li> <li>▪ Existence of specialized international trade fairs</li> <li>▪ Strong purpose of local and governmental authorities to stimulate tourist development in the region</li> </ul>	<ul style="list-style-type: none"> <li>▪ Moving of people and vehicles, i.e. access to the port with more difficulties,</li> <li>▪ Lack of parking facilities closed to the port</li> <li>▪ Lack of tourist signs and marks</li> <li>▪ Unsolved issue of ownership on parts of port area</li> </ul>

Source: Made by author

A successful presentation of Croatian passenger ports as main points of destination on the Adriatic Sea to cruise operators and passengers can be brought about by establishing a “joint body” that would lead and coordinate aspiration of the port, local community and other participants to increase attraction of the destination. Such strategy requires for a marketing plan that would include program for cruises visitors, organization of targeted marketing presentation, presentation to managers of cruise operators and travel agencies, participation in show-tourist fairs and other marketing efforts.

## 2.3. Analysis of Communication and Image

Communication and image are one of the basic means to attract passengers/tourists to desired destinations (cf. Table 3). Local communities, towns, regions, counties and state must recognize unique sales places and objects being related closely and personally to tourist destinations and the Republic of Croatia.

Analyzing other successful ports for example Venice, it is necessary to draw lessons and to apply them to Croatian passenger ports and their towns.

**Table 3:** Analysis of Communication and Image

<b>STRENGTH</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>▪ Proximity of European tourist destinations (Italy, Greece, Malta etc.)</li> <li>▪ Passenger safety</li> </ul>	<ul style="list-style-type: none"> <li>▪ Area little known in the North America and Asia (with exception of the port of Dubrovnik)</li> <li>▪ Lack of social interests in tourism importance in the region</li> <li>▪ City's structures being not included in realization of additional offer and port development plan-making</li> <li>▪ Lack in cruisers traffic tradition</li> </ul>

Source: Made by author

#### 2.4. Analysis of Passenger Traffic and Tourism Market Trends

The Table 4 analyzes trends on passenger traffic and tourism market as one of the most important accelerators of maritime passenger traffic. The performed analysis indicates the need to consolidate all functions relating to passenger traffic into unique administration enabling increasing returns, better maintenance of infrastructure and better coordination between activities relating to traffic of passengers. Port and local communities may count on extra profit only with developed strategy promoting passenger traffic specially cruises including overnight stays and longer ships' stay in the port.

**Table 4:** Analysis of Passenger Traffic and Tourism Market Trends

<b>STRENGTH</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>▪ Forecasted tourism growth in the Republic of Croatia according to the WTO</li> <li>▪ Expansion to new markets (American – Croatia the most demanded tourist destination in the year 2006)</li> <li>▪ Political stability of the region</li> <li>▪ Possibility to extend tourist season</li> <li>▪ Development of new tourist activities (health tourism, golf-courses etc.)</li> <li>▪ Cruise market is considered as the most promising in respect with all other traffic markets, specifically for more than 20 years</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of national cruise operators</li> <li>▪ Lack of modern maritime passenger ports and terminals</li> <li>▪ Tourism growing stronger in competitive countries on the Adriatic Sea (Italy and Montenegro), Mediterranean Sea (Cyprus and Turkey) and the Black Sea (Bulgaria and Romania)</li> <li>▪ Cruise market is characterized by the most dynamic competition</li> <li>▪ Poor connection with air charters, leisure parks, hotel complexes, entertainment and gambling companies, exerting pressure on tour operators as the most expanded distributors for cruise selling.</li> </ul>

Source: Made by author

Profit shall be generated in way that tourists coming within tourist journeys decide to stay longer time in the town. For this purpose, duty free sale has to be initiated (tax-free sale) and cruises have to be brought into line with local events as Dubrovnik Summer Festival, Split Summer Festival and Rijeka Summer Festival, music festivals, fairs and conferences.

Although noticed lacks for each category represent some of main barriers for development of Croatian passenger ports and towns, at the same time some of them indicate high potentials that have to be activated through good cooperation between the town and port as well as organized marketing.

### **3. REASONS FOR COOPERATION BETWEEN PORT AND TOWN**

The mentioned SWOT analyses show poor communication and interaction between the town and maritime passenger port arising in the first line from imposed coexistence within limited area – as two separate entities with interests and objectives being different at first impression:

- Port as traffic chain link has been oriented towards economy, productivity, market competitiveness and development of business operation;
- Town as community of residents is oriented towards promotion of citizens' welfare and quality of their lives; therefore, it aspires to ecological, cultural and visual values and people's expectations.

Such difference of visions contributes to appearance of conflict making physical and functional compatibility of these two centers questionable (cf. Table 5). From town's perspective, pollution, noise and traffic blockage (having in mind car traffic when taking or getting from ferry in first line) represent one of the most frequently weak points without to mention a port's visual effect and safety problems in case of industrial and cargo ports. In return, ports have often a problem of limited mobility of passengers and their cars caused by inadequate infrastructure of urban traffic as well as other forms of interfering in urban activities disturbing their business cycle.

In addition to already existing daily misunderstandings, port and town are often coming into strategic conflict referring to getting control over the space – port's heads want to get new spaces for their activities either at the expense of the town or at the expense of the sea. Urban areas are in the most cases opposing to such expansion due to ecological reasons and insist on use of existing capacities in way that is more rational. They are interested also in obtaining again the access to the shore by taking over the port's area being not in use or abandoned and that can be used for building of apartments, cultural activities, recreation-purposes and alike. Another serious case of misunderstandings to be defined as institutional is no actual influence of the local authorities and communities on decisions relating to port development and town/port interference.

The reason therefore is that ports are managed mostly by external interests and they are responsible only to the government policy and laws or they are managed by local authorities acting based on legislative giving the ports priority over the urban interests. Under such conditions, the town can perceive the port as an exterritorial zone with obvious negative impacts on reciprocal understanding.

**Table 5:** Potential Conflicts and Cooperation between Ports and Towns

Sources of potential conflicts	Reasons for cooperation
<b>A. ON DAILY BASIS</b> - pollution and noise - visual effect of port operations - urban traffic blockage - limited mobility of cars - other physical and functional interferences	<b>A. PORT CONTRIBUTION TO URBAN DEVELOPMENT</b> - direct businesses - indirect employment and economic development for opportunities (business parks, tourism and alike) - economic and cultural relations with foreign countries
<b>B. SPACE CONTROL AND USAGE</b> - extension of port area - access to seashore - quay redevelopment - use of surplus facilities	<b>B. TOWN'S CONTRIBUTION TO PORT DEVELOPMENT</b> - rendering of urban services in fields as financing, management consulting, technical assistance, research application, information and telecommunications - rendering of maritime and other professional port-relating services - giving space for logistic activities and land transport connections - port competitiveness support
<b>C. INSTITUTIONAL RELATIONS</b> - exclusion of towns from decisions on port development - special legislative giving priority to ports over towns - domination of external interests in port management	

Source: Made by author

In order to overcome these difficulties arose from lack of space and wish to use some space in another way, maritime passenger ports in the Republic of Croatia made plans for relocation of their capacities or construction of new terminals on location farther from the town centers.

This refers in first place to passenger ports in function of ferry traffic (transport of passengers and cars but also cargo traffic for needs of local units on the islands) turned out as the biggest obstacle in port-town relations. In most cases such decisions meet positive reactions and effects of towns respectively local communities, as the town continues to use all positive port operating outputs (employment, increasing sales, identifiability and alike), however in way that adverse effects have been eliminated (noise, traffic blockage, pollution and alike).

In order to prevent further misunderstandings it would be necessary to adjust the cooperation having as result expansion of the port and the town.<sup>3</sup> The concept of port town as a system acting as synergy includes logic in an ideal way, so the result of town-port cooperation can be successful only if two parties agree on clear frame for cultural, economic and spatial relations. Arguments for such partnership are strong: port can offer to the town economic development, additional jobs and new relations with far countries, whilst the town can support the port thanks to its management, technical and scientific possibilities. This positive interaction is desirable in each situation and present context of economic globalization and market independence.

In addition, Croatian passenger ports have recognized the need for such mode of cooperation within their business operation and development. Wishing to reach more efficient business operations and successful development, the efforts have been made to establish logistic platforms with the purpose of close cooperation between the town and the port. So for example, in the port of Rijeka full consensus of all relevant city's and county's institutions, government institutions and economic entities was required to achieve the highest efficiency in implementation of Passenger port development project (port/town component of reconstruction) as well as further general development of the port. In order to achieve this consensus and to realize the subject Project efficiency within the set period of time a "joint body" has been established which promoters are City of Rijeka, Port of Rijeka Authority and Luka Rijeka d.d. The task of the "joint body" should be to provide required aid when developing plans and documentation required for implementation of port development plans. For that purpose, promoters of the "joint body" have make available person or persons as representatives of single promoter and their task shall be:<sup>4</sup>

- data exchange;
- joint appearance and promotional activities;
- assignment of single tasks and discussion about their realization;
- work supervision of all persons being involved in development projects for the port of Rijeka;
- establishment of working groups;
- making reports to the public about achieved results and implementation activities.

In similar way during construction and reconstruction project for the port of Dubrovnik the "Cruise Board at Dubrovnik" has been established which goal was to lead and to coordinate efforts of the port and the town in order to provide for representation of Dubrovnik as main Adriatic middle point. Such practice is in Croatian ports of recent date and appears as result of recommendations of foreign consultants engaged on port development projects and that were not able until establishment of such body to realize the job for which they have been hired successfully and meeting high standards.

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<sup>3</sup> Haralambides, H., Veenstra, A., *Port pricing*, The handbook of maritime economics and business, Costas Th. Grammenos, London Hong Kong, 2002., p. 783.

<sup>4</sup> Port of Rijeka Authority, *Decision of Establishment of Joint Body*, Port of Rijeka Authority, Rijeka, 2003.

#### 4. CONCLUSION

The most perfect living creature, human being with all his/her special features, strong and weak points, passenger as subject of transporting and moving is in the focus of transportation of passengers (passenger transport).

Passengers are the most sensitive moving subject. They are very demanding, regularly expect and ask for comfort, security, regularity, punctuality, frequency and velocity and in addition to all this efficiency. Such requirements are asking from maritime passenger ports and towns in which they are situated to change physiognomy and mode of behavior.

Conventional passenger ports are becoming modern passenger terminals, which together with its partner, the town, must meet needs of ship operators, passengers, tourists, tour operators and others.

All relevant factors influencing development of town and port as common system are practically not taken into consideration in the Republic of Croatia having as consequence that town's and port's problems are often considered separately leaving behind in this progress that the port system is a part of national economy with extremely high multiplicative effects. To let the Croatian maritime passenger ports to be successful competitive they should have an easy access to a large number of progressive urban functions, i.e. information, plans, telecommunications, financing and research application.

Competitiveness of modern ports does not depend only on their internal functionality than also on efficiency of similar urban economies including coordination capacity of urban and port business policies.

The research results within this work obtained by analyzing port-town interaction from scientific and practical aspect and SWOT analysis of factors relevant for their mutual development indicate that that the successful development of maritime passenger ports can be achieved only by coordinated cooperation and support of the town, region and country of origin.

Therefore as basic port and town development factor such management shall be imposed that shall lead to creation of system which shall by considering and developing all mutual related factors aim for establishing of port being strategic transformation vehicle for the whole town, region and more broadly.

The conclusion is that today the Croatian ports need support of "domestic" town as never before.

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# THE FUTURE OF LANGUAGES FOR SPECIAL PURPOSES IN THE ERA OF PROGRESSING MANAGEMENT

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**Abstract:** The authors will give some definitions of the language of special purposes used in multinational business, and they will also describe some characteristics of this language on the morphological level and the level of word-formation.

The corpora they are using for this analysis is the corpora found in management reports of German multinational companies.

Through this analysis, the authors trace the development of such a language and they observe specific models used in management reports. Results of such an analysis will give facts for further discussions about the future of languages for special purposes in the management of multinational companies.

*Key words:* languages for special purposes, business policy, management reports.

## 1. INTRODUCTION

This paper tries to examine the role and future of languages for special purposes (LSP) from the aspect of global changes that are imposed by the modern world. The analysis is to be conducted on a small part of a rich corpora (for the most part manager reports), which has been gathered for the purpose of morphological, syntactic and semantic language analysis that is used in the management of more or less successful German corporations.<sup>2</sup> In order to be able to examine this aspect, we need to be familiar with the definitions of LSP. Main ideas of this paper will be based

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<sup>2</sup> See corpora source on p. 724

on definitions of LSP from the communicational aspect and the role that LSP have in the communication process. Since LSP include a specialized vocabulary (type depends on the narrow purpose), the process that any LSP, and of course language of management undergoes, needs to be taken into consideration. This is a process of standardization and terminologization. The most important part in the analysis of this paper is the analysis of loanwords in the management vocabulary. This analysis will illustrate how the language of management in German corporations tries to overcome constant changes and innovations that are for the most part introduced by the Anglo-Saxon cultural circle.

## **2. LANGUAGES FOR SPECIAL PURPOSES FROM THE ASPECT OF COMMUNICATION**

Some linguists define LSP according to a very simple communication model.<sup>3</sup> A communication model distinguishes following elements: producer and recipient of a written or oral content. The communication model works as following: the producer<sup>4</sup> controls the production and reception of his text (content). Therefore is the reception of the text (content) an active process in which the recipient is allowed to process his text independently. Communication aided by LSP need not necessarily take place between two persons and be linear, but it can take place between more producers (groups of authors) or more recipients (groups of recipients, audience). Communication may develop in multiple directions at the same time, so that participants of the communication process change roles many times. Thus the producer becomes the recipient and vice versa. In this communication process, both the producer and the recipient have their own sign system, a background or fore knowledge of the subject of communication, and general knowledge of the scientific field which is the subject of communication. This language inventory, that both producer and recipient of the communication process have at their disposal is so called "cotext" and context.

### **2.1. Definitions of different LSP models**

According to what has already been said, there are three different approaches to scientific research of LSP. The models have been defined throughout the years, so the first model, or the systematic linguistic inventory model was defined in the 1950s. It persisted until the 1970s, and has been applied to a large number of different variations. This model is primarily defined as a manifestation of a mutual sign system that both the producer and the recipient use. It presents the language for special purposes as a sign system that is exclusively used in particular professions. This model is based on the lexical inventory and syntactical rules of LSP. A well-known definition of LSP from the 1970s is based on this model: LSP is a sum of all linguistic 'means'

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<sup>3</sup> compare Roelcke 1999, p.15

<sup>4</sup> The word 'producer' has been chosen to denote the creator of a written and oral language content, because the author believes that the words 'sender' and 'emitter' designate the creator of oral language content only. For the same reason the word 'recipient' is used when referring to the receiver of both oral and written language content.

that are applied in a specialized and narrow communication field in order to ensure mutual intelligibility among people working in that field.<sup>5</sup>

The second definition of the model is rooted in the 1980s. It refers to a pragmalinguistic contextual model which offers a revision of the systematic linguistic inventory model, and defines LSP as a sign system closely dependent on the structure of a specialized text, and its co(n)textual interdependency. Thus this model defines LSP as a contextual written and spoken communication, but only when closely bound to the LSP sign system. This model also provides a definition of a specialized text: A specialized text is an instrument and outcome of an acquired linguistic communication activity which is related to the specialized social and productive human field of activity. The text consists of a definite number of logically interpolated elements which are arranged into coherent sentences (germ.Texteme<sup>6</sup>) or sentence units according to semantic and syntactic rules. These coherent sentences or sentence units are similar to complex propositions and assumptions of elaborate linguistic signs which exist in the human mind, and correspond at the same time to the objective reality.<sup>7</sup>

This, at first sight completely realistic conception of language is generally approved and based on the assumption that the real world, independent of human thought consists of different objects and contents. Man assigns concepts, words and sentences that exactly correspond to these objects and contents. Such concepts, names, words and sentences are generally accepted and conventional at the same time.

With the knowledge and ideas gained from the systematic linguistic inventory model and the pragmalinguistic contextual model, the research of functional and psychological aspects of communication has come out from the research of LSP. This poses at the same time ground for the next model definition. The third model definition highlights the importance of the producer and the recipient. This model is called a cognitive linguistic functional model, and examines intellectual and emotional communicative predispositions of the producer and recipient. It analyzes psychological and intellectual abilities and willingness to communicate in the LSP.

Basic elements of research are motivation and intention of the producer and recipient, i.e. participants of a communication process which is based on LSP. According to the cognitive model the following definition was created in the 1990: Communication based on LSP is an act performed by the producer and recipient, which is internally or externally motivated or stimulated by particular systems of recognition and cognitive processes. This act is important for the differentiation between real professionals or entire communities, groups of experts, i.e. producers and recipients who communicate using LSP.<sup>8</sup>

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<sup>5</sup> compare Roelcke 1999, p.15-17

<sup>6</sup> The expression "Textem" is an unprocessed language structure, in contrast to a text which is a processed language structure (according to Brockhaus Wahrig 1984).

<sup>7</sup> see Hoffmann 1988, p.126.

