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**International  
Scientific  
Conference**

2-4 June, 2016

Vrnjačka Banja, Serbia

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**TOURISM  
IN FUNCTION OF DEVELOPMENT  
OF THE REPUBLIC OF SERBIA**

**Spa Tourism in Serbia and Experiences of Other Countries**



**THEMATIC  
PROCEEDINGS**

**II**



**UNIVERSITY OF KRAGUJEVAC  
FACULTY OF HOTEL MANAGEMENT  
AND TOURISM IN VRNJAČKA BANJA**



**The First International Scientific Conference**

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**Spa Tourism in Serbia and Experiences of Other Countries**

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Edited by

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## FOREWORD

The Faculty of Hotel Management and Tourism in Vrnjačka Banja is the host of the International Scientific Conference Tourism in function of the development of the Republic of Serbia, Spa tourism in Serbia and the experiences of other countries, that takes place in Vrnjačka Banja from 2<sup>nd</sup> to 4<sup>th</sup> June, 2016. The Conference will present 72 papers contributed by 132 participants coming from Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, the Republic of Srpska, Russia, Serbia, Slovenia, Spain and Ukraine.

The aim of the Conference is the exchange of ideas and experiences of the participants coming both from Serbia and abroad, establishing collaboration with other institutions and analysing the possibility of using Good Practice to reach conclusions concerning the potential trends of further development of spa tourism in Serbia.

The Thematic Proceedings, as a result of the Conference, is published in two volumes, and will be available to a wider scientific audience, with the purpose of promoting sustainable tourism in the Republic of Serbia, with a special emphasis given to spa tourism. In such a way, we wish to promote Vrnjačka Banja as the most visited spa resort in Serbia.

Vrnjačka Banja,  
June, 2016

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Anna Grigorievna Ivolga, Ph.D.  
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# DEVELOPMENTAL ASPECTS OF THE RURAL TOURISM IN SERBIA<sup>1</sup>

*Drago Cvijanovic<sup>2</sup>; Branko Mihailovic<sup>3</sup>;*

## Abstract

*Taking into consideration the economic problems many European countries face, it is quite understandable why the tourism and investing in the tourism has been “seen”, during nineties and at the beginning of the new millennium, as a possible starter of the national economies development, i.e. their rural areas, which have been unfairly neglected during the time. The rural tourism development, along with the expressed individualization of the tourist supply and its more significant focus on non-standard tourist products represent one of the bases for applying the concept of sustainable tourism development. As a very important economic branch of the national economy, the tourism represents a very important and significant economic activity for Serbia, which would result in adequate conditions, i.e. more favorable ones for the development of rural tourism. Unfortunately, since the beginning of nineties of the 20<sup>th</sup> century, the conditions for the realization of activities in the field of tourism have shown as very unfavorable. This paper's goal is to point out to the possibilities for improving life of the population in rural areas through the development of tourism and elimination of all negative tendencies, by which the Serbian village has been encumbered nowadays.*

**Keywords:** *rural tourism, agriculture, competitiveness, tourist conjuncture.*

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2 Drago V. Cvijanovic, Ph.D, Principal Research Fellow, Faculty of Hotel Management and Tourism – Vrnjačka Banja, University of Kragujevac, Vojvodjanska 5A Street, 36210 Vrnjacka Banja, Serbia, Phone: + 381 63 295 111, dvcmmv@gmail.com; drago.cvijanovic@kg.ac.rs

3 Branko Mihailovic, Ph.D, Senior Research Associate, Institute of Agricultural Economics, Belgrade, Volgina 15 Street, Serbia, brankomih@neobee.net

## **Introduction**

Thanks to the geographic position of Serbia, landscapes suitable for different forms of recreation, natural beauties, but also rich natural heritage and folklore, there are favorable conditions for the development of the rural tourism. According to such conditions, and also having in mind the insufficient economic development of the rural areas, it is necessary to support the long-term development of these areas by the diversification of rural economy, where the rural tourism is recognized as an attractive area and a factor to make these processes easier. However, Serbia is in the initial phase of the rural tourism development, although its significance in life conditions improvement of the population in rural areas has been noticed. This field should be made sufficiently recognizable in the Serbian tourist product, and also for making easier funding of entrepreneurial ideas, taking into consideration its numerous positive effects. The positive effects of the rural tourism development are: 1) the increase of the local population employment, 2) an additional income for rural households, 3) the development of production and catering activities, 4) the prevention of the village-town migrations, 5) the protection and preservation of the natural and cultural heritage, and 6) the integral development of rural areas.