<sup>8</sup> see Hoffmann 1993, p.614

## **2.2. Languages for special purposes as a language variety**

Within the linguistic framework a variety refers to a language system which is subordinated or regulated according to the standards of a 'source'<sup>9</sup> language (German, English, Croatian or any other language system). The language variety is determined by its inner uniformity and some external differentiating features which exist outside that language system. So, the variety is different from other varieties of the same language system.<sup>10</sup>

When discussing inner uniformity or inner features of a language system, we refer to phonological, morphological, lexical and syntactic features or criteria. If subject of discourse is a realized language structure, or a text, than we are discussing semantic, grammatical or pragmatic criteria. However, external differentiating features refer to specific qualities which are conditioned by geographic position, social grouping, field of human activity or a historical period in which these specific qualities can be applied. According to the domination of these extra linguistic specific qualities, there are regional, social, functional and historical varieties.

If we define LSP as a variety, we need first of all to determine its 'status' within the linguistic concept of the same.<sup>11</sup>

An important question arises at this point: Can LSP be seen as a single or a multiple language system, i.e. can we talk about a single language for special purposes or about many languages for special purposes?<sup>12</sup> Another important question is whether LSP can be defined and analyzed only in relation to the source language (German, English, Croatian), the variety of which this particular LSP is. In other words, LSP within the German language system can be analyzed for example only as being part of the German and not of the Croatian or English language system. Or can the LSP be analyzed as such not regarding the German, English or Croatian language system; i.e. can LSP be analyzed and defined in all languages in the same way? Answer to these questions can be given using the example of German. The German language system consists of a number of LSP (according to a large number of fields of human activity). Therefore there are also different communication fields in different LSP which at the same time display a series of similar and identical inner system features with other LSP from different source language systems (e.g. English, Italian, Spanish, and other language systems). Therefore the concept of LSP as a variety has become a necessity.

### ***2.2.1. Functional and social predispositions of LSP as a variety***

LSP is usually seen as a functional variety. This means that factors for determining a function that this LSP performs, influence the definition of the LSP

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<sup>9</sup> The word 'source' is used for a completely standardized language system.

<sup>10</sup> The word "variety" is used in the text as an equivalent of the word 'language variety', which is defined according to the Croatian Encyclopaedic Dictionary as *one of the phenomena of a linguistically same language* (HER 2002:1410).

<sup>11</sup> compare Ammon 1998, Roelcke 1999, p.18

<sup>12</sup> see Roelcke 1999, p.18-19

itself. However, we must not neglect the fact that the emergence and development of LSP has been mostly determined by regional, social and historical conditions. For example, historical reality and facts have created conditions for the development of LSP in the field of technology, along with the development and innovations caused by the Industrial Revolution. Another example is a regionally conditioned development of LSP in the field of maritime affairs and shipping industry (which have developed because of the vicinity of sea, river, lake and other waters). The third example for socially conditioned development of LSP is the field of architecture which comprises words such as cottages, pile dwellings and in recent history, skyscrapers. These social conditions which cause the emergence and development of LSP support the argument that LSP is most of all a social variety. Therefore the words 'language of the group or 'grouping' serve as a characterization of LSP. Along with a linguistic conception of a variety, for already mentioned reasons, other conceptions of LSP have been created, too.

### **2.3. Language for special purposes as a sublanguage**

One of these conceptions is a referential determination of LSP which analyzes LSP as a sublanguage.<sup>13</sup> Sublanguage is defined as a language system within the source language system which enables communication in a specialized field of human activity. The referential determination of LSP is supposed to depend on the functional definition of LSP.

### **2.4. Language for special purposes as a register**

Another concept of LSP is a stylistic definition which sees LSP as a stylistic, functional or different language register. Therefore LSP is seen as a sum of stylistic elements which refer to particular communicational functions of LSP. Thus they represent a situational linguistic standard for the specialized field. However, this standard is subordinated to the field of human activity for which it was intended, which leads us back to the conclusion that such a stylistic definition is subordinated to the functional one.

## **3. STANDARDIZATION AND TERMINOLOGIZATION OF LANGUAGES FOR SPECIAL PURPOSES**

LSP is a system of linguistic means which exercises a certain conventionality in relation to the general language. It can also be said that rules and regulations underlying LSP need not always correspond to the semantic, syntactic or pragmatic rules of the general language. LSP is allowed a particular singularity regarding the regulation of rules within the language system. Therefore it is generally believed that principles of arbitrariness and conventionality can be analyzed within LSP. This language system uses arbitrariness and a need for conventionality of linguistic means

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<sup>13</sup> The word 'sublanguage' is used for a substandard of a standard language system in which it exists, and it is a translation of the German word 'Subsprache' (see Roelcke 1999, p. 19).

and contents, in order to be able to thoroughly perform its function in a particular field. Description and prescription play an important role in the realization of such functions. The prescriptive method introduces innovations into the specialized vocabulary, and in that case we can talk about standardization of a specialized text.

Standardization of specialized vocabulary is a global phenomenon, which is a result of differentiation of each particular field of science and its specialized language. The need for standardization is so great that standardization in scientific and technical fields has become strictly institutionalized, i.e. institutes are established that are responsible for standardization of specialized and scientific fields, and therefore for standardization of language. Such institutions are: das Deutsche Institut für Normung (DIN) or the International Organization for Standardization (ISO). Standardization that is supervised by these institutions is usually restricted only to the lexical level. Norms are further analyzed in the process, and discussed independently of linguistic circles of scientists working at universities. Not taking into account the expertise of linguists results in a number of problems and undefined situations.<sup>14</sup>

Prescriptive standardization of the specialized vocabulary is usually defined as terminologization. Terminologization is a scientific discipline which performs the function of describing or standardizing one or more specialized vocabularies within one or more LSP (in such cases the comparative or contrastive analysis is used). Gerhard Budin gives the following definition of terminology: "...geordnete Menge von Begriffen eines Fachgebietes mit den ihnen zugeordneten Begriffszeichen".<sup>15</sup> The word concept or notion (German 'Begriff') is the key word for defining the concept of terminology as well as terminology as a scientific discipline. It is defined by Budin as: "...Denkeinheit die einem abstrakten Gegenstand zugeordnet ist und diesen im Denken vertritt...".<sup>16</sup> This definition is based on the traditional conceptual logic which has been studied by Eugen Wüsters. So, main idea of this definition is that a 'concept' is a cognitive realization of objects and phenomena which are part of the extra linguistic reality and which exist independently of words in particular languages or language in general. This means that a concept as such is approved or defined independently of the language in which it exists. It establishes a relation to other phenomena which are described by other concepts. Such a system can only be studied according to the principles of terminologization of one or more languages (which has already been mentioned when referring to the contrastive method). Concepts are realized only after they find their place and relationship to other elements in the sign system (i.e. when they find their equivalents in the sign system). Only then can a concept become a means of communication of a particular LSP, and part of the terminology of particular specialized and scientific fields.

The process of terminologization and standardization unfolds in ideal conditions in such a way that postulates of international research in a particular specialized and scientific field become standards of the same (according to criteria of institutions for standardization, e.g. ISO and DIN). As a parallel process there is

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<sup>14</sup> compare Roelcke 1999, p.104

<sup>15</sup> Budin, Gerhard, Wissensorganisation und Terminologie. Die Komplexität und Dynamik wissenschaftlicher Informations- und Kommunikationsprozesse. Forum für Fachsprachenforschung 28, Tübingen, 1996, p.1-10

<sup>16</sup> Budin 1996, p.1-10

terminologization of such standards within the same field. Whenever the standard is realized, there is a danger that communication within LSP does not unfold as automatically as it should. Therefore the next step is to define specialized and linguistic fundamental elements for the prescription of specialized vocabulary, and this is a task to be performed by ISO. Terminologization within a specialized field of a single language is conducted with the help of the development of more or less connected terminological systems for a particular specialized and scientific field. Institutions such as DIN or ON (Österreichisches Normungsinstitut) harmonize or coordinate terminological systems of particular languages in their countries (Germany and Austria), and such harmonized terminological systems are then subjected to revision which is carried out by international institutions for standardization.

In Germany the standardization of LSP is performed by DIN and VDE (Verband deutscher Elektrotechniker). These institutions are not national organizations, but they registered and function like associations. At the international level, standardization of LSP is performed by ISO. This organization was established in 1946 as a successor of ISA (International Federation of the Standardizing Associations) which was founded in 1926. ISO performs among other things also the standardization of language. Its main function is the international coordination of national standards of particular countries, as well as the development of international standards for the promotion and simplification of scientific, technical and economical processes. Seat of the organization is in Geneva and the organization enjoys a status of an association according to regulations of Swiss civil law.<sup>17</sup>

Standardization that this organization performs is conducted at six levels: Proposal Stage, Preparatory Stage, Committee Stage, Enquiry Stage, Approval Stage and Publication Stage.

Publication and approval of particular standards is at best done every five years. Other international organizations for standardization are: IEC (International Electrotechnical Commission), IUPAC (International Union for Pure and Applied Chemistry), WHO (World Health Organization), and others.

The German institute for standardization defines standardization as following: "Normung ist die planmäßige, durch die interessierten Kreise gemeinschaftlich durchgeführte Vereinheitlichung von materiellen und immateriellen Gegenständen zum Nutzen der Allgemeinheit. Sie darf nicht zu einem wirtschaftlichen Sondervorteil einzelner führen. Sie fördert die Rationalisierung und Qualitätssicherung in Wirtschaft, Technik, Wissenschaft und Verwaltung. Sie dient der Sicherheit von Menschen und Sachen sowie der Qualitätsverbesserung in allen Lebensbereichen. Sie dient außerdem einer sinnvollen Ordnung und der Information auf dem jeweiligen Normungsgebiet. Die Normung wird auf nationaler, regionaler und internationaler Ebene durchgeführt".<sup>18</sup>

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<sup>17</sup> compare Roelcke 1999, p.113

<sup>18</sup> DIN 820, part 1, 1994

This definition is essential for the determination of standards according to the DIN 2342 regulation: "Festlegen von Terminologie und Grundsätzen für das Erarbeiten, Bearbeiten, Verarbeiten und Darstellen von Terminologie durch autorisierte und dafür fachlich, sprachlich und methodisch qualifizierte Gremien mit dem Ziel, terminologische Normen zu schaffen."<sup>19</sup> These standards as such are not completely approved because they do not regard certain linguistic aspects of the systematic linguistic inventory model. New standardization regulations are later directed to following linguistic aspects: aspects of objects, phenomena and language, aspect of the level of determining concepts, aspect of the level of describing objects and phenomena, as well as the aspect of processing and presentation of dictionaries.<sup>20</sup> Such a standard is also DIN 2330 which is based on linguistic aspects, and involves following regulations: regulation on object, phenomenon and concept (notion), content of the concept and range of its usage, as well as the regulation on applicable signs and sign systems (thus we are referring to natural and artificial languages, designation or conceptual definition and names). This norm also explicates relationships between concepts, with special regard to the nature of relationship and the great variety when attributing certain concepts to certain phenomena (this is called determination, conjunction, disjunction, integration). Features of particular concepts are also distinguished and categorized as such. Next step of standardization (DIN 2338 in this case) is to define the concept according to the aspect of semiotics. This means that the sign, its usage and meaning are very important in this process. In other words, we are talking about the body or shape of a sign, its meaning and function, and the sign system to which this sign belongs.

One of the tasks of the German institute for standardization is the creation and harmonization of international dictionaries that comprise different human fields of activity and different languages (DIN 2332). The specialized dictionary is defined as a "...geordnete Sammlung von Benennungen der Begriffe eines Fachgebietes..."<sup>21</sup> A unit or a single concept found in a specialized dictionary is defined as "... kleinste selbständige Einheit in einem Fachwörterbuch, d.h. die Darstellung einer eindeutigen Zuordnung zwischen Begriff und Benennung..."<sup>22</sup> The words 'Begriff' and 'Benennung' may be translated as 'concept' and 'name', and analyzed from the aspect of source language, i.e. the language in which definitions of concepts are created. These words may also be analyzed from the aspect of target language, i.e. the language in which equivalents are found as well as other information related to that concept (in bilingual or multilingual dictionaries).

In that process we can observe which importance a particular specialized concept is given, as a metalinguistic definition of the meaning of first level concept, i.e. source language level. In contrast to that, the importance of the meaning of second level concept is analyzed, i.e. the metalinguistic definition at target language level.<sup>23</sup>

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<sup>19</sup> DIN 3242, part 2, 1992

<sup>20</sup> compare Roelcke, 1999, p. 116

<sup>21</sup> DIN 2333, 1997

<sup>22</sup> ibid

<sup>23</sup> compare Roelcke 1999, p. 199

At this point, it is important to mention some general terminology standards according to ISO. These are the ISO standard 1087 which defines concepts connected to language and reality, and the ISO standard 704 which defines linguistic theoretical regulations of international terminologization, and inspects concepts as well as their relation to objects and phenomena, and their features (concepts, objects, characteristics, intension, extension, etc.). Such concepts are bilingual; they exist in French and English.

#### 4. LOANWORDS IN VOCABULARY AS INDICATORS OF CHANGE

The language of management progresses every day and follows world trends. Therefore the vocabulary of management is constantly enriched and expanded. Equivalent expressions are not always found for particular phenomena in language of management in German; therefore this language borrows or integrates foreign words into its vocabulary. This phenomenon is significant for the future and general approval as well as the definition of language of management. The following question arises: To which degree is one LSP able to integrate and adapt a large number of loanwords without suffering consequences of 'Anglization' or 'Americanization' of an entire specialized vocabulary?

Hoffmann lists five methods for the expansion of specialized vocabulary. These are borrowing (Entlehnung) from other languages (the language of management borrows from the most part words from English), loan translation (Lehnübersetzung), metaphoric use of words from general or specialized vocabulary (der metaphorische Gebrauch), metonymy (die Metonymie), extension or intension (definitiorische Erweiterung oder Einengung), different methods of word formation (Methoden der Wortbildung), and what Hoffmann calls "die schöpferische Definition."<sup>24</sup> Foreign words that are used in our everyday conversation are called loanwords. Such words are not entirely linguistically adapted, and their spelling is not adapted too.<sup>25</sup>

Loanwords are only partly substituted in the receptor language (unlike calques). Loanwords are words which are only partly adapted in the receptor language, because they retain some linguistic features of the language they were borrowed from, and are at the same time more or less integrated into the receptor language.<sup>26</sup> Most loanwords that are found in the German language of management come from English. However there are also loanwords taken over from some other languages. Reason for this is the development of management science, for all trends referring to management, organization and function of companies, associations, movements or other institutions came from the United States. How loanwords enter the language of management is simple to explain. Whenever there is a lexical gap in the management language, the missing word is found in some other language (usually American English); it is borrowed and used in German. Before the element was borrowed, it had all morphological and phonological features of the language it belonged to (donor language). The receptor language keeps associations, (such elements are then called loanwords) or these features are adapted to the language system of the receptor language (such elements are called calques).

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<sup>24</sup> Hoffmann 1985, p. 154-8

<sup>25</sup> compare Babic 1994, p. 65

<sup>26</sup> compare Filipovic 1986, p.49

When talking about spoken language, the borrowed element is called a model, if pronounced exactly the same as in source language; and if pronounced according to phonological rules of receptor language, then it is called a replica (reproduction)<sup>27</sup>. In management language such replicas were taken over from English, so they are called Anglicism<sup>28</sup>. Whenever a model is adapted and becomes a replica, there are variants as regards its spelling and pronunciation. 1. the original (English) spelling may be retained, e.g. know-how or Value-at-Risk; 2. the word can be spelled the way it sounds in English; 3. sometimes there are also examples of a mixed type in which only part of the word has retained the original spelling, e.g. Risk-Modell or Crash-Situation. In the Preface to the Dictionary of Foreign Words, Anic claims that: "English influences the integrity of each European and non- European language. In some parts of the international public life English has the same position that Latin used to have once. English vocabulary is expanding due to sophisticated knowledge of technology and scientific disciplines. The nontraditional life style and the process of globalization in new artistic, cultural and sub cultural creations is another reason for the expansion of English. English offers its vocabulary to other languages. This vocabulary need not always be literally English, but a selection of international words from English, and their meaning...". Anic furthermore explains: "From the sociological point of view, Anglicism was adopted after the Second World War. It is primarily the vocabulary of informed citizens."<sup>29</sup>

In his analysis of Anglicism in the magazine Spiegel, Yang distinguishes three different types of Anglicism:

- 1 Conventionalized Anglicism: "Die Anglisten in dieser Gruppe werden als allgemein üblich und bekannt vorausgesetzt, obwohl sie sich in der Artikulationsart und/oder Orthographie häufig anders verhalten als einheimisches Wortgut, z.B. Computer, Manager, Keks, Rock n Roll, Jeans, Sex u.a. Nach dem Sprachgefühl vieler Deutscher sind sie keine Fremdwörter mehr."
- 2 Anglicism in the process of conventionalization: "Im Gegensatz zur ersten Gruppe kommen die Anglizismen dieser Gruppe vielen Deutschen fremd vor. Trotzdem werden sie im Spiegel verwendet. Es liegt die Hypothese nahe, daß diese Anglizismen nach einiger Zeit entweder konventionelle Wörter werden, oder aus dem deutschen Sprachgebrauch verschwinden werden. Als Beispiele für Anglizismen dieser Kategorie sind u.a. Factory, Gay, Underdog anzuführen."
- 3 Quoted words, personal names, etc.: "Die Anglizismen in dieser Gruppe werden nur in einer bestimmten Situation oder in Zusammenhang mit Amerika, England, Kanada oder anderen englischsprachigen Ländern gebraucht. Beispiele hierfür sind Boat People, High School, Highway, Western usw."<sup>30</sup>

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<sup>27</sup> Compare Filipovic, 1986, p.38

<sup>28</sup> Anglicism refers to all words that are part of English culture and civilization, and designate an object, idea or phenomenon. Such a word need not necessarily be of English origin.