Accordingly, as a very important economic branch of the national economy, a gross domestic product creator and a foothold of various rural areas development, tourism is for Serbia a very prosperous and significant economic activity, which would practice in adequate conditions, to be exact, more favorable for the development of rural, i.e. country tourism (Vukovic et al., 2008). Unfortunately, since the beginning of 1990s, the conditions for the realization of the activities in the field of tourism have shown to be very disadvantageous. Such a condition was affected by numerous reasons. The most important are: the lack of capital, the reduced size of tourist circulation, a small number of investments and the profound economic crisis in which our society happened to be in that period of time. Under the influence of these changes, the existing level of domestic tourism development is below the level of its real potential, which many respectable resources provide, both natural and social (anthropological). The tourism is becoming an important economic branch of a large number of countries worldwide, and in some it has already become even the leading one. The incomes they generate on the bases of tourism activities are the best indicator. Taking into consideration these tendencies, during 1990s, the European Union, in its

program of common agrarian policy (known as the CAP – Common Agricultural Policy) had promoted the multifunctional developmental concept, which had envisaged tourism as one of the developmental perspectives (Cvijanović et al., 2011c).

### **The peculiarities of the Serbian rural areas**

According to the geographic, economic, social, infrastructural and other trends, one can notice a high differentiation level of the Serbian rural areas (Mihailovic et al., 2012). The homogenous rural regions have been defined, by using the cluster analysis<sup>4</sup>, on more than forty indicators, and they reflect to an acceptable degree the peculiarities of rural areas in Serbia (Official Gazette no. 15/2011).

- Region of high-intensive agricultural production and integrated economy is located in the northern part of Serbia, i.e. it encircles the territory of the AP of Vojvodina and the north-west part of Serbia (Mačva). This region is characterized by a lowland top-quality land and significant water resources: large rivers flowing through this region (the Danube, Sava and Tisa). In the area of around 21,000 km<sup>2</sup> are the reclaimed systems for water drainage. In accordance with the demographic characteristics, economic structure and development of this region, specific distinctions can be noticed between the western and the eastern areas. In the western part of the region, there is a greater concentration of population, increased investments and higher economic growth. The specific lowland landscapes, rivers, lakes, the National Parks of Fruška Gora and Deliblatska Peščara represent a basic part of this region tourist supply, and more than 200 natural resources are under the special protection.
- The region of small urban economies with the intensive agriculture encircles the north parts of the Central Serbia, Šumadija, the parts of Mačva and Stig. The area of this region is surrounded by big urban centres, which has an effect on demographic, economic and social trends of the region. The region of small urban economies with the intensive agriculture occupies 16.31% of the total Serbian territory, which makes this region partly homogenous in respect of the natural and geographic conditions. Since it is in the vicinity of big urban centres, it has quality infrastructural fit-out, as well as easier availability to public and municipal services. The road network is at

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4 In defining the RD Program related to the project – Support to programming the rural development and the payment system in S&M.

the level of the national average and it is evenly distributed on the territory of the entire region.

- The mountainous region, with the economy based on natural wealth, is the largest rural region in Serbia and it encircles 29% of the territory. A significant part of this area encircles the parts of Serbia with the altitude over 500m, so it can be aligned with hilly-mountainous area. In the valleys of the Danube, South Morava and Timok lowland areas are located, where the diversity of landscapes and heterogeneous structure of natural resources have affected the pronouncedly diversified economy and agricultural structure. The basic limiting factors for the development of agriculture in this region are: the insufficiently utilized land potential, the lack of labor, an unorganized market and the lack of adequate rural infrastructure.
- The region of high tourism potential with the poor agricultural structure is the smallest rural region in Serbia and it encircles 14% of the territory, and taking into consideration the natural-geographic conditions, this region is relatively homogeneous. This region is one of the greatest assets for successful positioning of the Serbian tourism product, with precious combination of tradition, history and natural beauties. This region's developmental priority is the construction of Ibar highway. However, it should be done along with the synchronous protection and rational utilization of natural attractions and areas.

Recognizing the analyzed characteristics of the rural regions in Serbia, as dominant causes of their lethargic development, we can single out: the migration of the rural population to urban areas, the disadvantageous age structure, insufficient investments in rural areas, identification of agriculture with the development of rural areas with insufficient engagement in non-agricultural activities, etc. (Cvijanović et al., 2012a). The mentioned rural areas have the specific regional characteristics and different degree of rural development, therefore it is appropriate to take into consideration the situational, i.e. regional approach in defining the measures of support (Mihailovic et al., 2012).