<sup>29</sup> Anic/Goldstein 2002, p.10

<sup>30</sup> Yang, Wenliang, Anglizismen im Deutschen. Niemeyer, Tübingen, 1990, p. 9

When talking about Anglicism in the context of word formation, Moser says: "Bei der Bildung des Substantivs wirken zwei entgegengesetzte Tendenzen: die zur Synthese und eine andere zur Verkürzung".<sup>31</sup> Anglicism is often found in the form of simple words (e.g. Team, Club, Test, etc.). Such words tend to form compounds in German. Reason for that is an attempt at detailed expression and communication.

Yang distinguishes two sub groups of compounds (Anglicism):

- 1 Compounds consisting for the most part of English elements, such as Airbus, Airport, Callgirl, etc.<sup>32</sup>
- 2 Mixed compounds (hybrid forms), which are composed of English, German or other foreign elements and are compounded according to German word formation rules. According to Yang, this type is the commonest type of compounds. Yang distinguishes here following categories<sup>33</sup>:
  - a) Compounds with German element as the basic compound and English element as the modifier, as in Apartment-Haus, Babypuder, etc.
  - b) Compounds with English element as the basic compound and German element as the modifier, as in Krisenmanagement, Kuhbaby, etc.
  - c) Phrasal compounds, as in Moment-mal-bitte-ich-muß-mal-nachsehen-Story, etc.

Classification and analysis of Anglicism and loanwords in this paper in general is based on Duden 5, Fremdwörterbuch and Duden 7, Herkunftswörterbuch, as well as the Oxford Dictionary of European Anglicism, and on the classification undertaken by authors who were already mentioned in this paper.

Corpora analysis of the language of management does not make a distinction between loanwords and calques. This paper also tries to analyze other loanwords, besides Anglicism. Corpora situation is the following (analysis of 300 corpora examples):

*Anglicism with exclusively English elements:*

Actionmanagement, Aktiencrash, At-the-money-Calls, Backtesting, Barings, Bayer-Calls, beyond Basle, Bid/Ask-Spreads, Capital, Controlling, Costmanagement, Crash, Crash-Management, Deep-out-of-the-money-calls, Forwards, Future, Holding, Input, In-the-money, Global Derivatives, kompatibel, Konfidenz, Konzern, Management, Manager, Marketing, Marketingmanagement, mark-to-market, Maximum Loss, New Product Process, Orange County, Out-of-the-money, Partner, Put, Return, Risk, Short-Put, Stress, Stresstest, Study Group, Swaps, Teammanagement, Test, Top-Manager, Topmanagement.

*Anglicism – mixed compounds:*

Backtestingstrategien, Bondkurve, Crash-Situation, Defaultwahrscheinlichkeiten, Extremfall, Extremsituation, Holdinggesellschaft, Inputwerte, Intraday-Limiten, Intraday-Überwachung,

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<sup>31</sup> Moser, H., Deutsche Sprachgeschichte. 6.edition, Tübingen, 1969, p. 174

<sup>32</sup> Yang says: "Es gibt auch einige Komposita mit englischen Komponenten, die keine englische Vorlage nachweise können. Sie sind sogenannte Scheinentlehnungen, die im Deutschen mit englischen Wortbildungselementen analog zu den im Englischen vorhandenen ähnlichen Sprachzeichen gebildet worden sind. Die Zusammensetzungen wie Callboy (analog Callgirl), Dressmann, Showmaster, Sportmaster und Talkmaster (analog zu Quizmaster) gehören zu dieser Unterkategorie" (Yang 1990, p.138).

<sup>33</sup> Yang, 1990, p. 38

Konzernmutter, Managementinformationen, Managementinformationssystem, Managementsystem, Mappingfehler, Marketingstrategie, Marktcrash, Performanz-Kennzahlen, Portfolioinsurance-Strategie, Principal-Agency-Problematik, Risikocontrolling, Risikomanagement, Risikoreports Short-Fall, Short-Optionen, Shortpositionen, Spillover-Effekte, Stop-Loss-Limite, Value-at-Risk-Modelle.

Words of Latin origin have also been listed, no matter how they entered German (not bearing in mind the possibility of a mediator language). A list of pure and mixed Latinism (words of Latin origin which are part of a compound that consists also of other words of non-Latin origin) is presented. So, here are some examples of *Latinism* from the same corpora examples listed above: Adjustierung, Aggregation, Aktiva, Allokation, Approximativ, Audit, Defizit, ex post, ex ante, Fazit, Korrelationen, kumuliert, Multiplikator, multiplizieren, operativ, qualitative, Quantil, Rendit, quantitative.

*Latinism of a mixed type:*

Adjustierungsfaktor, Entscheidungsgremium, Indexarbitrage, Kennziffer, Risikoquantifizierung, Risikoadäquanz, Mindestinformationsfrequenz, Risikotransparenz.

*Graecism:*

analog, Analyze, Axiomatik, Axiomatisch, Exogene, Praxis, prozyklisch, sophistiziert, System, Zyklus.

*Graecism of a mixed type:*

Marktphase, Paradigmenwechsel.

*Italicism:*

Bilanz, skizzieren, Szenarien.

*Italicism of a mixed type:*

Bagatellinformationen, Bilanzwirkende

*Gallicism:*

Branche, Portefeuilles

*Gallicism of a mixed type:*

Finanzdebakel, Gesamtportfolio, Handelsportfolio, Portfoliomaß, Konfidenzniveau, Optionsportefeuilles, Portfoliosensitivität, Portfoliostruktur, Portfoliowert, Teilportfolio.

As was expected, the dominance of Anglicism is obvious, for the reason of great influence of management science, and innovations coming from the USA, and the overall globalization of this scientific field. A relatively large number of "pure" Latinism (19) can be accounted for by historical events, and the origin of European languages, whereas there were 8 Latinism of a mixed type. The same goes for "pure" Graecism (10) and Graecism of a mixed type (2), while there are only few "pure" Italicism (3), and a few Italicism of a mixed type (2). A small number of pure Gallicism (2) contrasted to a larger number of mixed Gallicism (10) isn't surprising, although one might expect a larger overall number of Gallicism in German because of language contact between the two countries, and the geographical position.

## 5. CONCLUSION

Language for special purposes (language of management) is a sum of linguistic means that are used in the field of communication, restricted by a particular specialized field (management), in order to ensure successful communication among people working in a particular field of human activity (managers). In the communication process aided by LSP, an important role is performed by the chosen communication model and the relationship between the producer and recipient.

Analysis of loanwords shows a dominance of Anglicism. Reason for this is the great influence of management science, as well as innovations introduced by the USA, and the overall globalization of this scientific field.

In the analysis of 200 corpora examples, 46 Anglicism have been found with purely English elements and 30 Anglicism which can be classified as mixed compounds. A relatively large number of pure Latinism has been also found (19), which can be accounted for by historical events, and the origin of European languages, whereas there were 8 Latinisms of a mixed type. 10 pure Graecism and 10 Gallicisms of a mixed type were also found. Number of loanwords from other languages is relatively modest. Therefore we can talk about a significant number of integrated Anglicism which strongly influence the entire lexicon of the language of management.

The future of management LSP of German corporations can be predicted in two ways:

1. LSP that managers use will lexically more and more abound in Anglicism and Americanism, while a large number of loanwords will retain their original form and integrate into morphological and syntactic structures of German LSP. A management deng-slang will develop, which will be granted the status of a special variety within the specialized language of economy, and
2. The language of management will adapt loanwords and adjust them to the German phonological, morphological and syntactic language system. Therefore the number of adjusted neologisms will increase, and the language of management will in short periods of time initiate the process of elimination of "archaic" lexical and semantic phenomena.

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## THE LOGISTICS OF SELLING A DESTINATION'S TOURISM PRODUCT\*

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**Abstract:** Tourism demand is becoming increasingly more discerning. It expects a well-designed and diverse product. This can be achieved with properly organised receiving-tourism facilities and services, and an array of attractions and entertainment events. Parallel to enhancing attractiveness, it is also necessary to strengthen and intensify internal and external marketing to ensure that a destination product and, in particular, its segments will find customers on the market.

*Key words:* destination, product, marketing, promotion, selling, hospitality, attractions, life cycle.

### INTRODUCTION

A tourism destination is an integrated area that is visited by and in which stay many tourists. A destination builds its identity on the concept of cumulative attractions and well-organised receiving-tourism facilities and services. Various economic and social activities help in designing a destination's tourism product that meets the needs and wants of visitors.

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A destination's product is promoted and sold on the tourism market through marketing activities that are founded on well-devised strategies and tactics. A product possessing an established brand will be in greater demand.

The following sections analyse the role of marketing activities – in particular, promotion and selling – in designing and marketing a destination product.

Special focus is placed on hospitality services, as a component part of the product, and on the product's life cycle.

## 1. MARKETING ACTIVITIES

Through its organised activities, marketing brings together the destination-product offering and tourism demand, and it exerts a crucial influence on how this offering is designed and marketed in the marketplace. The reason marketing does this is to meet the needs and wants of visitors/tourism as fully as possible, generate profits for supply providers, and foster progress within a destination. Therefore, designing and marketing a tourism product and achieving customer satisfaction is at the heart of every destination's marketing strategy.

What is marketing and which are its basic activities?

Generally speaking, marketing can be defined as a social and management process through which individuals and groups can get what they want and need by creating and exchanging products and value with others.<sup>2</sup>

All destination-marketing activities can be divided into the following groups<sup>3</sup>: forecasting, research, promotion, preparation, selling, consumption and control.

Forecasting is a marketing activity used to determine the position of a destination product on the market, its potential market position, the intended qualitative and quantitative objectives, and the strategies and tactics needed to accomplish these objectives.

Research is a marketing activity that uses the appropriate method to identify the product's position on the market and to direct its offering.

Promotion is a marketing activity that provides information about a destination's product to the marketplace and seeks to persuade potential customers to buy it.

Preparation is a marketing activity through which the receiving-tourism facilities and the attractions within a destination are prepared for the organised reception of visitors.

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<sup>2</sup> Kotler, P., Wong, V., Saunders, J., Amstrong, G., *Osnove marketinga*, Mate, Zagreb, 2006, p. 61.

<sup>3</sup> Vukonic, B., *Osnove trzisnog poslovanja – marketing u turizmu*, Skolska knjiga, Zagreb, 1985, p. 45.

Selling is a marketing activity focused on selling a destination's product in the marketplace under optimum conditions.

Consumption is a marketing activity organised by marketing department to meet, as best as possible, the needs and wants of visitors.

Control is a marketing activity that enables the management to assess the efficiency of marketing and to initiate change.

Umbrella and operative destination-marketing plans define the marketing activities which marketers need to develop in order to accomplish business objectives.

By skilfully combining the elements of the marketing mix in the marketplace (product, price, sales channels and promotion), the providers of a destination offering can have a major impact on how they achieve their objectives.

Managing destination marketing is a process of planning, organising, preparing and supervising marketing activities to effectively and efficiently enable and accelerate exchange.<sup>4</sup>

Marketing managers are responsible for developing and managing marketing strategies, meaning that they need to focus on analysing market opportunities, selecting target markets and developing the marketing mix.

For marketing managers in a destination to successfully carry out their task, they need to possess specific skills. These are: forecasting, planning, analysing, creating, deciding, motivating, communicating and implementing. These skills make up what we call marketing ability.<sup>5</sup>

Marketing managers need to affirm their skills by training the marketing staff and developing internal marketing.

Marketing is not only an activity but also a function that marketers carry out at the destination level in the companies and institutions of the providers of the product offering.

Marketing departments can be organised according to market segments and according to functional, production and regional concepts.

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<sup>4</sup> Dibb, S., Simkin, L., Pride, W., Ferrel, O.C., *Marketing*, Mate, Zagreb, 1995, p. 21.

<sup>5</sup> Kotler, P., *Marketinska znanja od A do Z*, Binoza press, Zagreb, 2004, p. 93.

## 2. PRODUCT PROMOTION

Promotion is a component part of a destination's marketing mix.

What is the fundamental role of promotion?

A vital role of promotion is to communicate with individuals, groups or organisations and to facilitate exchange, either directly or indirectly, by providing information to one or more target groups and persuading them to accept the product of an organisation.<sup>6</sup>

Therefore, through promotion, a destination establishes communication with the tourism market for the purpose of increasing exchange, that is, the sales of products and services.

Suppliers use promotion to communicate with potential customers, tell them about their product and try to convince them of its edge over the products of competitors. Destination providers can communicate with potential customers either directly or through a market intermediary – a tour operator.

To communicate with potential customers and tour operators, a destination's marketers employ various types of promotional methods. When marketers combine the individual elements for product promotion, this combination becomes the promotional mix for the given product.<sup>7</sup>

The promotional mix of a destination product consists of the following elements: tourism advertising, personal selling, sale promotion and public relations.

Tourism advertising is a paid form of communication with target groups in the marketplace, and it is conveyed by means of mass-communication media such as television, radio, newspapers, magazine, direct mailing, catalogues and others. Tourism advertising media vary according to their technical features, and they can be classified as graphic media (brochures, flyers, calendars, articles, news reports, guide books, posters, stickers), advertisement media (ads, news reports, slides, bill boards), projection media (movies, Internet pages), and spatial-sculptural media (exhibitions, fairs, shop windows, souvenirs, badges, key rings).

Personal selling is a form of promotion in which the product supplier and potential customer are brought into direct contact. The goal of personal selling is to provide information to potential customers and persuade them to buy the product.

Sales promotion refers to carrying out additional promotional activities, and motivating and stimulating the marketing staff.

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<sup>6</sup> Coubsen – Thomas, C., *Marketing Communications*, London, Heinemann, 1986., in the book: Dibb, S., et al., *Marketing*, op. cit., p. 400.

<sup>7</sup> Dibb, S., et al., op. cit., p. 44.

The providers of a destination offering should seek to maintain good relations with the media to ensure that a favourable image of the tourism destination is propagated.

### 3. PRODUCT SELLING

Selling is the basic function of destination marketing. Its task is to sell a destination product on the market at the most favourable terms.

Selling has three objectives:<sup>8</sup>

- To achieve the optimum turnover of a product in the marketplace
- To increase the sales effected of a product by winning new markets
- To eliminate all risks in the selling process.

The selling function is performed by the appropriate sales departments organised at the destination level and in companies and institutions, the providers of the offering. To succeed in accomplishing their goals, salespeople need to continuously monitor market trends.

Based on the insights obtained, they must be able to forecast change and improve the performance of the product on the market by putting in place a flexible sales policy. The salespeople also perform operative activities<sup>9</sup>: they engage in direct selling of the destination product, gather and process data from the selling market, process and accept offers, conclude contracts and supervise sales execution.

A destination product can be bought and sold through direct customer-marketer contact, as well as through agencies, fairs and the stock exchange, and over the Internet.

Recently, the Internet has become a very important sales channel. Used and managed properly, it is the perfect provider of contacts with potential product users.

Within today's framework of Internet development, three types of presentation are possible on the Web pages of a destination or the individual providers of its offering. Especially important to Internet users in buying and selling a destination product are the reservation system, Internet pages and electronic mail.

The selling function in organisations – supply providers – can be structured according to functions, geographical areas, products and markets.

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<sup>8</sup> *Rjecnik marketinga*, Masmedia, Zagreb, 1993, p. 360.

<sup>9</sup> Galicic, V., Ivanovic, S., Lupic, M., *Hotelska prodaja i recepcijsko poslovanje*, Fakultet za turistički i hotelski menadžment, Opatija, 2005, p. 61.

#### **4. HOSPITALITY IN A DESTINATION PRODUCT**

Hospitality is a vital part of the tourism offering of a destination. This activity is performed in properly designed and equipped premises – hospitality facilities. There are two types of hospitality facilities: facilities for providing accommodation services, and facilities for providing food and beverage services.

Hospitality facilities are classified into five categories:<sup>10</sup> hotels, motor-camps and other types of accommodation facilities, restaurants, bars and canteens. Depending on their quality (equipment and services), accommodation facilities are categorised as facilities ranging from two to five stars.

As an economic activity, hospitality is engaged in preparing and providing services. There are three groups of hospitality services:

1. commodity or tangible services (food, drinks and beverages)
2. intangible or non-commodity services (the use of a hotel room, the organisation of various events)
3. animation services (organising active/passive recreational activities in accommodation facilities).

Each business unit in the hospitality industry has its own range of services, a product characteristic of the type and category of a given facility.

The range and quality of services has a considerable impact on creating the image of a hospitality establishment.

Hospitality services can be sold in a number of ways: through personal selling, catering-based selling, ambulatory selling, vending machines, indirect selling and Internet selling.

Consumers are the judges of the range and quality of hospitality services. This makes quality management one of the most important tasks of management. Fierce market competition has intensified the need of managing quality. Today, the term for commitment to quality is Total Quality Management. It relates to service-consumer satisfaction and to employees rendering services.

#### **5. LIFE CYCLE OF A DESTINATION PRODUCT**

Once destination marketers have launched a destination product or its segments on the tourism market, they need to remain sensitive to the product's life cycle, its ups and downs. They must monitor its status on the market and undertake measures to ensure that the product's competitive value is as high as possible.

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<sup>10</sup> Marosevic, I., *Prodaja ugostiteljskih usluga*, HoReBa, Pula, 2007, pp. 54-93.