### **The analysis of potentials for the development of rural tourism in Serbia**

Agriculture in Serbia is not considered as a common economic branch, due to, on one side, the peculiarities of this kind of production and tradition related to it, and, on the other, great expectations (Mihailović et al, 2014a). The Republic of Serbia has favourable natural conditions for

the development of miscellaneous agricultural production, since it is located in the most favourable area of north latitude, which is characterized by four seasons and four climatic areas. Due to this, the development of diverse vegetable and livestock production was enabled, e.g. cereals, industrial plants, fruits and vegetables, seed and planting material, medicinal herbs, neat and small-size cattle. The north part of Serbia, Vojvodina, is mostly lowland area, while hilly and mountainous landscapes are located in the central and south parts of the Republic of Serbia. The lowland regions are in the Pannonia Plain and its peripheral parts – Mačva, Posavina, Pomoravlje, Stig and Negotinska Krajina (Mihailovic et al., 2009). Each of these regions is suitable for the specific form of agricultural production. Therefore, the lowland regions are suitable for mechanized crop and vegetable production, highland and hilly areas are ideal for fruit, viticulture and livestock production, and hilly-mountainous can be used for the development of sheep breeding, cattle breeding and forestry. Consequentially, Serbia has great potentials for the development of rural non-agricultural economy, especially in the following fields: the development of spa and rural tourism, the production and processing of organic products, and then the production of products made by the traditional recipes, the products with protected designation of origin (PDO) and the products with protected geographical indication (PGI).

The structure of employment and the rural population income point out to a fact that Serbia is dominated by “the afflicted” income diversification, as a reflection of disadvantageous economic environment and rural poverty (Bogdanov, 2007). The research of the UNPD in 2010 also showed that the highest level of agricultural income diversification was a characteristic of the holdings in West Serbia (which had a larger number of mixed holdings in regard to other areas), and the least diversified income from agriculture was found within the holdings in Vojvodina (Social Exclusion In Rural Areas In Serbia, 2010, p. 67-68). The modern tourism trends are characterized by increasing direction toward rural destinations, expressed personalization, increased special interests and focusing the tourists to non-standard tourist products. The results of the European tourism market research, in the mid-nineties, show that 9% of tourists on the European market were really interested in the rural tourism areas. Even 25% of tourists in Great Britain were showing the interest in rural regions. Owing to this, in high developed tourism countries today, an increasing attention is paid to the development of rural tourism. Nowadays it makes one of more important developmental components,

not only of tourism, but the integral and sustainable development as a whole (Comic, 2002). Migrations, disintegration of rural communities and leaving rural households are the characteristics of the Serbian village at the end of 20<sup>th</sup> century and the beginning of 21<sup>st</sup> century. The reasons are twofold: 1) the industrialization and technological progress have pulled the rural population to urban centres. Farmers left the land and went to factories, young people went for education, and then for work, while only the old stayed in villages. During time, it was followed by increasing decline in the birth-rate, i.e. the negative increase in population, which has additionally complicated the situation; 2) Economic poverty in last decades, sanctions, wars, and the world economic crisis have worsen the situation even more.

After the latest major investment in transport infrastructure, at the end of eighties and the further tourism development of some centres (Zlatibor, Kopaonik, Vrnjačka Banja, Palić, etc.), the surrounding villages have recieved the opportunity to keep young people and to see out the development of rural tourism. There are also the positive examples of the rural-mountainous tourism development in Ivanjica region, as well as numerous farmsteads (salaš) in Vojvodina (Social Exclusion In Rural Areas In Serbia, 2010, p. 67-68). Other villages, especially the remote mountainous villages, in the first place expect the government to undertake proper actions so they could get asphalted roads and phone lines, as well as the regular maintenance of the infrastructure, especially in winter months, taking into consideration ever more frequent weather disasters. This would enable the villages to survive, while the young would be retained in the villages; all this should be seen as a precondition for the development of rural tourism. Transformation of authentic rural values into tourism values could lead to opening of villages towards tourism trends, which would significantly differ by their size and quality from the previous tourist trends in the Republic of Serbia. It would bring in the dynamics into monotonous rural life, and stabilize further disintegration of villages, and open wide opportunities for employing the rural population and acquiring income (Stetic, 2004, p.146). The rural culture represents a factor of the rural tourism supply attractiveness. It encompasses (Vujovic et al., 2012):

- The culture of clothing, where the national (folk) costumes represent the entirety in which all individual elements, besides the aesthetic one, also have the instrumental content. The recent years have brought gradual withering away of the villages, the disappearance of traditional costumes and acceptance of the final industrial products,

which can lead to a complete extinction of folk costumes. As a reminder, during the First World War, a Serbian peasant was dressed in the traditional short sheepskin fur jacket.