The duration of the individual stages of a product's life cycle is not known in advance. Changes to the cycle impact on the level of sales effected and on the profit realised.

The life cycle of any product, including a destination product, evolves through four characteristic phases:<sup>11</sup>

- **Product development** is the first phase, and it begins when a destination or one of its product providers announces a new product to the market
- **Product introduction** – The product is introduced on the market, and its sales gradually grow. In this phase, costs are high and profit, low.
- **Product maturity** is the phase in which the market has accepted the product, causing costs to decline and profits to grow
- **Decline in product sales** – Because the product is no longer competitive, its costs and profits are in decline.

This life cycle is not characteristic of all products; some products die as soon as they reach the market, while others remain in the maturity phase for a lengthy time.

By developing the product, introducing innovations and applying more efficient marketing activities, a destination product can be kept competitive and in demand on the market for a long time.

## 6. CONCLUSION

The tourism product of a destination consists of a variety of products, services and attractions. Tourism-product suppliers make use of the appropriate marketing activities to sell their product on the tourism market.

Marketing research is used to identify target groups and individuals as potential customers in the marketplace. Promotional methods are applied to provide product information to potential customers and persuade them to buy. Marketing ends in the selling of the product. Selling can be carried out directly by the marketing department or indirectly through tourist agencies, fairs and the Internet.

In market competition, products that have a better life cycle and are supported by aggressive marketing stand a greater chance of being sold.

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<sup>11</sup> Kotler, P., Wong, V., Saunders, J, Armstrong, G., op. cit., pp. 604-605.

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## CROATIAN TOURISM WEB SITE AS TEXT TYPE

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**Abstract:** The aim of this paper is to present the web site as a new form of the tourist supply. The web sites, as a new text form, show special features when compared with those of conventional, non-electronic texts.

The paper examines diverse aspects of web sites created by the tourism industry, as well as of their layout and linguistic features. The language of tourism is also analyzed on the corpus of the Croatian tourism web site, i.e. on the website of the Zagreb Tourist Board. The results of this analysis will show the tendencies in the creation of the Croatian tourism web sites.

*Key words:* text type, language of tourism, Croatian tourism web sites.

### INTRODUCTION

Advertising and information material as a part of the tourist supply has an important impact on the consumption in tourism. Nowadays, the web sites, as a modern text form, take over the position of conventional texts and therefore it is necessary to identify their role. Tourism web sites do not consist only of texts. Sound, animation, maps, interactive maps, video and pictures are the basic components of the contemporary tourism web site. On the other hand, the Internet is the newest and the most widespread tool used to market tourist products by using the web site as new and easy to use text form.

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Web site as a phenomenon cannot be discussed without taking into consideration the overwhelming impact of globalization and internationalization. Globalization deals primarily with 'global marketing', i.e. with the international marketing of a product, while the internationalization deals with the process of generalizing a product. Contrary to internationalization, localization can be defined as the adaptation of a product to a target local market and to the characteristics of its language and culture.

In this paper the focus is on the analysis of the website of the Zagreb Tourist Board in order to find out the most prominent features of the tourism web site with special emphasis on its linguistic characteristics and content influenced by globalization and localization.

## **1. WEBSITE LOCALIZATION IN THE CONTEXT OF GLOBALIZATION AND INTERNATIONALIZATION**

The term of the website localization is firstly closely connected with the globalization and secondly with the internationalization. Globalization refers primarily to the 'global marketing', i.e. the international marketing of the product. The business globalization represents thus an expression from the economic evolution, whereas 'virtual globalization' builds a basic component of the e-commerce. Herewith the entrance to the global market from any point in the world is meant, since the Internet eliminates any geographical separations. Due to the fact that potential customers can be found now everywhere in the world, marketing strategies must be expanded into those markets and/or adapted to these.

The Localisation Industry Standard Association (LISA) defines the term of globalization as follows:

*Globalization addresses the business issues associated with taking a product global. In the globalization of high tech products this involves integrating localization throughout a company, after proper internationalization and product design, as well as marketing, sales, and support into the world market.<sup>2</sup>*

Consequently the term globalization includes both – the aspect of the internationalization and localization.

LISA also offers a definition to the internationalization:

*Internationalization is the process of generalizing a product, so that it can handle multiple languages and cultural conventions without the need for re-design. Internationalization takes place at the level of program design and document development.<sup>3</sup>*

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<sup>2</sup> cf. B. Esselink (2000:4)

<sup>3</sup> id. (2000:25)

Related to the software industry, internationalization comprises 'the development of a software product regarding an easy adjustment to other markets, languages and cultures' (Esselink 2000: 37). In other words a product is developed in such a way that it can be adapted to the other markets and their cultural and/or linguistic conditions without larger transformation. Software is arranged for example in such a way that it can be translated into other languages, without a completely new programming being necessary. Furthermore, no firm formats for date or units or state-specific icons and symbols in diagrams are used, so that the concept of the internationalization makes the product localization appropriately easier.

The localization of the product does not only concern the adjustment of the product under linguistic criteria, but also the adjustment and, if necessary, the change of user surfaces as well as their components (icons, menu borders etc.).

We can conclude that the localization deals with the adjustment of a product to a target market as well as at its language and culture, while the globalization deals with the adjustment of marketing strategies to regional and/or local requirements of any kind. On the other hand, internationalization designates the development of a product, i.e. the software, which facilitates its efficient and to a large extent convenient adjustment to the conditions and requirements of a local market.

## 2. E-COMMERCE

E-commerce is a part of the Internet and/or the WWW (World Wide Web). Internet as an international computer network<sup>4</sup> interconnects areas of electronic data processing, of telecommunication and multimedia. A system of finding information on the Internet, in which documents are connected to other documents using hypertext links is called the World Wide Web (abbr. WWW)<sup>5</sup>.

From the foregoing definitions of the Internet and the WWW, it becomes clear that in the Internet inconceivably large quantities of information are offered. Contents can be of scientific kind, they can entertain or also inform about certain persons, things or circumstances. Finally there is also the commercial part of the WWW, which provides information for primarily commercial purposes. However, not only information about certain products or services is made available, the product itself can be offered, represented or sold. Even information can be offered against payment. Although no uniform definition is present, within the mentioned features, the e-commerce can be considered as a technical term for 'electronically based trade with goods, services and information supported by modern information and communication technologies, [...] especially under use of the Internet.'<sup>6</sup>

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<sup>4</sup> cf. Oxford Advanced Learner's Dictionary, 2005, p. 813

<sup>5</sup> id., p. 1763

<sup>6</sup> W. Gora (1999: 1)

Electronic cross-linking by the Internet grows increasingly as well as the digitalization in the world of the economy and trade. The advantage of the Internet in connection with e-commerce is in its network structure that provides innumerable electronic communication possibilities.

### **3. MAIN FEATURES OF THE TEXT FORM WEB SITE**

The most important features of the WWW are integrativity, hypertextuality, non-linearity, interactivity, user friendliness and multimediality.

The integrativity of the WWW shows up that beside hypertext documents also all other information services of the Internet can be called up. Furthermore the WWW integrates computer-assisted information and communication technologies.

The WWW is organized according to the nonlinear hypertext principle. Hypertextuality and non-linear organization form are thus basic principles of the WWW, because the documents contained in it are linked flexibly with one another which enables the user to reach easily any document stored on the server. Each hypertext document becomes thereby identified by its own Web address and the URL.<sup>7</sup>

The term interactivity refers to the user-computer-interaction in the WWW. Users cannot only see and download WWW documents, they can also take an active part in the mentioned interaction, e.g. filling out and mailing forms.

Its popularity owes the WWW especially to its high user friendliness. Technical details like the complex program code of the WWW documents are hidden behind an attractive surface.

As the last important feature of the WWW, multimedia, have to be mentioned here. Multimedia are defined as synthesis from formerly independent information and technical fields: telecommunications, media such as video, sound and language, computer and entertainment electronics. Just the multimedia application is the most prominent feature of the WWW that makes it so very attractive and convenient for users.

Finally it can be stated that the WWW integrates different concepts, which makes it an information and a communication medium of special kind.

### **4. HYPERTEXT AS A TYPICAL WEB SITE FEATURE**

Hypertext is the most important characteristic of www-documents, since it affects all ranges of text production and text reception. As it was already mentioned the hypertext-principle is recognizable on several levels. A website consisting of few web

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<sup>7</sup> URL = Uniform Resource Locator. The URL consists of the protocol type (e.g. HTTP), the domain names and the path name of the file which can be called up.

pages can be regarded as a small hypertext, on the other hand the complete WWW can be understood as a huge hypertext net.

What is a hypertext? A multiplicity of texts and not just one text is meant by hypertext. Thus the prefix 'hyper' determines the concept and/or the organizational function of the hypertext. Hypertext is not an invention, which can be applied exclusively to the medium of Internet. A hypertext can find its application in data bases, too. The following quotations<sup>8</sup> provide a general definition of the term.

*Hypertext is usually defined as the non-linear viewing of information. "Non-linear" means that you can examine information in any order you wish by selecting the topic you want to see next. It provides a new way of accessing and organizing any type of information. Hypertext can make it easier and faster to find things and absorb ideas. (...) you simply browse through a database by "jumping" from link to link.*

The core of this definition is the division of the information offered in different components or segments, which are cross-connected and made accessible in arbitrary order.

Very often hypertext is brought with the data base concept in connection:

*The most common meaning of a "hypertext" is a database that has active crossreferences and allows the reader to "jump" to other parts of the database as desired. This makes the reading (and writing) process non-sequential.*

It is evident that the hypertext is a kind of a data base in comparison with non-linearly organized texts. However, the texts can be regarded as hypertexts which is emphasized in the following definition: "It is the requirements for active cross-references that makes a computer necessary to implement hypertext". Contrary to printed texts, which exhibit only a non-linear organization form with stable units, the genuine hypertexts cannot exist without the computer as medium and a suitable software both for their production and reception.

Also Storrer (1999: 35) points out that only the "operated hypertext system and its presentation [...] on the screen" transform a non-linear text into the hypertext. A hypertext has to be understood as a complex system or network, which consists of knots (*nodes*) and connections (*links*), whereby the knots within a website correspond to interconnected documents (web pages) and the links correspond to connections among the documents or web pages. Theodore H. Nelson, regarded as a father of the hypertext, defines the term as follows: „By 'hypertext' I mean nonsequential writing – text that branches and allows choices to the reader.“

Although clear demarcations between the hypertext and text are not always possible, the differences between them can be summarized as follows:

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<sup>8</sup> cf. Shneiderman/G. Kearsley (1989: 3)

**Table 1:** Typical text and hypertext features

<b>Text</b>	<b>Hypertext</b>
Text is mono-linear in the printed medium as prototype.	Hypertexts possess multi-linear structures.
The printed text is final.	The information units (knots) are located in non-final form next to each other and are flexibly connected through links.
Hierarchical and centered text structure.	Hypertexts characterized by partly hierarchical, partly by sequential structures.
Text reception in passive way following the given "line".	Open and interactive reception through arbitrary selection of knots.

The above listed features are naturally not absolute: Also books as typical printed texts can be opened theoretically in arbitrary places; the conceptional idea is however with text and hypertext different. Thus the hypertext differs from non-linear texts in printed media by its electronic publication form.

## **5. LINGUISTIC AND CONTENT REGARDED ORGANIZATIONAL FEATURES OF WEB PAGES**

The Internet is in the comparison to the printing medium a contemporary medium that is getting more and more influential and at the same time its revolutionary influence on the medium can be noticed. The language of the new medium exhibits numerous characteristics: a new vocabulary, an increasing convergence of the verbal and written way of expression, the mixture of linguistic and non-verbal communication, the implementation of special orientation and navigation aids and use of specific WWW metaphors.

### **5.1 Vocabulary**

The vocabulary of the WWW is in particular characterized by the use of the English, since this language does not only serve the international communication, but also considerably affects the technical language of the electronic data processing (EDP). Also the Internet use systems exhibit numerous English language elements, e.g.: the Netscape Navigator offers the function Guide, the Internet Explorer the option Channels.

Furthermore, the examples like file, server, Player, Plug-ins, emerging also on Croatian web pages, clarify the influence of the English and the computer language on the linguistic characteristics of the Internet. Function names, are expressed frequently with anglicisms such as *Print* or *Go*. The consequence is a new linguistic development with jargonized verbs as *daunloudati* (from English *to download*), *brauzati* (from English *to browse*), *četati* (from English *to chat*) or *meilati* (from English *to mail*).

The Internet user is called *user*, contacts by electronic post are expressed by the world-wide admitted expression *E-mail* or simply *mail* as a short form of electronic mail referred. Shortened words, acronyms and other abbreviations are a further characteristic of the language of the Internet, in particular in the range of communication as for instance 'over e-mail'.

## 5.2 Convergence of verbal and written forms

The Internet offers special communication possibilities, which are characterized by interactivity and a particularly fast data communication. It results with the tendency for approximation between verbal and written structures. Although any form of communication in the Internet appears in the written way – is it by means of web pages, e-mails or chat areas, texts in the internet exhibit other characteristics than typical written texts. Also Storrer (2000) stresses the fact that the Internet changes writing as a communication medium in the way that written and spoken language get closer.

Some features of verbal communication like implementation of the interactive language apply also to web pages. Thus the internet user is requested for example to certain actions: *We moved. Visit our new homepage under [...]*. Later thanks for the reactions to it are expressed: *Nice that you visit us*.

## 5.3 Language in the multimedial setting

Written texts within web sites are a part of multimedial contexts, i.e. they are accompanied by pictures and other graphic elements and supported by sound and video sequences. Dürscheid (2000:12) calls it a “multichannel information transmission” whereby various sign systems (language, sound and picture) get combined. A multichannel information transmission is the main principle of the language in the multimedial setting.

Besides the actual text also pictures and diagrams can contribute to the communication. This is proved by text-pictures-compositions, which represent together a certain sense and metaphors referring to certain functionalities. A little house symbol with the label *Home*, for example, refers to a link to the initial side (homepage). A small CD player icon indicates an audio function. The text with explanations is not needed. Similarly as in advertising publications, writing loses its prevailing position, but it does not always take a subordinate position.

## 5.4 Metaphorising in the WWW

As an inevitable part of web pages metaphors rank in the WWW among the most important aids and contribute substantially to orientation and navigation. They refer to items and functions and manage the actions performed by Internet users.

Their effectiveness is based on the illustration of areas taken from the material world transmitted into the virtual world of the WWW, which consists actually only of computerized data; e.g. the expression *homepage* shows precisely the visitor's position regarding the respective website within the entire WWW.

Metaphor is an illustration of a lexeme from a certain area applied in another area; the two involved areas are called the original and target area. Popular original sources for metaphors in the Internet can be found particularly in the display spaces of the everyday life. Such metaphorical references to well-known and familiar items or circumstances facilitate the linguistic access to new items or circumstances. Complex technical details are hidden behind attractive metaphors.

Some metaphors in use are loan words taken over from English together with their metaphorical value. Also metaphors from two different areas can be used. Thus the expression *homepage* combines the concept of the Internet as a virtual area, on the one hand and on the other hand *page* evokes the traditional printed media.

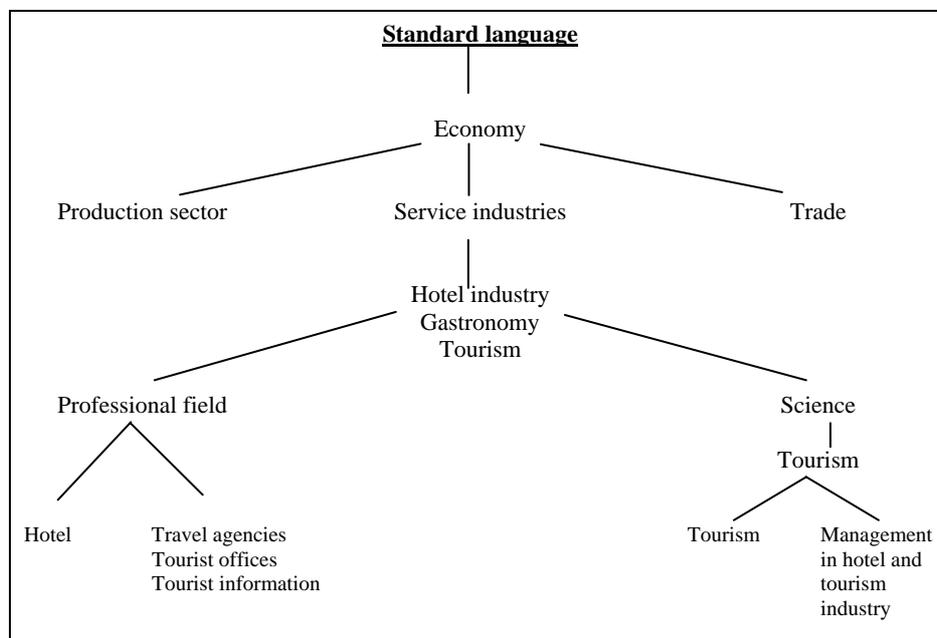
## 6. LANGUAGE OF TOURISM

Tourist information within the tourism industry can be found in printed publications, in verbally - for example at the telephone - conveyed information and on-line publications. Within the mentioned areas adverts, travel folders, posters, travel guides and regional literature (print works) or however the different texts of the web tourism or e-tourism represent typical text types.