- The housing culture, where a tourist on the farm experiences a different life compared to the hurried urban one, together with a hospitable host in an authentic, functionally and aesthetically shaped surrounding. Everything has its cultural value in it where a rural household represents a living museum. As it is important to preserve the national (folk) costumes, it is also important to preserve the traditional, authentic Serbian house.
- The spiritual cultural values of the village: 1) customs, mythological material, 2) folklore, the traditional and modern creative work in the countryside.

In recent decades, due to accelerated urbanization and industrialization, the urban population has been increasingly exposed to air pollution, excessive noise, lack of high-quality drinking water, and a fast pace of life, which all lead to psycho-physical exhaustion. Hereupon, there is an ever increasing need for the tourism trends towards areas of preserved natural and cultural values. In recent years, however, there has come to a gradual loss of the authenticity of well-known vacation centres. They slowly lose the primary characteristics and, by their character and structure, they start to resemble the physiognomy of urban settlements. In regard to the increased tourism needs and high prices of services in these centres, the recent years have brought the need for more intensive planning in rerouting the tourist demand to other parts of the Republic of Serbia. Activating a large tourism potential of these destinations through the tourist valuation can significantly contribute to faster overcoming the economic underdevelopment, which would result in a lot cheaper and more impressive vacation of the people from urban areas. A typical example is the development of tourism on Stara Planina and the potential development of the south-east of Serbia.

### **Sustainable development and rural tourism**

A ground on which the future tourism development in Serbia should be based and planned is the resources of various rural regions that it has. A large number of different natural-geographic entities and their preserved ecosystems, then multiethnicity, and old handicrafts are a base for forming a rich out-pension supply of these areas. More precisely, tourism

and its multiple effects will reflect positively on the total economic life of these areas (Vujovic et al., 2012).

The goal of the sustainable development research is to pay attention to the impact of the total economic growth to the ecological processes and the environment quality. We think of sustainable tourism as a way of meeting the needs of the current generations, as tourists, as well as those of residents (hosts) without the pretentious interpretation of future generations' ability to satisfy their needs. In 1987, the World Conference for the Environment Protection and Development presented to the public its report "Our Common Future", known as "Bruntland – report", called after the Norwegian president, who presided the Commission. This report was a great incentive to the discussion on criteria and terms for the sustainable development, as a new concept of the global economic and ecological policy. The sustainable development as a possible stage toward the main goal of the global survival requires a thorough reorganization of ecological efficiency of all economic activities. A detailed description and defining the specific tasks can be found in the business charter of sustainable development, adopted at the Second Conference of the World Industry on Eco-management (Mihailović et al., 2014b, p.150). Most of the demands placed there have already been accepted by the current eco-management systems (BS 7750, EVRO-EMAS, ISO 14000) (Mihailovic, 2011, p. 126). What has also increased is the demand for the consulting services in the field of standardization of agricultural production (Mihailovic et al., 2010).

In the same time when the new globalization challenges have appeared, a significant interest has been directed to the development of new methods for solving manifold business influences in the society. Many of those influences are far-reaching and profound. Let's mention some of them: 1) the environment pollution caused by the production, transport and using automobiles, refrigerators or newspapers (newsprints). 2) Increasing problem with waste disposal and its management, as a result of the excessive packaging of products and the domination of so called "leaflet culture". 3) Devastating consequences for an individual and the local communities due to the closure of local companies, reduction of their size and a number of employees, experienced by countries all over Europe, from South Wales in Great Britain, to the countries of the Central and East Europe. 4) Erosion of the local cultures and environment, owing to the mass tourism breakthrough in places like: Mallorcan fishing villages,

Swiss alpine communities, as well as the ancient Roman monuments (Cvijanovic et al., 2012b).

Following these problems, the radical changes in formulation of business goals have been suggested. After the Earth Summit held in 1991 in Rio de Janeiro, one concept imposed as the one that should be applied widely (although not adopted unanimously). It is about the new conceptual framework for the evaluation of both business activity in particular, and the industrial and social development in general. This concept is the sustainability concept. Sustainability has become the usual expression in rhetorics which refers to the business ethics, so it is widely used by corporations, governments, consultants, scientists, etc. Despite its wide use, sustainability is a term which is used and interpreted in different ways (Dobson, 1996). Probably it is most used term regarding sustainable development, which is mostly defined in the following way: sustainable development is the development which satisfies the needs of today, without endangering the future generations' ability to satisfy their needs (World Commission of Environment and Development, 1987). Focusing on sustainable development and the future generations' potential to satisfy their needs, the sustainability also faces considerations on intergenerational capital, i.e. the equality between two generations. For a long time, the sustainability concept has substantially remained a synonym for the human environment sustainability. However, it was recently expanded to cover not only considerations on the environment, but also the economic and social development (Elkington, 1998). The expansion of the sustainability concept has originated primarily from the fact that it is impractical, sometimes even impossible, to analyze the sustainability of the natural environment without taking consideration of the social and economic aspects of the relevant social communities and their activities. The second argument in favour of this consideration is that, if the capital should be expanded to future generations, then it is logical that it should be expanded to the ones in the current generation too. Shaping sustainable development as a goal of the business activity of an enterprise has been fully described by the term "triple bottom line".

*Perspectives related to the environment protection.* For the sustainability concept, it is generally considered that it originated from the environment protection, especially in forestry, and later on it occurred in some other fields of the resources management. Indeed, at this moment, there is still a fairly widespread perception in business (although we believe it to be wrong) that sustainability is only the concept of the human environment

protection. The basic principles of sustainability in the human environment protection perspective comprise the effective management of physical resources, in a way to be preserved for the future (Mihailović&Paraušić, 2014c). All bio-systems are observed as the ones with limited resources and the final capacity, and thereby the sustainable human activity must work in a way not to jeopardize the health of endangered species. Even at the basic level, these problems point out to the need to remove a certain number of critical business problems, as the influences of industrialization to biological diversity, further utilization of non-renewable resources as oil, steel and coal, as well as the production of harmful polluters. Consequentially, an ecological factor gets its significance, which makes the demand for the special consulting services regarding projecting and installing the equipment for reduction/prevention of pollution (Cvijanovic&Mihailovic, 2010).

*Economic perspectives.* The economic sustainability perspective has originated from the economic growth model, which evaluates the Earth capacity borders. The idea that a continuous growth in population number, industrial activity, utilization of resources and the environment pollution can lead to the life standard decrease, has initiated the emergence of sustainability as a way of thinking, which would assure that the future generation will not be in unfavourable position due to the activities and options of the current generation. During time, the opinion on the improvement of sustainability macroeconomic comprehension has been invigorated. The economic environment contains factors and trends related to the size of income and the production of goods and services (Cvijanovic&Mihailovic, 2011b, p.37).

*Social perspectives.* The development of social perspective related to sustainability often goes behind the ecological and economic perspectives and stays relatively new as a phenomenon. An explicit integration of social issues in business discourse regarding the sustainability was recognised as a phenomenon during nineties, and there seemed that the response to concerns regarding the impacts of business activities to the autochthonous communities was in less developed countries and regions. Regardless the impressive progress of life standard, in 2005, the UN issued the Report on the Social Situation in the World, which identified the constant deepening of inequalities in the world. With 80% of the global gross domestic product, which belongs to 1 billion people living in high-developed countries, and the remaining 20% belong to 5 billion people living in developing countries, as it is stated in the report. It was

suggested that “settling inequalities must assure the social justice and better life conditions for all people, which is unattainable in this moment, and that communities, countries and regions are still vulnerable to the social, political and economic overthrow” (The Report of the World Social Situation, 2005, p.12). More precisely, the report states that there is an “increasing gap among skilled and unskilled workers, the gap between formal and informal economy, as well as the significant differences in health, education and the opportunities for social and political participations” (The Report of the World Social Situation, 2005, p. 3).

Thanks to the natural, ecological (Cvijanovic et al., 2011a) and environmental characteristics, different rural areas are very interesting and perspective space for the development of this specific form of tourism (Vukovic et al., 2010). Adequately built holiday houses in the countryside, characterized by peace and silence, are the real *oasis* for people from highly-urbanized, industrial centres. In the past, there was only a declarative support to the development of this form of tourism. However, some ideas have been revived recently. For example, in 2004, two standard farmsteads were constructed with all characteristics related to the life and customs on the territory of Vojvodina (Farmsteads 84 and 137), aiming to promote Serbia as the “transit destination” on a road to the “Athens Olympics”.

The farmsteads are included in the tourist map of Serbia. Numerous villages all over Serbia make the basis for further planning, especially having in mind the west trends of so called “return to the roots”, “healthy food” concept, old customs and handicrafts, increasing popularity of typically ethno contents – music, folklore, naive painting, etc. In that sense, as an integral part of the tourist supply increasingly promotes the local, regional and national. From this point of view, this also strengthens the role of rural households, and Serbia has great potentials for their development. This is in compliance with a fact that, at the end of the past decade, as an act of political commitment, the model of rural development (CAP) was promoted which prefers the multifunctional character of European agriculture and its developmental role in the economy and society as a whole (Cvijanovic et al., 2011d).