The language of tourism is very often not regarded as a specialist language - in particular by laypersons - it contains nevertheless many elements and structures of the informal standard language. However, Christiane Brown (1993:193f.) presents a classification and a further differentiation of the technical language of tourism on the basis of different communication models. The chart that follows proves the existence of the specialist language of tourism and can serve as the basis for the research of tourism text types.

Although the verbal specialized communication takes the central position, both kinds of information in printed materials and on-line publications, are to be assigned to the total range of the tourism. Further it comes out that the limits between specialist and standard language are flowing.

**Table 2:** Classification of the specialist language of tourism (Braun 1993:193 f.)



Within the specialist language of the economy the specialist language of service industries can be picked out as its sub-group. The specialist language of the tourism is again a part of the subordinate specialist language of service industries. Purely intuitively, laypersons consider the language of tourism not as a specialist language, but rather as the part of a standard language. The reason may be in the fact that the level of specialization of the language of tourism is much lower than in, for example, the specialist medical language. Level of specialization refers to incomprehensible specialized linguistic terms or idioms.

Hoffmann (1987:53) defines the specialist language as follows:  
*(...) the whole of all linguistic means, which are used in a limited specialist communication area, in order to establish and ensure the communication among the specialists in the respected field.*

It can be concluded that if one regards the tourism sector or better the range of the tourism information as an independent communication area, the language used in the field of tourism has to be defined as a specialist language. In our case tourism sector is a communication area of its own and accordingly, the language used in the respective area is a specialist language. The same refers to the text types used in the mentioned area, so that they can be defined as specialist text types which include the elements of standard and specialist languages in accordance with the subgroups belonging to the subordinate group of the hotel and tourism industry.

## 7. ANALYSIS OF THE TOURISM WEBSITE

Within the range of the tourist offer there is an increasing number of different text types, which find their way in the World Wide Web.

The example chosen for the following analysis is the Internet presentation of the web site of:

*Zagreb Tourist Board – Turisticka zajednica grada Zagreba;*

URL: <http://www.zagreb-touristinfo.hr>

The aim of the following analysis is to find out the most prominent linguistic features of the tourism web site. The analysis is focused on the content of the website, i.e. on its sections. Only the basic formal features are taken into consideration.

### 7.1. Formal features of the tourism web site of Zagreb Tourist Board

The influence of globalization and internationalization is evident in the welcome page already, which shows the remarkable presence of English borrowings. On the other hand, localization is expressed through the typical symbols of Zagreb, e.g: In the slogan '*City With Million Hearts*' instead of the word *hearts* the photo of typical gingerbread hearts is inserted.

If one regards the total structure of the examined web site, the welcome page contains also the menu page with various sections offering an extensive series of information. From the welcome page all further sides can be accessed. Since the columns themselves are arranged into subcolumns, it results in several structure levels, which are outlined here:

**Startpage** (=Menupage; *English, German, French, Italian, Spanish and Croatian option can be chosen*)



The position of the welcome side within the metaphorical landscape of the virtual area of WWW can be regarded as an independent 'input area'. Referring to the metaphorical level, it becomes clear that the visitor can "jump" directly into the house. From here he/she can open different doors (menus and submenus). The reference starting or welcome side offers the possibility to the visitors to return to the welcome side any time he/she wants.

We can state that the individual pages within the site - regarded under the aspect of their organization into different frameworks - exhibit a quite uniform structure, whereby the arrangement of the text blocks and possibly existing pictures varies. There are individual pages with a larger information volume, which express themselves in a more extensive text quantity, and pages of smaller extent. An example of the latter are the initial pages of the respective sections. Although the pages estimated altogether can be regarded as rather text-dominated, the initial pages of the sections already addressed contain rather little text and more pictures. Additional audio-visual functions are offered in the section on multimedia, in the virtual walking tour through Zagreb.

The web site contains about 200 photos presenting sites of interest in Zagreb and its tourist supply. Besides photos, also numerous other diagrams are used, serving the illustration and facilitation of orientation and navigation.

## **7.2. Linguistic features of web site columns**

Between contents of the columns and existing expectations of the visitors a predominant congruence exists. The web site offers an extensive collection of information, whereby sometimes the danger of the vagueness could exist. However the information on offer can be successfully mastered through the navigation aids. Furthermore it can be stated that also the most interesting and relevant topics can be found on the Website. The web operational level offers information on sites of interest, culture and history, events and accommodation, whereby however it must be pointed out that the information in the respective column can deviate partially from the selected titles.

In the analyzed example the visitor is welcomed on the starting page: the formula "Dobro dosli u Zagreb" is an almost typical greeting form on web sites of this kind. A further characteristic is also the direct address of the visitors. For example the sentence "*Ovdje mozete rezervirati smjestaj*"... can be understood as an invitation: "you can plan your journey here, book the accommodation [... ].."

The titles of columns have a quite descriptive character. Furthermore almost a half of them presented in Croatian are anglicisms/americanisms. Anglicisms/americanisms are implemented in order to attract potential customers. Through them recognizability, a high quality supply and service as well the profit ability on the very competitive tourist market is tried to be achieved.

The registered anglicisms can be divided into two groups:

- the new non-adapted ones:  
*Site Map, Lifestyle, Shopping, Newsletter, Tickets online, Zagreb card, Rent a car, Events*
- the adapted ones:  
*Multimedija, Linkovi, Kampovi*

It is evident that the frequency of the non-adapted anglicisms/americanisms is much higher than of the adapted ones.

The advertising slogan for the shopping centre *City Center One* registered in the submenu of the Shopping menu provides an interesting example of word games combining English and Croatian word elements:

*City Center One – onetastican shopping centar*

The style used in the texts can be described as a rather impersonal and sometimes the text paragraphs use a colloquial style with style figures as *to fall in love with Zagreb* or *to stay in love with Zagreb*. An example of a style characteristic for the analyzed text type follows here:

*Dolazite u Zagreb, glavni grad Hrvatske? Dolazite u srce Europe, u jednu od najljepših zemalja Mediterana? Pojedinačno ili grupno, poslovno ste ovdje ili u turističkom obilasku? Zagreb vam u svakom slučaju zeli dobrodoslicu i otvara svoja vrata Turistička Zajednica Grada Zagreba i tvrtka Five Stars Ltd., pripremili su za vas, drage nase goste, karticu ZAGREB CARD, koja je namijenjena svim posjetiteljima Zagreba te vam se njenom kupnjom otvaraju mnoge mogućnosti, popusti i iznenađenja Besplatna vožnja gradskim prijevozom, popusti u gotovo svim gradskim muzejima, mnogim restoranima, dućanima, uslužnim djelatnostima te još mnogo drugih pogodnosti, razlozi su zbog čega je ZAGREB CARD vas nezamjenjiv suputnik kroz Zagreb. Za kompletan popis mjesta s popustom molimo kliknite ovdje Od trenutka upisanog na karticu, ona vrijedi 72 odnosno 24 sata i neprenosiva je na drugu osobu. Kupnjom kartice dobivate i posebnu knjižicu u kojoj su navedeni svi davatelji usluga i popusti koje kod njih ostvarujete. ZAGREB CARD možete kupiti online, u svim turističkim informativnim centrima grada Zagreba te na recepcijama većine zagrebackih hotela. Za kupnju kartice putem Interneta molimo kliknite ovdje.*

This typically tourist style uses linguistic formulations through which the potential guest is tried to be attracted: '*pripremili su za vas, drage nase goste*', '*Zagreb vam u svakom slučaju zeli dobrodoslicu i otvara svoja vrata*' ....

The remarkable casualness of the linguistic formulations is expected to provide a pleasant feeling of reading without a larger recipient's cognitive input. In this text the target recipients are directly addressed, which is closely connected with the appellative function of the text passage.

On the other hand the information is presented in a very short and concise way, so that it has not the form of the text that flows. In the analysis performed this tendency was found out particularly in the subsection on a hotel list or a list of events.

Considering the aspect of the word formation, some characteristics can be pointed out: Simple nouns are used mainly in the titles of columns. However, the number of compounds is quite remarkable, especially in the English loan words: *Newsletter, Site Map, Lifestyle, Multimedija, touristinfo*. The examples prove that there are no compounds registered that are written with a hyphen.

The example of *'touristinfo'* is a result of stringing together the element 'tourist' and the shortened form of *information* – *'info'*. It is of course not a standard language form, but such constructions on tourism websites are not by any means unusual, because the linguistic correctness in tourist as well in advertising text types follows primarily the criteria of a good sound or of an appropriately concise, attractive and economic form. In the web site characteristic short or abbreviated forms and/or word shortenings are used in tables or in the additional information to the representative columns. The most frequently used among the acronyms is *'B&B'* and among shortened words, in the submenu on hotels, it is *'info'*.

## 8. CONCLUSION

In this paper the analysis of the web site as a special text form with its prominent features was performed and the basic differences in comparison to conventional texts were found out.

The analysis was focused on the representative linguistic features regarding the respective text type of the web site, as well as its localization. It was found out that the web sites are organized according to the nonlinear hypertext principle. Hypertextuality and non-linear organization build the basic principles of the web site, because the documents contained in it are flexibly linked. The influence of multimedia on the text production shows that the web site does not contain 'absolute' texts but rather a potential on texts, where from arbitrary the parts can be selected. The texts within web sites are presented in short form, in order to find the information needed as quick as possible.

Metaphors as a further element of web sites were mentioned. They refer to items and functions and so manage the actions performed by Internet users. Their effectiveness is based on the illustration of areas taken from the material world transmitted into the virtual world of the WWW.

As a last important feature of the WWW, the impact of multimedia was taken into consideration. As multimedia defines itself as synthesis from formerly independent information-technical fields of telecommunications and media such as video, sound and language, computer and entertainment electronics, it is regarded as the feature of the WWW and also of web sites that makes it so very attractive and convenient for users.

Finally the analysis of the Internet presentation of the web site of *Zagreb Tourist Board* was carried out, which proved that the web site integrates different concepts influenced by globalization and localization trends, and makes it an information and a communication medium of special kind.

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## FOREIGN CAPITAL IN THE DEVELOPMENT OF CROATIAN TOURISM

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**Abstract:** Adoption of foreign capital and its orientation onto the most advantageous directions, in order to guarantee both the successful development of Croatian tourism and gain profit for the potential investors, represents one of the crucial factors in stimulating the development of the entire Croatian economy with the particular impact on the development of tourism in Croatia.

Consequently, special attention should be paid by the relevant Croatian economic organs to the possibilities of the obtainable economic development and to the positive ways of taking advantage of foreign capital in the social development and the employment of home population, and simultaneously avoiding speculative foreign capital which can cause great damage to the Croatian economic system.

*Key words:* development strategy, capital, economic system, tourism, integration processes.

### INTRODUCTION

Republic of Croatia is situated between the series of Central European countries whose economic system is being developed in the open and free social and market economy with the adequate systems of ownership relations, enterprising management, economic and political democracy, law abiding system, and of a certain level of social protection and human rights, as well as with different other civilization and cultural accomplishments of the developed Western world.

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Closely connected and interactive appears the need for the even quicker comprehension into the European and the world economy trends and the contemporary integration processes. But the successful accomplishment of the stated goals induces the necessity of the processes needed for the stimulation of development within all the spheres and activities of the Croatian society, with special attention given to the sphere of ownership, market, enterprising management, organization and management of economic and other subjects, and the state as a whole.

In order to accomplish such enormous changes, along with the adequate modern knowledge, capability and skills, human capital, i.e. undertaking and innovation, as well as new, fresh financial capital are needed. At the moment no disposable capital for the realization of the conceived conceptions is available within the Croatian economy, and it will not be disposable for a long time yet in the amount and the quality needed at the beginning.<sup>2</sup>

The situation is slightly better in tourism, where the foreign investors' desires of investing into individual tourist objects or their intentions to redeem the majority stock packages in the attractive tourist objects can be observed.

Consequently, with the further Croatian economy development, and especially tourism development, we start with the conviction that beside the lacking amount of local capital, the foreign capital will be needed.

Moreover, while designing the further Croatian economic development, such hypothetic postures along with the possible future strategic goals necessary to bring about make a starting point in order to enlarge the prosperity of all the citizens of Croatia, their material and spiritual wealth, and the quality of their lives. This should be founded on successful natural, technical, and human resource economy, as well as on economic and social efficiency and the development possibilities of economic subjects, and on national economy as a whole.

In the eighties of the previous century Croatia reached the economic level and the general development level in the world commonly accepted as a lower middle-developed industrial-agrarian country, and was lagging behind the most developed European countries in approx. 30 developing years. In addition to this, the end of the nineties brought to the great economic and social crisis in the former country, which in the end led to the general stagnation with the overall signs of the stagflation and, finally, to the state of war.

After years of conflicts, the independence and sovereignty of the Republic of Croatia was achieved and favourable conditions for its quicker and high-quality further development were created.

Consequently, the need for the radical transformation in technical field, technology, organization, management methods, and in the overall economical and employment structure was necessary, particularly within the enterprise management.

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<sup>2</sup> A. Dragicevic, Osnove razvojne strategije turistickog sektora Hrvatske, *Turizam*, No. 5-6, 1992., p. 112.

Such changes were possible only by use of foreign knowledge, foreign technique, foreign technology, and foreign capital.

Without these and further similar changes, and without creative acceptance of the necessary world achievements from the developed countries, the equal and successful integration into the international economic flows and into the European economic and political integrations, even with Croatia achieving their membership, would not be possible. Naturally, the membership in the European integrations could essentially contribute to the successful economic development of Croatia.

### 1. THE NEED FOR NEW CAPITAL INVESTMENTS INTO ECONOMICAL AND TOURIST ACTIVITIES

The further significant development of the Croatian economic system, particularly of its tourist economy, cannot be realized without the additional fresh capital. Since the required amount of capital is not available, and it will certainly not be available in the foreseeable future, or, at least not in the sufficient amount, the admittance of foreign capital into the country is necessary.

Simultaneously, such economic relations should be established in the country according to which the majority of the national realty within the area of tourist-economic activities remained the propriety of the Croatian citizens. This is particularly important within the real estate area. According to this, the total amount of foreign investments into Croatia should be pondered upon, as shown in the Table 1.

**Table 1.** Direct foreign investments in Croatia for the period 1993-2005, and for the year 2006

period/year	Amount
1993-2005	14.2 billion
2006	2.8 billion

Source: Bilten, Hrvatska narodna banka, 2007.

Through experience of other transitory states the goal of the foreign capital can be apprehended of effectuating an even greater individual profit, regardless of future possible consequences on natural and various other ecologic resources. In consideration of this, foreign capital investors' interest should provide for the long-term tourist development of a destination in which the capital is being invested, with their profit achievement not colliding with the local interests. In view of this, in Table 2 the survey is given of the structure of foreign direct investments in Croatia for the period of 2000-2006.

**Table 2.** Direct foreign investments in Croatia for the period 2000-2006

in million €

	Personal investments		Retained income	Other Investments		Total
	Resources	Obligations	Profit	Resources	Obligations	
2000	0.0	748.3	87.3	0.0	302.9	1,138.5
2001	0.0	899.4	188.4	0.1	414.5	1,502.5
2002	0.0	712.1	161.8	-0.3	323.3	1,196.6
2003	0.0	756.2	588.9	-1.5	440.9	1,784.5
2004	-2.8	316.4	291.4	-17.4	402.7	990.3
2005	0.0	778.2	568.2	1.5	73.3	1,421.2
2006*	-0.1	665.7	696.0	16.8	377.1	1,755.5
Total	-2.9	7,656.0	2,726.4	-21.3	2,793.5	13,151.8

Source: Bilten, Hrvatska narodna banka, 2007.

\* for three month

In accordance to this, not only the import of foreign capital into Croatia is important, but the global relation between the foreign and local capital sources, in the correct deployment of so called social costs and corporate taxes, in the use of contemporary technical and technological components and the “know-how” marketing, as well as in the further conquering of the world tourist market.

Whenever possible, joint investments with foreign investors based on soundly conceived development policy within the tourist economy must be entered.

Simultaneously, with foreign capital entering into possession of any Croatian economical object, the realistic valorisation of the Croatian deposit share, formed primarily of the price and the position site of the premises as the Croatian owners’ share should be established, and should, as a rule, remain the property of Croatian citizens. In the same context the consideration should be pondered upon that pieces of land, at least premises in high-quality riverside and especially seaside coastline should not be sold but given on some form of long-period lease under condition that the modern, present-day international technological achievements and knowledge are imported and with obligatory preservation of environment.<sup>3</sup>

The successful realization should be achieved by the special system of particularly worked out mortgage loans applied to the areas of tourist activities, with obligatory inclusion of foreign capital owners of Croatian origin.

In regard of this, the need to define the role of state capital arose. In the former system, state capital was present in all the segments of the economical life throughout the country, with investments into large infrastructure objects, ecologic systems and so called public companies exclusively within the authority of the state.

<sup>3</sup> A. Acimovic, Međuzavisnost trgovine i turizma, *Susreti na dragom kamenu 87.*, Pula, 1987., p. 52.

Wherever possible, economic policy within the new capital market system must be managed in order to transform former public companies into a private enterprise managed firms as soon as possible, with state helping such transformation in any way possible.

Consequently, the state of Croatia will probably remain one of the main participators in investment and managing some of the key infrastructure activities, but it should not remain in the absolutely dominant role too long. So the admission of private capital must be made possible, provided that the state control remains, because citizens, for instance, cannot remain without water or electricity because the private investor didn't realize their planned profit.