The concept of sustainable development based on natural resources, and demographic structure, which has been disturbed by depopulation, its multi-ethnicity wealth and the defined market to its target groups is a base and warranty of success in this form of tourism (Vujovic et al., 2012).

The perspectives which can fully contribute from the tourism out-pension supply point of view could be:

- Informing tourists about the tradition and customs of the nation and different nationalities, especially in areas where multi-ethnicity is present and makes the local communities wealth, which provides expansion for creativity in making different activities and the programs for stay,
- Gastronomy, i.e. the production of local specialties, as well as the preparation of “healthy food“or the organic food production, which is the official name. The concept has become very popular in highly urban countries in recent years and it can be the content of catering and other events with culinary contents (Simicevic&Stetic, 2011),
- Getting acquainted with the folklore and folk dances of all nations and nationalities. In accordance with everything previously said, a logical further step would be organization of numerous manifestations, which can make the cultural program during the whole year in different rural areas,
- Getting acquainted with old handicrafts and tools. One of the characteristics of modern tourist market is that unique products are highly appreciated and a modern tourist tends to escape from the uniformity offered by the globalization,
- Folk arts and crafts – multi-ethnicity wealth makes also wealth and diversity of folk arts and crafts which can seem exotic to foreign tourists. Almost every rural area can brag of some of their typical products, made as a product of valuable hands of people who live in that area,
- Cultural and sports events enrich and dignify forming the tourism supply assortment. Surely, they have to be organized in accordance with the sustainable development principles.

The important role in the improvement of some of these contents could be plaid by the private sector, i.e. small business. Creation of partial tourist programs deserves support, especially the fiscal and marketing support, because they could relatively rapidly enrich the out-pension tourist supply and contribute to the efficient representation and market valuation of the anthropological and other resources. This could enable the provision of fundamentals for the additional employment in the private sector without significant initial investments, which represents a common social interest.

## Conclusion

The rural tourism has already been developed in some parts of Serbia, and the leaders are the regions of Vojvodina, Western and Central Serbia. Until now, a large number of master plans have been done for the development of some tourist destinations, with special emphasis on the rural tourism. This should also add the local developmental strategies of some municipalities in which the development of tourism is specifically accentuated. This shows that the society awareness and interest in rural tourism development is rising. What is characteristic of the rural tourism supply of Serbia is that there is no unique integrated supply. In this way, the marketing/management approach to development was disabled at the level of the local rural tourism destinations and the one of the state. This must be particularly taken into consideration in future. For now, there has not yet been developed a unique market approach, that would enable the positioning of Serbia on the international tourism market. With the unique approach, the differentiated tourism supply of rural areas would be presented, which would point out to a large variety of tourism supply of these areas through the unique sales proposals.

This observation points out the need to make and develop the unique integrated marketing plan, which would put the promotion and sale of rural tourism products to the forefront and make conditions for strengthening of supply quality. The other issue that must be taken into consideration is the supply quality. Every element in the tourism supply chain is evaluated by all subjects on the demand side - by tourists as final consumers, as well as the travel agencies which organize trips to these areas, and select the destinations they will offer to their clients.

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# GLOBALIZATION AND CHANGING CONSUMER BEHAVIOR – CHALLENGES FOR POSITIONING TOURISM DESTINATIONS

*Zoran Srzentić<sup>1</sup>; Andriela Vitić-Četković<sup>2</sup>;*

## Abstract

*At the beginning of the 21st century tourism is a dynamic industry that has an increasing share of global economic growth. Modern tourism is based on the trend of globalization, characterized by the growing interdependence of national economies in the global economy. Advances in technology and the new needs of consumers contribute to strengthening the global character of tourism, but also the growing interdependence of the global and the local. Balancing between the acceptance of global trends and the preservation of diversity of attractions is one of the essential tasks of destination marketing management nowadays. The current flows in the global tourism market suggest that new forms of tourism represent important potential for positioning and repositioning tourism destinations. Therefore, the focus of this paper is to analyze globalization in terms of contemporary requirements of tourism demand, as well as potentials of positioning destinations through special interest tourism. The results of research should give a proposal for destination marketing management of Montenegro and region, in the context of creating a differentiated tourism offer that adapts to the modern profile of consumers in tourism.*

**Keywords:** *globalization, consumer behavior, special interest tourism*

## Introduction

Globalization is the dominant socio-economic phenomenon of our time, which is developed on the basis of dynamic international exchange (particularly services) and progress in the domain of information and