The future tourism development on the seaside or riverside coastlines depends on law regulations regarding the so-called public maritime propriety. Besides its economic value which can be presented in figures, it consists of non-economic elements of extreme national significance. As through previous additional capitalizations considerable devastations took place, additional capitalization in Croatia, particularly within tourist economic systems, must be changed essentially.

The effects obtained through additional capitalization processes on the overall Croatian economic system so far imply the inadequate comprehension in the additional, whether local or foreign, capital use, essential for the internal technical-technological, organizational and managing reconstruction of the economic system. According to the leading statesmen explanations, this was the aim of the financial capital obtained by shares sold in the transformation process of former social companies into joint-stock companies. But, nevertheless, in most cases real effects faded away.

In consideration of some cases of negative experience with share repurchase so far, current trends indicate that the capital owners, whether local or foreign, prefer to buy single smaller tourist objects then to invest into share purchase, with no consideration on the former company status.

Small capital owners, primarily speaking of Croatian citizens, who gained their capital abroad, could successfully invest into smaller tourist companies, which would, on the whole, be of great significance in the revival and development of tourist flows in all Croatian tourist destinations.

Foreign and local investments must be accompanied by a harmonic relation of the overall economic and law system of the country, as well as by the successful impact of various financial institutions, where the investors can obtain specific exemptions and guarantees customary in the developed market economy countries, as: tax and customs exemptions, quick profit transfer possibilities, various mortgage effectuations, etc.

In order to gain a profit equal to that obtained in other competitive surrounding countries, equal chances must be created and rendered to all capable investors.<sup>4</sup>

Within the present economic conditions, the consideration is adopted and developed of “depending on one’s own power”. Nevertheless, such way of reflection should not reduce the intention of stimulating the foreign capital entry into the country, in order to attain further and quicker development of tourism and other economic activities. The national origin of invested capital is nowadays even less important within the international economic system, the essential being the successful development of various functions of the overall society development and citizen welfare. It should function in the same manner within the tourism economy activity.

## **2. FOREIGN CAPITAL AS THE FUNCTION OF TOURISM ECONOMY DEVELOPMENT**

From a point of view of developing interest and needs, to Croatian economy, especially tourism as its most attractive part, all formerly mentioned forms and sources of foreign capital are acceptable. From the long-term point of view, the most acceptable for the development of all the economic system forms would be loan capital bringing interest or investment, i.e. profitable capital.

After a period of time, with the securities exchange market established, greater inflow of portfolio capital can be expected in the economic structure of Croatia. The need for public state-owned or international public capital, as for all the other forms of private capital, must particularly be stressed.

The experience in dealing with the foreign public capital indicates its trends of investing into infrastructure objects so far, particularly into roads and harbour equipment, being of wider European interest, as well into metallurgical industry, shipbuilding, and chemical industry; consequently, into parts of economic structure still mostly under state government, which can give certain guarantee and security to the foreign capital.

The orientation of foreign capital towards tourist economy and the wish to invest in those economic spheres that represent certain Croatian advantage must be particularly accentuated.

In order to invest in certain particular spheres of the economic system, loan capital is essential for Croatia. But, according to the experience from other transitional countries as well as to the local experiences from the previous periods, dealing with loan capital requires a lot of attention as these investment forms usually tend to switch the risk onto the local economic subjects. In most cases such investments cannot be managed efficiently, and, most difficult for such economic subjects, such invested

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<sup>4</sup> The Continental and Coastal Tourism of Croatia, *Tourism and hospitality management*, WIFI Österreich, Wien/Opatija, No. 1, 1995., p. 215–227.

capital must be returned within fixed terms, with interests, while the investment location and the efficient use of the loaned capital represents the exclusive responsibility of the local subjects.

On the other hand, by using the foreign investment capital complete or partial investment risk is overtaken together by the foreign investor and the local subject. With such co-operation of both local and foreign investors, the foreign investor is expected to engage, alone or in collaboration with the local subject, in opening of new markets, in positive impact on the change of ownership structure, in introducing new technological solutions, organization and management, in mutual actions to improve the qualification structure of the employees, and especially in the prompt development of the entrepreneurial and managing personnel.

Simultaneously, the quick and considerable fructification as the very nature of capital must not be overseen. For a short time period and in the phase of developing restoration of the Croatian economy this corresponds with the interests of economic subjects in Croatia. On the other hand, in the long run, and if the modern scientific and technological knowledge is not applied, it can cause considerable damage.

Moreover, responsible Croatian subjects must examine closely their capability and use the cooperation with the foreign capital as a starting point in ascending to the higher development level. Such higher development level will probably not be obtained soon in all the economy system levels, nor will the proper high technology be originated sometime soon. On the other hand, it may even not be necessary. But in spite of that, by producing a certain properly chosen segments of the so called global international produce, Croatia must accomplish its peaks clearly recognizable in the whole world. There is no reason such accomplishments should not be realized within some service activity in the tourist economy.

Special attention must therefore be paid to investments into human capital for the development of the Republic of Croatia and its economic and other subjects. It must be stressed that Croatia has educated personnel and other manpower, which represent great developing potential, but knowledge and skills they dispose of are partially out of date, especially from the aspect of the contemporary needs and demands of the market economy and the forthcoming information society.

In regard of this, foreign investments must be continuously used, in terms of using available new knowledge and educational programmes from all the levels of educational activity, which should be necessarily innovated in accordance with the necessities of the future development. It is essential to know that even contemporary knowledge becomes quickly outworn. Therefore the principle must be inspired upon the education attendants of instilling the knowledge, but of the independent knowledge gaining as well, making good use of it and innovating it continually, which is especially important in tourism.

### 3. FOREIGN INVESTMENTS INTO PRODUCTION AND SERVICES WITHIN THE GLOBALIZATION PROCESS

When closely observing the global processes according to investments, the conclusion can be drawn of the successful international produce of goods or services (tourism) which represents the centre of the global processes, with trans-national firms being the main organizers and bearers of the international production. Production efficiency of such an international system is measured in a number of active trans-national firms, and the number of their regional branch offices, in addition to which the flows of high-quality direct foreign investments into a certain state, region or integration must be ensured.

Along with the presented factors, the factors with impact on the multinational firm management have great influence. To get a clearer opinion on the successfulness of an individual multinational firm on the level of a single state, the comparison of direct foreign investments with the national produce flows of a single state, and with the gross national capital formation, foreign trade flows, management successfulness, and the impact of the multinational branch offices in the other state are needed. Some authors speak about a number of approx. 60,000 multinational firms with approx. 508,200 branch offices at the end of 2000.<sup>5</sup>

Besides such an elaborate network correlation, a large number of different contractual relations in the quality of sub-contractors, suppliers, different logistics, etc are obtained. Although such large companies deal within their specific economic spheres, majority invest their own financial resources into tourist activity in different countries, as well as into the world largest tourist destinations.

Multinational companies have an important impact on forming of two different trends. The first trend is manifested as the appearance of a multitude of small and middle-level companies connected to the main large company. This occurs as the result of ever greater interacting competition within the newly created conditions of the world liberalization. The multinational companies hurriedly link up personal resources, their own capital and technologies, with other resources like natural resources or working power, all of them frequently on different parts of very remote produce or service locations, becoming particularly evident through business operations in forming the tourist logistic within tourism.

The second trend is manifested in powerful increase of service "produce" (the most powerful of them being in tourism), through direct foreign investments, particularly on the global level. Direct foreign investments into services, particularly in tourism, grow much quicker than the investments into other parts of economic system. This particular manifestation occurs in all developed countries, with even greater impact in those non-developed as well. Direct foreign investments in non-developed countries, for instance, are most important particularly in the parts of the secondary economic system, i.e. in the service sector, particularly in the tourist sector. On the

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<sup>5</sup> G. Macesich, *Money and Monetary Regimes, Struggle for Monetary Supremacy*, Westport, CT and London, Praeger, 2002.

other hand, the figures of the developed countries show the inflow from direct foreign investments that grew from 45% in 1988 to 56% in 2000.<sup>6</sup>

Simultaneously, it must be stressed that multinational companies (including hotel chains and other tourist contents) as the bearers of direct foreign investments into a large number of non-developed countries, acquire an even more important role in financing the worldwide economic development and become directly responsible for the worldwide production of different produce and services. Moreover, the part of direct foreign investments into the economy of other, mostly non-developed countries, into ground means presented without replacement costs grew from 3.5% in 1991 to 20% in 2002.<sup>7</sup>

In order to achieve the best possible personal actions, multinational companies tend to link different resource types on the world level. Resource shortage or surplus represents no obstacle for the successful business transactions of the multinational companies, but they form a strong driving force in future impacts. In respond to those challenges, national markets get even more integrated and form a new economic system, global international economy, with tourism representing the appropriate role.<sup>8</sup>

According to some authors, the productive part of the new globalizing system has already been formed and operates successfully. By estimate, multinational companies control directly approx. 25% of the world produce and service production. The impact and the stock sale of their branch offices in the securities market have already surpassed the value of the overall world export.<sup>9</sup> Different forms of international enterprise investments within the service sector economy fit in clearly, as presented in Table 3.

**Table 3.** The forms of international enterprise investments into service sector economy

Forms	Capital inflow	Financial outlays	Technologies				
			Accessibility	Restoration	Sale	Management	Education
Contracting management	no	indemnity	yes	possible	yes	yes	yes
Franchising	no	tax	yes	yes	yes	yes	yes
Direct foreign investments	yes	profit	yes	yes	yes	yes	yes
Subcontracting	no	indemnity	yes	yes	yes	yes	yes
Time sharing	possible	provision	no	no	yes	no	possible

Source: I. Petic, *Turisticka politika Hrvatske u tranzicijskom razdoblju*, Ekonomski fakultet Sveucilista u Zagrebu, Zagreb, 1998., p. 104.

<sup>6</sup> World Investment Report, Foreign Direct Investment and the Chalenge of Development, UNCTAD, New York, Geneva, 2003, p. 145.

<sup>7</sup> Ibidem, p. 156.

<sup>8</sup> B. Burgenmeier, J. L. Mucchielli, *Multinationals and Europe*, Routledge, London, 1992, p. 87.

<sup>9</sup> J. Guthrie, *Measuring up to change*, Financial Management, 2002.

If the presented figures are compared, the fact that international distribution becomes available to an ever larger number of managing subjects and their investments becomes evident. Along with the new forms of international work distribution, work distribution between different multinational companies appears even more, with even more possibilities for their investments. Scientist Streeten pointed out the phenomenon in his works from the eighties of the previous century.<sup>10</sup>

He observed the regularity in functioning of business collaboration between multinational companies, as well as within the multinational companies themselves, in the future investment possibilities. He represented the idea of traditional work distribution, in consideration with comparative costs, appearing in new forms as the resources, i.e. production factors, capital, technology, and organization, within the main state become especially important in the specialization within the areas of interest of the country the multinational company is situated in.

The international production division realized in such a way subsequently becomes the production activity division between various multinational companies, or within one multinational company alone. Division of labour between more multinational companies was naturally preceded by a division of labour within the single multinational company. According to this regularity, and confirmed by life experience, states or economic subjects remaining out of the process of the multinational work division, will have great difficulties in finding their place in the international production cycle, and will especially observed with foreign investments.

Developed markets become even more saturated by investments from other countries, their natural resources become mostly consumed or insufficient for the further economic development, so foreign investors turn even more to the non-developed countries markets. Within such a trend of displacing foreign investments towards lower-developed countries already possessing certain natural resources, Croatia can count on getting its part of the foreign capital.

#### 4. INVESTMENTS INTO CROATIAN TOURISM

Apart from and after 1990, the year 2006 was the best tourist year for Croatia. The Croatian tourist services were used by over ten million of tourist in 1990, with the tourist economy income of the first nine months mounting to approx. 5.8 billion kuna, approx. 4% more than the achievement of 2005. By the end of 2006 the survey was carried out by the Ministry of tourism on the necessary total investments into tourist economy and its contents for all the Croatian countries. According to the obtained figures, the investment of 13.6 billion kuna is expected into Croatian tourism in 2007.

The largest investments will be realized in the Istarska country, with more than two billion kuna likely to be invested into construction of new capacities, most of it, in the amount of one billion kuna into a hotel complex Kempinski Adriatic. In Table

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<sup>10</sup> P. Streeten, P., The Multinational Enterprise and the Theory of Development Policy, *World Development*, Vol. 1, 1997, p. 176

4 the overall planned investments into Croatian tourism through the year 2007 are presented, among which the foreign investors investments as well.

**Table 4.** Planned investments in tourism per country in 2007

<i>Countries</i>	<i>Investments</i>
Istarska	2.4 billion kuna
Primorsko-goranska	1.2 billion kuna
Ličko-senjska	196 million kuna
Zadarska	1.5 billion kuna
Splitsko-dalmatinska	1.4 billion kuna
Dubrovačko-neretvanska	1 billion kuna
City of Zagreb	4.8 billion kuna
Six continental counties	802 million kuna
<b>Total</b>	<b>13.6 billion kuna</b>

Source: Ministry of tourism research for 2007

Approx. 802 million kuna will be invested into six continental counties, with the majority of the amount of 505 million kuna invested by individual counties themselves. Hotel companies, with investments of only approx. 50 million kuna, show no particular interest in the investments into continental hotel capacities.

## CONCLUSION

The necessity for the accelerated development of the overall Croatian economic system indicated the need for the quicker development of the tourist economy within the country, in proportion with the contemporary needs and demands on the local, as well as on the foreign tourist market.

Such a form of social development should be founded on the scientific approach and research in order to include the area of tourist, and especially hotel activity. The strategic development planning of the future tourist subjects' development should be added, together with its programming, working and financial correlation, together with the integration into new organizational forms developed on new grounds.

Simultaneously, the important place in such a development must be obtained by state, which should, with reinstatement of the efficient administrative regulation, secure the abiding of law, free functioning of economic and market patterns, and resist any monopoly.

In order to achieve the stated needs and demands considerable initial investment capital is indispensable, which should be obtained from either local or foreign sources. In the present moment of its weary and devastated economy Croatia disposes of no indispensable capital.

On the other hand, Croatia still disposes of sufficient unused and unpolluted tourist resources and potentials whose activating can attire a large amount of foreign capital obtainable from different foreign resources, as well as in different forms.

Foreign capital entrance into the country depends on the capital itself, as well as on the conditions for its efficacious acceptance and activity. The experience of other countries shows that euphoric expectations and various fact manipulations suggest great expectations without real foundations. However, no passive expectations of destiny are advisable.

Consequently, it must be stressed out that only by appropriate commitment established within the country the total favorable surroundings for the entry of foreign capital of any form or assignment can be obtained.

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## OPTIMAL COMBINATION OF MARKETING INSTRUMENTS AS A BASIS FOR TOURIST DESTINATION STRATEGIC MANAGEMENT

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**Abstract:** The marketing mix concept is understood as a certain combination of the instruments that form a tourist offer. Marketing mix enables integration of marketing activities, in order to satisfy the needs of tourist clients, but also in order to achieve the goals of tourist subjects business. Marketing instruments optimising is necessary during the adaptation to certain tourist segments. A suitable marketing mix is not just a simple sum of different instruments but an optimal combination of certain strategies of integrated tourist product, prices, promotion and distribution.

*Key words:* marketing mix, tourist product, prices, promotion, distribution.

### INTRODUCTION

The necessity of the connection of tourist product with other marketing instruments on the destination level is determined by achievement of marketing activities goals, in other words it is necessary to determine the most suitable combination of marketing instruments for a faster and more efficient achievement of destination goals. This means that the combination of marketing instruments into unique whole leads to marketing mix. Marketing mix develops and results from creation or positioning of one or more strategies of the mix itself.<sup>2</sup>

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<sup>1</sup> Ivo Zupanovic, M.Sc., Ishtap Algonquin College Petrovac, Montenegro.

<sup>2</sup> Mihailovic B., (2005), page 251.

There are several aspects of decision on marketing instruments:<sup>3</sup>

- which instruments are available in a certain situation? (universal aspect);
- how to manage the engaged instruments? (selective aspect);
- what is the range of instrument application? (quality aspect);
- how should the time line of engaging of certain instruments look like? (time aspect);
- how to combine certain marketing instruments in order to make the more efficient? (combination aspect);

Optimising of marketing mix instruments includes strategies based on certain marketing instrument.

### INTEGRATED TOURIST PRODUCT

Integrated tourist product is not mechanical or physical choice sum of partial tourist products, it is necessary to determine the criteria based on which a tourist product is treated as an integrated one. First of all, let us go through the universal definition that the satisfying of tourist consumers needs is possible only with a multitude of certain products and services. The choice of product is decided by tourist consumer.

Concluding on the mentioned, integrated tourist product of a certain tourist destination, would be combination of:<sup>4</sup>

- attractions-combination of natural and social conveniences,
- accommodation conditions in destination (necessary accommodation facilities),
- accessibility of destination (infrastructure, equipment).

**a. Tourist attractions** envelope large spectrum of natural, anthropogenic, economy and other destination characteristic.<sup>5</sup> In terms of status conception, tourist attractions are defined as empirical connection of tourists, nucleus or sight and information. In wider terms, tourist attractions have features of the system including three elements: tourist or human factor, nucleus or central elements and marker or information. Tourist attractions shows up when those three elements are achieved and connected in one locality.<sup>6</sup>

The status treatment of tourist attraction is its analysis on the hierarchy level.

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<sup>3</sup> Milisavljevic M., Todorovic J., (1995.), page 88.