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1 Zoran Srzentić, Assistant Professor, PhD, Faculty of Hotel Management and Tourism, University of Kragujevac; Vojvodanska 5A, 36210 Vrnjačka Banja; Serbia; e-mail: mrzos.acrs@gmail.com

2 Andriela Vitić-Četković, Associate Professor, PhD, Faculty of Tourism and Hotel Management, University of Montenegro; Stari grad 320; 85330 Kotor; Crna Gora; e-mail: andriela@ac.me

communication technologies. In the scientific community of social sciences, dominates the opinion that globalization is one of the most important trends of the last century. The world under the influence of globalization is becoming a "global village", which means drastically reducing the time required for the movement of people, goods and information from one to the other end of the globe. The process of globalization has reached proportions of megatrends because of connecting traffic means of high capacity and speed (Čomić, 2000), and it has important repercussions in tourism.

Modern tourism, as one of the world's leading industry, has a distinctly global character. Travel is a basic component of the lifestyle in the consumer society. In accordance with the nature of globalization, there are new trends in the demand side of tourism market, which creates numerous requests for stakeholders in the tourism industry; both in terms of quality and competitiveness of the tourism products, as well as to its differentiation and positioning in accordance with global criteria.

### **The concept and development of globalization as a socio-economic phenomenon**

Globalization is historically complex phenomenon, which carries a lot of controversy. On the one hand, globalization enhances productivity and utilization of economy of scale (Cvetkov-Čikošev & Vitić-Četković, 2015). On the other hand, it causes that economies around the world are facing with increasing competition that requires constant change and adaptation. Furthermore, globalization encourages the removal of administrative, financial and other barriers to international trade, be it on trade in goods, services, exchange of information or the movement of people. This process allows the expansion of the business horizon, but at the same time accelerates environmental destruction and creates challenges for the security of destinations.

Definitions of globalization vary, given the complexity and multidimensionality of the phenomenon, and many angles from which this phenomenon can be observed. Seen from the perspective of marketing, globalization is a contemporary tendency in the world market, which is essentially a generator of growth in trade of products and services, the increase in cross-border investment and movement of people. According to one opinion, globalization is: "relentless integration of markets, nation-states and technologies to an unprecedented level that

allows individuals, corporations and nation-states to extend influence around the world farther, faster, deeper and cheaper than ever before" (Friedman, 1999).

According to one opinion, globalization represents: "the integration of national economies, which leads to the concept of global or planetary economy without borders" (Avinash, 2000).

Third opinion states that it is: "a process that creates new conditions for the successful operation at an international level and in which specific industries and companies assume their growth and development only on a world scale" (Mandler & Goldsmith, 1996).

There are different opinions regarding the occurrence of this phenomenon. There are interpretations that globalization has its beginnings in the 11th century, when occurred the expansion of regional trade under the influence of the Venetian Republic, followed up by overseas trip and discoveries of Portuguese, Spanish and Dutch sailors, along with advances in the domain of marine technology (Kohler, 2003).

Generally, the beginning of this process refers to the second half of the 19th century, with the advent of electricity, railways and the introduction of the gold standard. Therefore, the period (1870 - 1914) is determined as period of the first wave of globalization (Lee & Carter, 2005), and its characteristics were: the development of transport and the increase in international flows of goods, capital and labor, especially from Europe to North America. After I and World War II, there was a need to establish stronger international cooperation, resulting in the formation of the International Monetary Fund and the World Bank. These events are considered the beginning of the second wave of globalization, which is linked to the period 1950-1980 (Lee & Carter, 2005).

The third wave of globalization began the 80s of the 20th century under the influence of the expansion of information and communication technologies. In this period, development of information - communication technologies for the first time provides a chance to less developed countries to use the opportunities that the global market may offer.

Overall, globalization is a complex phenomenon, which divided the academic community and society to the optimists and the pessimists; defenders of globalization and anti-globalists. Therefore, this trend brings

with it a range of ancillary economic activities, which have corresponding repercussions in certain industries that are heavily affected by the process of globalization, such as tourism.

### **Contemporary wave of globalization of markets**

When we discuss the dynamics of globalization, it is mainly focused on: investments, the new role of the state, information and communication technologies, global industries (Table 1) and global consumers. First, the investments are not geographically limited, but they seek favorable conditions. In this sense, the new role of the state assumes a much weaker intervention related to investment flows. Second, many industries are more globally oriented than some decades ago. Third, information - communication technologies allow companies to do business in different parts of the world without creating a complete business system in each country where they operate and without training a lot of workforce. Furthermore, thanks to the availability of information, the individual consumer is becoming more globally oriented, takes a similar lifestyle and uses global products.