<sup>4</sup> Popesku J., (1991), page 98. and Middleton V.T.C, Clarke J., (2002) and others.

<sup>5</sup> Cacic K., (1998), page 246.

<sup>6</sup> Djukic A., (2001.), page 113-115.

Such system or sub-system enables to see them in a wider, integral space of tourist destination. This demand analysis of their functioning or activity and of the way they lead in the area of mental construction or metaphysics.<sup>7</sup>

Tourist attractions mostly consist of the elements out of hometown of tourists. Attractions demand continuous enrichment of planning, depending on features of tourist destinations.

The most common attraction characterisations are general images of attraction types when attractions are combined with elements of location, choice, observation or participation, attraction characterisation images are more generalised by use of multi-dimension analysis.

More detailed and wider examples of attraction image are those that include beauties of nature, climate, culture, social, features, sport, recreation, education. This characterisation enables an impartial comparison of tourist destination with competitors.

Attraction, which are connected with spatial interaction, provide meticulous conception of their influence within tourist offer, which means conception of integrated tourist product.

Bakic and other authors speak of those as of tourist products of future. He points out that national and local tourist organisations need to pay attention and focus on:<sup>8</sup>

- much wider involvement in offer of museums, galleries and monuments,
- promotion of old towns,
- range of culture and history varieties (language, customs, cuisine, folklore, etc).

The basic motive which initiates travel of this kind of tourist consumers is learning about unknown cultures and traditions.<sup>9</sup> All set these can be the base for 'so-called' tourist destination built attraction.

Management attractions is putting in focus defined in advance natural, culture-historical and built attractions, carefully planned, organized and controlled. Through mentioned element of integrated tourist product will be open destination strategic 'window' on local, regional and national level.<sup>10</sup>

The mentioned facts exactly prove that development of economy and tourism have a common interest based on cultural and historical heritage. The author emphasis maintainable development of tourist regions based on a sincere partnership of those

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<sup>7</sup> Same, page 114.

<sup>8</sup> Unkovic S., Cacic K., Bakic O., Popesku J., (1991), page 235-236.

<sup>9</sup> Swarbroke J., Beard C., Leckie S., Pomfret G., (2003.), page 63.

<sup>10</sup> Bakic O., Ljubojevic C., Bakic M., (2002.), page 70.

two are integrated approach in theory and practise. How to enable transformation of cultural and historical heritage into tourist potential in practise?

First of all, it is necessary to:

- positioning, meaning to create the image built on possibility for tourist to learn about culture of a region;
- inform tourist clients properly about existing attractions,
- point out to accessibility of locality;
- create properly the rest of tourist variety.

**b. Accessibility** is a location factor which in big deal enables emphasis and exploitation of original and produces element of destination. It includes communication factors-traffic potentials and their current and future exploitation. Two aspects of this location factors are emphasised: macro approach concerning accessibility of facility in relation to demand flow, and micro aspect concerning location of facility in relation to main factors of destination.<sup>11</sup>

Lawson and Baud-Bovi point out that traffic accessibility is one of serious factors which determine of holiday and recreation.

In order to emphasise mention advantages of traffic accessibility to the maximum, the author of this work concludes that it is necessary to point out new trends in modern tourist's behaviour, when it comes to transport:

1. transport cost of total expense falls down,
2. tourist clients rather choose more expensive accommodation, while saving on transport expense,
3. raise of air transport market part, with emphasis of 'low cost' segment,
4. regarding railway travel, trends demand different prices for certain market segments,
5. revolution of cost politics, in air and railway transport,
6. increase of cruising.

Due to mentioned tendencies in tourist demands, it is necessary to take following steps:<sup>12</sup>

*1. regarding road accessibilities:*

- further continuation of quality highways network building between main directions of guests arrivals and tourist destinations on land and along the coast;
- building of local networks roads connecting airports and ports with tourist destination;

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<sup>11</sup> Cacic K., (1998)., page 247.

<sup>12</sup> Republika Hrvatska, Ministarstvo turizma, Strategija razvoja hrvatskog turizma do 2010. godine, Zagreb, 2003., page 26-28.

- building of additional infrastructure such as parkings, services areas near the roads and similar. During additional structures planning, the load capacity of area, defined by space plan, must be respected;
- preservation, revitalisation and marking of roads on tourist maps and they will enrich the tourist offer with an adequate presentation;

2. regarding sea accessibilities:

- more efficient linking of land with ports and islands,
- adaptation of port for cruisers reception,

3. regarding air traffic accessibilities:

- activation of air space for 'low cost' transport companies, which would increase quality of transport, decrease the costs due to bigger competition and increase the number of guests from distant emitive markets;
- connecting with emitive markets through direct flights;

4. regarding railway accessibilities:

- after modernisation of rail net, an important expansion of this kind of traffic is expected;

5. balances of timetables of all kinds of transport:

In order to enable a fast and efficient transport of travellers from their starting point out to tourist destination, and due to the frequent need for use of several means of transport cooperation and mutual effort of leading means of transport is necessary and must be coordinated on all levels.

In order to exceed accommodation conditions in almost all tourist places and also on the level of particular tourist destination, it is necessary to take steps in two directions, first of all towards the improvement of accommodation and food and beverage capacities, and to solve the problems of not developed and non quality communal infrastructure. In order to solve the mentioned limiting factors of tourism development, as a part of solution of accomodation capacities, the following steps are suggested:<sup>13</sup>

- intensive 'hotelisation'-support of development of larger, mostly branded facilities on the most suitable locations, as well as the development of smaller family hotels, preferring the transformation of small private accommodation facilities into small hotels, guest-houses and similar;
- development of all new accommodations capacities must be in accordance with minimal standards of four stars, except for the private

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<sup>13</sup> Turisticka zajednica Zupanije Splitsko-Dalmatinske, Analiza stanja i mogucnosti turizma uz izvjesce o poduzetim i ostvarenim aktivnostima na pripremi turističke sezone 2006. godine na podrucju Splitsko-Dalmatinske zupanije, Split, 2006., page 51-52.

accommodation and catering, when three stars are suggested, which as we mentioned before, should be transformed into small hotels;

- development of new accommodation capacities should be more directed towards hotels and hotel blocks and less towards apartments and apartments blocks;
- development of new basic accommodation capacities with purpose for real estate sell on market should be strictly banned, except in the case of integral complexes of mixed purposes with hotels and villas, when accommodation units can be sold under the condition that management structure leases the same from owner with aim of mutual tourist management and commercialising of all accommodation capacity as whole;
- development of new complementary capacities must be mostly directed towards camps with at least four stars, while the development of new tourist rooms should be disabled for a certain period of time;
- development of new accommodation capacities on separated building sites of catering and tourist purposes is suggested only under the conditions of clear owner's status, spatial, market and financial feasibility as well as endurance and integrating of development into surrounding with focus on partially developed areas, out of use.
- presence of 'brand' hotels which would have positive influence on tourism because it generates new demand, investments as well as 'know how'.

In order to improve communal infrastructure and additional structures, focus should be on following postulates:<sup>14</sup>

- to provide necessary amount of water, to build system of water channeling and setting of modern machines for its cleaning. This problem is more or less a feature of all tourist destinations, especially seaside ones, therefore it is necessary to take all steps towards the long-term solution of this important issue, and to speed up the building of regional water supply;
- in destinations, where it has not been done yet, it is necessary to make projects, as soon as possible and provide necessary means for building of up to date depots, and where it is possible, also the depots for recycling of garbage and waste;
- to take all necessary steps for maximal improvement of cleanliness in all tourist places, and based on competitive solutions, to organise horticultural arrangement with as many as possible park areas and flower plants;

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<sup>14</sup> GTZ, Njemacka agencija za tehnicku saradnju, Vlada RCG, Univerzitet RCG, Sektorske studije-analize i ekspertize za potrebe prostornog plana RCG, Podgorica, 2005.

- to organise opening of quality tourist services, up-to-date shops, souvenir stores, arranged green markets with local products, necessary parking places and garages;
- building necessary sport and recreation areas, playgrounds, cycle paths, ecological paths and to provide equipment for different kind of sport;
- to provide an efficient preventive care of tourists through regular sanitary control of fresh water, food and communal hygiene.

Besides the mentioned elements of integrated tourist product, partial tourist products based on up-to-date kinds of sport and recreation offer, as well as entertainment and amusement.

In future, we can surely count on new programs of non-quest house contents meaning tourist products which will enrich the choice of that part of offer. Those are the programs elaborated in world, well accepted on market and efficient-timesharing, incentive travel and theme parks.<sup>15</sup>

Destination management must locate, manage and direct main elements of product mix, in order to support balanced development of strategies and partial tourist products, and also to participate in their development and enable destination products alternatives, depending on the current stage of life cycle of product.

This activity especially refers to introduction of new product when the management must ascertain whether there is a demand for this product, and whether the mentioned demand is in accordance with profiled image of destination and whether it will enable a faster development of tourist destination.

Introduction of new product is one of the most hazardous but also most important steps in marketing. It is decision with strategic feature and includes meticulous preparation and analysis of current state. Introduction of new product is diametrically different process of managing the current product.

Since the mentioned process is of vital importance for tourist destination, the first important thing is to make completely clear what new product is. In addition, there is an impartial risk that product may be new for destination, but not for the market. The other main reason for introduction of new product is that it present necessity essential for survival on market.

A long exploitation of existing products bears a risk of not fitting the changing needs and tastes of customers, new technologies, shortened cycle of product, etc.

Heath and Wall note that the process of development of new product applicable on tourist destination level consist of following stages:<sup>16</sup>

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<sup>15</sup> Ministarstvo turizma Vlade Republike Srbije-Strategija razvoja turizma u Srbiji, Beograd, 1999., page 52.

<sup>16</sup> Heath E., Wall G., (1992.), page 135.

- identification of chances-definition of market, generating of idea, consideration of idea;
- design-measurement of demands,development of new product concept, strategy development;
- testing –promotional testing, market prognosticating, market test and
- introduction-planning and introducing.

During the introduction of new destination product marketing managers of destination have two crucial limits:

- deficiency of total control over the integrated tourist product and
- relative immutability of some attractive factors of offer as nature, cultural and historical heritage, anthropological factors, meaning that destination product is partially defined in beginning.

Considering several levels of observation and grade of innovation, Mihailovic points out to following stages of new products:<sup>17</sup>

- product new for the world, it is about an innovation presenting discovery that is commercialized for the first time, at some point of time, and as such has never been produced anywhere else before:
- adding of product line to existing ones,
- adding of new products within the existing product lines has the goal of improvement of the whole market offer;
- modification of product,
- repositioning of product,
- decreasing of selling prices presents a minor grade of innovation,where the new producthas similar features as a competing one,but costs less.

To enable successfully this activity, it is necessary to consider all comparative advantages of new product in comparison with competition, all possible issues and deficiencies in distribution channels and promotional activities.

Therefore, tourist offer stakeholders must decide, first of all about way of development of new product.

Basic ways of new product development are:<sup>18</sup>

- sequence development,where previously are determined tourist offer subjects finish their phase, and after that involve next subjects;
- simultaneous development, planned work of various sectors and subjects in same time, coordinating activities, with the resulting save of time and increase of efficiency.

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<sup>17</sup> Mihailovic B., (2003.), page 318-319.

<sup>18</sup> Milisavljevic M., (2004.), page 96-97.

### PRICES FORMATION ON TOURIST DESTINATION LEVEL

The prices of tourist destination product cannot be observed in isolation, because it show goals of business, in the best way. Unkovic and other authors agree that contemporary tourism is ignorant to the relation price-quantity, but the price of product must be in direct connection to quality and choice of tourist product.<sup>19</sup>

Several basic features have influence on prices formation. Some of them are:<sup>20</sup>

- short expiring period-as the tourist product cannot be stored for future use, this means that non-sold service-product is a last income which cannot be made up later. That will influence the tourist organisation profitability especially when taking into account the expenses from tourist economy;
- intensive capital investments. As it happens with most of tourist facilities investments up to 90% is invested in long term possession. There fixed expenses are fairly high in comparison to other kinds of economy. This influences cost formation decision.
- personnel expenses-tourist product quality depends in big deal, of number and quality of personnel, as well as on the special abilities and educated skill necessary for communication with guests. Another problem is that most of the tourist companies and facilities depend on exploitation of capacity during weak turnover, and keeping the personnel during that period has to be justified.
- buyers features. Different tourist destinations will attract in different deal, groups that differ in social and financial status, meaning that those groups have different spending patterns, and sojourn period and sensibility will also vary.
- competition-oscillation of demand and general conditions of business,

Main goals of prices formation within a destination tourist economy are:<sup>21</sup>

- income maximising-this is most commonly goal of prices formation because it functions as a measure of management efficiency;
- investment return maximising-this is very important for tourist economy which usually has a high level of fixed expenses;
- survival-this goal is applicable where season dependance, intensive or more powerful competition, economy recession cause low demand as consequence. Some of those examples are are cheap arrangements in period of week frequency or discount done by Spanish hoteliers during

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<sup>19</sup> Unkovic S., Cacic K, Bakic O., Popesku J., (1991.), page 44.

<sup>20</sup> Moutinho L., (2005), page 225.

<sup>21</sup> Same, page 226,227.

the big inflation of labor force, resulting in buffet instead of regular meals;

- selling scope;
- maximising of exploitation. This is in close connection with profitability, meaning that non-sold products present loss. The emphasis is on the approach to managing the total income;
- stabile exploitation. This is also directed to bigger selling, which is connected to profitability, but in this case, a bigger exploitation will be accomplished with lower prices and special accommodation price discount.

Popesku emphasis the importance of stratec and tactical use of prices.

From the strategic aspect, prices should serve as means for achieving strategic goals such as profiling of image, positioning of product, profiting and market growth.<sup>22</sup>

Tactical definition of prices enables for tourist company a short term competitive advantage, meaning the improvement of market position.

On the other hand, Bakic points out following strategies of price politics:<sup>23</sup>

- strategy of prices which will dominantly be determined by expenses,
- strategy of prices motivated by competition behaviour,
- strategy connected with tourist demand behaviour.

If we use expense approach in price formation, it is necessary to conclude that past expenses are less relevant than current, and current expenses sre less relevant than expenses in projected future. The focus should also be on those categories of expenses that will probably change in future. There should also be a clear distinction between effect of economy of better exploitation of capacity, where the effect is called a decrease of expenses due to fixed assets distribution into a bigger number of production units, and the economy of size which enables more efficient performance of business activities.<sup>24</sup>

Regarding price strategy determined, by the competition behaviour, first of all, relevant competitors should be determined, then evaluation of product compared to the competitive one should be done. The prices should be formed as a combination of income rate and market involvement in order to gain a long-term profitability.

Price strategy connected with tourist demand behaviour leads to a market segmentation. There are two dimensions of prices segmentation. The first is analysed expenses of product, second is analysed value of differentiation.<sup>25</sup>

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<sup>22</sup> Popesku J., (1991.), page 106.

<sup>23</sup> Bakic O., (2002.), page 129.

<sup>24</sup> Milisavljevic M., (2004.), page 138.

<sup>25</sup> Same, page 140.

The goal of price formation strategy, defined on this way, is to ensure loyalty of consumers and a continuity of selling. During forming prices on the tourist destination level, the author of this work emphasis that,as in strategy of integrated tourist productformation, the preferences of demand must be considered, in accordance with preservation of destination integrity.

### **PROMOTION ON TOURIST DESTINATION LEVEL**

Promotion as an instrument of marketing express all kinds of communication with potential and actual buyers, in case that messages refer only to tourist company as well as other marketing instruments. Kinds of communication vary, so we can speak of promotional mix.<sup>26</sup>

Promotional strategy is relevant for modern tourist business, because when all tourist destinations tend to have an improved and more complex tourist offer, it is necessary to channel the interest of consumers and improve the process of taking decisions. Basis of promotional activity is use of special communication techniques with goal of motivating of potential consumerd, on basis of initial advantages and interest of destination product.<sup>27</sup>

Promotion is sometimes observed as a direct communication with intention to.<sup>28</sup>

- advise new consumers and show them services and pleasures given by destination,
- remind current consumers of services and capacities offered by destination, as well as their prices,
- persuade consumers that they need certain goods and services.

From the perspective of promotional activity, the crucial importance depends on regular recognition of potential tourist market. Promotional message must be crystal clear and inform the consumers on destination. The effect of promotion must bemeasurable. Therefore, permanent controlling is necessary, with goal of constant determinating on whether the target market has been conquered or not.

A relevant is determinating tasks of promotional strategy. It is a complex process, starting from interest of consumer for the product and service, then pointing to possible benefits, in destination development of customers attitudes on 'pluses' of accommodation in destination,and on basis of all the mentioned items, his frequent accommodation in destination.

In the part on conquering the market through a coordinated promotional campaign, we also spoke of tourist message. In the part where we should discuss on importance of tourist message we would emphasis the importance of uniqueness of tourist message, meaning its whole difference from competitive ones.

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<sup>26</sup> Mihailovic B., (2005)., page 251.

<sup>27</sup> Middleton V.T.C, Clarke J., (2003), page 248.

<sup>28</sup> Koltman M., (1989.), page 310.

The next issue is that, together with exploitation of its capacities, and long time demanded for that process, a tourist destination must immediately start a creative campaign which would mean a positioning and profiling of positive images in the eyes of international clientele. But a special care should be on a strictly set border between short term stimulation of selling through promotional activities and middle –term process of quality destination image creation.

Master plan-Montenegro tourist development strategy up to 2020. warns that in short-term promotion of selling, a destination take part only indirectly, supporting other initiations and letting them performance and providing the facts on selling.

In contrast a short-term approach,where we speak of mid and long term approach in creation of tourist destination image, a strategic approach should be applied. While applying this kind of approach, promotion should be gradual and in accordance with development of tourist quality offer. The process of long-term image creation should be concerned in following way:<sup>29</sup>

- strategic goals must be determined within a marketing plan which must be ready for pretty fast practice;
- the first contact with public must provoke liking and curiosity of target groups;
- concerning that target groups are emotive markets with richer but in the same time more demanding and criticising guests, promotional messages should be sophisticated and suggesting emphasis on tolerance, despite ethnical variety, cultural and historical heritage, ecology emphasising, the whole surrounding atmosphere.

During promotional mix conceiving,it is necessary to start from set market goals, but it is also indispensable to create alternative promotional mix strategies, based on which a tactical plan of implementing the chosen strategy should be created. For each task a special kind of promotion should be located and individual promotional contents should be integrated into the promotional mix.<sup>30</sup>

Supervision of promotional activities are serving with implementation standards defining and estimation and evaluation system building. Standards supervision can be formal and unformal, which includes social and cultural self-consciousness. Promotion estimation system is based on comparison of planned and actual promotional activities. This process starts with performance measuring, afterwards comparing and evaluating.<sup>31</sup>

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<sup>29</sup> DEG, Master plan (2001.), page 124-125.

<sup>30</sup> Milisavljevic M.,(1997.), page 395.

<sup>31</sup> Radisic Berc B., (2005.), page 165.

## DISTRIBUTION CHANNELS ON TOURIST DESTINATION LEVEL

Distribution channels are ways through which the contents of tourist offer are placed to final consumers. Inevitability of organising distribution channels comes from offerers isolation from the tourist consumers.<sup>32</sup> In order to 'find buyer' for destination integrated tourist product, which means in order to make it available, it is necessary to engage either direct or indirect selling channels.

Basic functions of distribution channels are:<sup>33</sup>

- regular information about product,
- communication link improvement with consumers,
- consumers needs respecting,
- negotiations about distribution conditions,
- physical development of distribution process,
- financial hazard managing-paying terms and similar.

Usual classification of distribution channels are on indirect and direct channels.

**Indirect selling channels** are more used in mass tourism, either they are wholesalers or tourist agencies, or more exactly retailers, meaning tourist agencies that usually include following range of activities-some of the mentioned activities can be done by wholesalers, but they are the activity no.1 of retailers:<sup>34</sup>

- making reservations,
- planning itinerary of tourists,
- planning prices and expenses,
- ticket selling,
- consumers counseling,
- verbal and written communication with clients.
- maintaining of successful business in destination and
- mediating between offerer and tourist in case of consumer's complaints on services and tourist product.

Koltman defines wholesalers as companies offering a complete package of offers for consumers.<sup>35</sup> Wholesalers place the offer on market directly or through net of many tourist agencies. Wholesalers cooperate with airports, ship companies, hotels, restaurants, rent-a-car companies, sometimes even with the Governments, in order to give more complete and attractive offers. This action is of mutual interest, because on one hands it widen the offer of wholesalers, and on the other hand it decreases the risk of independent appearance on market of other participants.

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<sup>32</sup> Lacmanovic D.(2006.), page 174..

<sup>33</sup> Kotler P., Bowen J., Makens J., 2003.), page 512-518.

<sup>34</sup> Page S., (2003.), page 212.

<sup>35</sup> Koltman M., (1989.), page 325.

**Direct channels** are determined by exclusiveness in tourism, in other words by degree of exclusiveness of tourist destination. They include direct contact of offer and demand, due to exclusive destination chooses a more subtle contact with consumers. Direct selling channels are dominant in individual travels.<sup>36</sup>

Depending on structure connection, selling channels can be divided in vertical and horizontal channels of selling, and according to this division of distribution channels, we diagnose identical possibility of conflicts among them.

**Vertical distribution channels** include producers, wholesalers and retailers. They have a distinguished and exceptional control of behaviour, and also avoiding of conflict. Secondly, economic power versus other selling channels and easy elimination of competition. In addition, within this kind of selling channels, there is a division into corporate, administrative and contract channels.<sup>37</sup>

**Horizontal distribution channels** are formed on same distribution level, in situation when companies combine capital and interest.

Uskokovic notes necessity of information technology introducing on all distribution channels level, in the aim of easier involving of tourist subjects in distribution channels as a link to final consumers.<sup>38</sup>

Previous designated frames point to necessity of synchronisation, providing of compatibility of basic marketing elements in all stages of further development of tourism on the level of a particular tourist destination. A more distinguished role of one marketing instruments in a certain period of time is completely understandable, which only emphasises the need for adequate combination of all other instruments within marketing mix on the given level of development.

In marketing mix management and their optimal combination we can anticipate following problems:<sup>39</sup>

- due to entirety effect, it is very hard to predict effects per each element;
- marketing is occupied with future actions and probability based on assumptions;
- mix is based on previous and actual explorations. Previous image, fame and products limit possibilities in future;
- market failure can be due to each element. Problem is to determine which element is caused failure.

So, marketing mix represents delicate balance of mixture whole elements of marketing instruments, which should produce sometimes little, but obvious difference in comparison with competition. Therefore, marketing mix points out importance of marketing instruments uniting, just like tourist consumers see them, as indivisible unit.

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<sup>36</sup> Bakic O., (2002.), page 140.

<sup>37</sup> Koltman M., (1989.), page 325-326.

<sup>38</sup> Uskokovic B., (2000.), page 151.

<sup>39</sup> Flecer K., (2003.), page 80.

Beside mentioned concepts, referring to basic marketing instruments, special features of marketing demand use of some non-traditional concept.

Firstly, it is internal and interactive marketing.

*Internal marketing* is focus on personnel servicing extern consumers, and the conclusion is that best people must be kept and do the best possible work. Therefore, in this way, employee is treated as client, and job as a product.

Internal marketing is applicable on personnel not in direct contact with consumers and includes all elements of external marketing.

Internal marketing on the tourist destination level can be applied on three levels:<sup>40</sup>

- micro level, when the target are employees hired on organisation level;
- tourist activity level, when target are employees in tourist business field;
- tourist destination level, where targets are citizens.

*Interactive marketing* is enlarging of relations between tourist offerers and tourist consumers, and it leads to increased loyalty of consumers. Also is important a bigger emphasison existing rather than on potential consumers, because the goal is keeping the existing level of tourist demand. Interactive marketing is mostly applied on work of tourist information agencies and stands through constant, daily contacts, giving prompt informations etc.

## CONCLUSION

Combination of marketing instruments is done in accordance with consumers needs for each market segment. Combination of marketing instruments must present a clearly defined basis for leading and directing of marketing activities.

Therefore, the necessity of careful management of four P-product, place, price and promotion. Firstly, a high quality of tourist product effects indirectly on other marketing instruments, on principle of domino-effect. But, we should not neglect the regular establishing of prices level as well as the distribution channels and promotion process. Surely, 'cocktail' of marketing mix instruments must be based on serious and detailed research of tourist market.

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<sup>40</sup> Bakic O., Ljubojevic C., Bakic M.,(2002.), page 30.

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## BOOK REVIEWS

Vladimir Stipetic, Academic  
A WORD ON THE BOOK PROMOTION

### Branko Blazevic: TOURISM IN ECONOMIC SYSTEM

Publisher: Faculty of Tourism and Hospitality Management, Opatija 2007

As the motto for promotion of this remarkable book written by Branko Blazevic PhD, I am going to use the author's own words (p. 534) "It is without doubt that tourism in Croatia has an immense significance when compared with other sectors of economy regarding the impact it has, or may have, on the economy and citizens' quality of living. In the future, tourism will have even greater influence on the overall economic growth and stability, standard of living and other factors affecting living conditions".

Blazevic's far-reaching conclusion about the importance of tourism for Croatian economy is based on a detailed analysis of tourism industry and Croatian economy which has been conducted on over 600 pages of this book. It is not merely a textbook for students, as it has been noted in the book, moreover, it is a valuable reference book, a guidebook for Croatian economic policy in the future period. He presented facts about (pp. 330-332):

- 23,2% of GDP is generated by tourism revenues
- tourism revenues were almost equal to export revenues of all goods in 2003
- this proves that tourism is of much greater significance for Croatia than it is for any other country in Europe,

deserve not only to be acknowledge, but to be the guiding principle of economic policy as well. Allow me to single out five segments of the book contents that have been not only discussed in a highly qualified manner, but for which conclusions have been drawn, too.

The first and the most significant is his strongly held belief that Croatian tourism has to become a strategic orientation. After analysing the facts he has perceived that Croatian economy is unbalanced which "is reflected in balance of foreign-trade deficit and current account payment, sharp increase in debt, accumulated loses and a rise in insolvency, unemployment rate and high public consumption"(p. 211). In Branko's view, the escape from this instability should be searched in modified goals of macroeconomic policy which would "turn present particularly negative trends into positive course". This is also facilitated by Croatia's positive attitude toward

globalisation process and outward tendencies in economy, in which tourism as “open economy model” (p. 201) plays a significant role. This has also been proven by the notion presented by Blazevic regarding 90% of all overnights in tourism realised by foreign visitors. That is why Blazevic advocates that export growth along with tourism as our key product “has to become a long-term strategic aim”(p. 211). It would enable “Croatia and its economy to break out of the vicious circle of poverty into a world of prosperity” (p. 211).

That is Branko Blazevic’s credo which infuses the whole book. While presenting the indispensable notions of tourism economics to students and other users of the book, he connects inferences with:

- a need for larger investments into tourism (he notes - p. 232 - a fall in capital investments in tourist facilities)
- demands more significant investment of funds into educational system and scientific research projects (and indicates that they are now among the lowest in Europe, regardless of the way in which they are calculated (pp. 270-31). It is difficult to imagine income-oriented tourism of superior quality without qualified personnel.
- the real exchange rate of national currency (which would increase income for tourist-offer providers and make domestic tourism offer more competitive).

Let me account for the latest notion. Author’s claim that cost-effectiveness of hotel companies depend largely on exchange rate of national currency is well-founded, since 4/5 of their profit is derived from foreign tourists.

Thus, it is justifiable to state that “exchange rate policy and export incentives policy are crucial for realisation of export-oriented development strategy” (p. 186). As stated by Blazevic, the policy of national currency over-value caused a decline in Croatian export orientation, therefore he argues in favour of “a fluctuating, somewhat devaluating exchange rate, which will raise international competitiveness and improve position of economy on the market“ (Ibid.) Blazevic particularly elaborates exchange rate policy (pp. 194-198), emphasising that “switching from a fix to a more flexible exchange rate is complicated, particularly if inflation wants to be avoided” (p.197). He defines his theory more precisely by highlighting that “the policy of foreign-exchange rate in which the real foreign-exchange rate converges balance, while it avoids overvaluation but in the same time tolerates certain degree of devaluation, should be applied”. This could, says Blazevic, “reverse negative tendencies” (p. 197). I would also add: our neighbouring country, Slovenia, conducted devaluation of its currency five times during its transition period.

While in search of additional sources of income from tourism, Blazevic demands that society, which benefits from tourism substantially, intervenes into infrastructure more effectively, since favourable development of tourism cannot occur without road network, sewage and water supply system, quays and many other facilities.

In this regard some other negative evaluations have been presented; I will quote two of them:

(p. 534) “The uncontrolled development of mass tourism in the past, resulted in regression of multitude of tourist destinations which become no longer economically viable, due to the growing ecological sensibility of tourists and unattractiveness of the area.”

(p. 535) “Excessive building on the coastal zone/area/along the coast has impoverished and devastated natural and anthropogenic assets of the area, thus reducing the value of tourist resources in natural, ecological and economic sense”.

How can the sale of hundreds of thousands square metres of coast by local government be prevented? What can be done with the same tendency among individuals? Both inclinations threaten to disrupt not only the environment, but the unique heritage we possess as well (pp. 287-9). The slogan saying “here you can meet the Mediterranean as it used to be”, which reverberated powerfully among exclusive clientele, is at serious risk now.

The appeals made in that direction by Blazevic are more than a topical issue. A solution he proposes is to introduce “tourist annuity”. He highlights with good reason that “the annuity was entirely ignored during the previous period, although it existed even when it was not recognised

and economically valorised by a state". In the process of privatisation of the Adriatic region that kind of attitude has resulted in negative consequences, out of which the most unpleasant was the realisation that the process of permanent rejection of a part of national natural resources and effects it produces, including annuity, in on the course" (p. 532- underlined by V.S.).

Branko does not elaborate on the way in which the amount of tourist annuity would be defined – because that is not even the purpose of the textbook. However, he urges that the state, being the major-part owner of tourist facilities of special interest (he gives marinas as an example), should establish a holding company (which would gain long-term possibility of appropriating annuity) out of the remaining part of state's portfolio in tourism. Furthermore, Blazevic proposes that the sale of estates in local government's ownership should be banned, whilst the land in private ownership should be sold only with the concurrence of the government, including the possibility for the buyer to pay the annuity as well, in advance (p. 531). In author's opinion, all the suggestions proposed should be executed by the local government, acting in conformity with general regulations made by Croatian National Parliament. That would enable, says Blazevic, to accomplish "the obligation of investing into Croatian tourism offer". That is "Croatian specificity which cannot be compared with the relations in other countries" (p. 531)

The fourth set of questions that has been studied in detail by Blazevic, is the national income received from foreign visitors. According to his data, a foreign visitor that arrived in Croatia spent no less than 722 dollars in 5,4-day stay in 2004. The same amount of money was spent by tourists in Italy and Greece, only for a longer stay, while France, Portugal and Spain earned 612, 534 and 485 (one third less than Croatia) dollar income per stay respectively.

Do foreign tourists find our country so appealing to spend those amounts of money here? And in spite of the deficiency in four- and five-star hotel offer? Curiously enough, the results of Thomas's survey – presented by Blazevic - do not indicate that amount of spending. Perhaps the reason to it might be found in the new reckoning methodology applied in 2003. That year the income from "travels" in balance of payments increased by 66% compared to the previous year (although there was 7% more tourists, but the total of overnights increased by 4% only). However, this does not imply that the old methodology was better and more precise than the one being used at the present moment. The methodology employed at present is presented at full length by Blazevic (pp. 366-372), emphasising that as the main cause of tourism revenue inconsistency throughout time sequence.

In the end, there is a question of environmental protection, as "the fundamental tourism resource". It is evident that an effective solution to the threat of environmental damage has not been found yet. Are utility services able to sustain the heavy burden of investments in water supply during the summer months? How should considerable expenses of liquid waste management, pollution of the atmosphere, parking areas in tourist resorts and establishments (Z. Jelinovic would call it "traffic at rest") or belt highways around large tourist agglomerations (Rijeka's beltway is not the only place of traffic snarls) be dealt with?

Allow me to, at the very end of my review of this excellent book written by Blazevic, which pleads Croatian tourism as being the most favourable option for inclusion of our country in the globalisation process, present my own minute insertions regarding the improvements in balance of payments thanks to tourism revenues.

I hold that it is impossible to maintain the present situation in which income from travels in balance of payments present 80 and more percent of commodity export value. None of all Mediterranean countries has that high percentage. In 2005 country with the largest tourist influx on the Mediterranean- Spain- had tourism revenue which corresponded to 24% of commodity export value, while in France and Italy it equalled 10% and 9% respectively. Is our high percentage sustainable in the long run? Needless to say, it is only a rhetorical question!

Furthermore, it is a fact that the amount of tourism income spent by developed "tourism-oriented" countries on international travels of their citizens is increasing. In 1995 the Frenchmen spent 59% of tourism revenue on foreign travels, while in 2005 it rose to 74%. Spain experienced an increase in the same percentage during the same period from 17 to 32%, while in Italy the percentage rose from 50 to 63%. Slovenia reached 53% in 2005, whilst the registered outflow

regarding the same issue in 2005 arrived at 20% and is still showing a rapid increase. Even though France received 11,23 bn dollar net income from travels in 1995, it had only 11 bn dollars in 2005 although there was a 50% increase in the influx. Net income from travels in Italy reached 13,90 bn dollars in 1995, and 12,95 bn dollars in 2005. I would not take the matter further: I believe we will also show the same tendencies, as the level of prosperity among our citizens increases. If we draw general inferences from those global tendencies we could say: the higher is level of prosperity in a country, the greater is the percentage of tourism income spent by citizens on international travels.

I feel relief after passing my remark directed at all our economists dealing with tourism economics. "Dixi et salvavi animam meam" as the Latin proverb goes.

I would like to conclude this speech deeply convinced that the book by Branko Blazevic – with its systematically presented viewpoints- will become a breviary which will be read during the whole year not only among students but among macroeconomists who discuss the prospects of our Croatian county, as well. After Alfier, Cicvaric, Neda Andric and Antunac, Branko Blazevic has reached the peak of our tourism economics with this book also. I congratulate and wish him, on behalf of economic studies, to stay on Mount Olympus for a long time.

**Vladimir Stipetic**

Rijeka, 20 September 2007



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*Magazines:*

2. Howard Hughes and Danielle Allen, "Cultural tourism in Central and Eastern Europe: the views of 'induced image formation agents'", *Tourism Management*, Vol. 26, No. 2, (2005), pp. 173-183.

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