**Table 1:** *Expected trend of the globalization process till 2027.*  
(According to the value of creation of world GDP in 000 billion dollars)

| <b>Industry/products</b>    | <b>1997</b> | <b>2027</b> |
|-----------------------------|-------------|-------------|
| Globalized                  | 6           | 73          |
| On the way to globalization | 18          | 13          |
| Local                       | 4           | 5           |
| TOTAL:                      | 28          | 91          |

**Source:** *Documentation of the project 1464, McKinsey QR, NY* (according to: Jović M. (2003): *Ključni faktori konkurentnosti i tranzicija, Ekonomist, Volume 1, Number 3, p. 120*)

Global consumer can be characterized as a consumer who has largely homogenous needs as consumers from many countries and which seeks to find homogeneous benefits in attributes of products and services of more countries. He was created thanks to the increased mobility of people, expansion of the service sector, education and the development of communication and transport technologies. System of information and communication, as well as travel and tourism contributed to the equalization of tastes and demands of that consumer, which created a convergence of cultures, vanishing aversion to changes and the reduction of national barriers. Although the globalization encircled a few industries

until 3-4 decades ago, it is now obvious that the world economy will recently become essentially global.

It is believed that about 2/3 of the world economy is still in the early stage of globalization process (Fraser & Oppenheim, 1999). In a world of reduced barriers, rules of international business will be significantly changed. In future, companies and destinations will have to be willing to be flexible with regard to the modalities of participation in the global market and related to successful positioning towards the agile competition.

On the other hand, occurrence of the so-called anti-globalization movement can be described as a challenge of globalization which casts a shadow of its positive effect, since it puts in the forefront the disparity between the rich and the poor, as well as environmental degradation under the influence of reduced regulation in many countries with the aim of attracting foreign capital.

The market opening offers new opportunities for the countries, destinations, companies and consumers in terms of access to more products and services, technologies and investments. Reducing transportation costs resulted in a faster and easier mobility of goods, services, people. Declining costs of communication also resulted in a better understanding of consumer behavior.

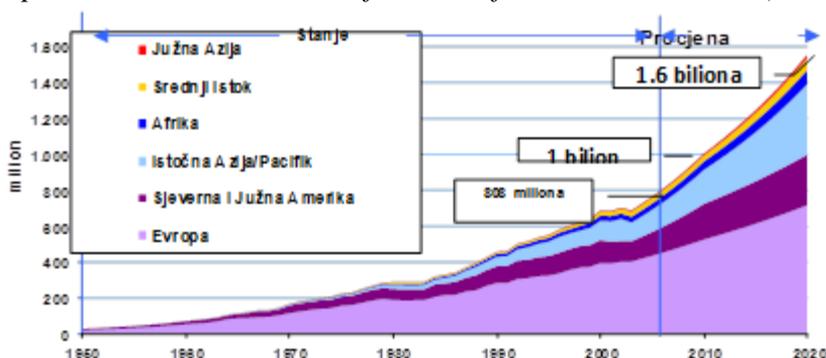
The role of the states and destinations in this context boils down to providing an enabling environment to attract investment and create conditions to support entrepreneurship and innovation. With the given point of view, an important role of the state is in promotion of regional cooperation, since investors do not observe countries separately, but in terms of the region, particularly in the domain of tourism. Therefore, countries belonging to the Western Balkans should use the benefits of market expansion by improving regional cooperation.

### **Tourism as a global industry**

Tourism is an important sector of the international trade in services and one of the widest, most dynamic and most complex socio-economic phenomena of the modern era (Figure 1). Tourism is considered to be a factor of peace and stability in the world, reduction of poverty in the less developed countries and stimulating factor for balanced regional

development. Increasing the mobility of people, strengthening of telecommunication lines, the occurrence of the Internet which enabled interactive communication between producers and consumers all together have influenced the development of tourism as a global industry.

**Graph 1:** *International tourism arrivals, 1950-2020.*  
(Comparison in relation to the forecast of world tourism 2020)



**Source:** *Market trends, Competitiveness and Trend in Tourism Services Section, UNWTO (according to: Đuranović, M. & Radunović, M (2011): Analiza efekata turizma na BDP, zaposlenost i platni bilans Crne Gore)*

In 2015, there were 1.2 billion of international arrivals, which is 4.4% more than in 2014 (World Tourism Organization - UNWTO). Also in 2015, there were 609 million of foreign tourists in Europe, or 5% more than in 2014. UNWTO estimates that the annual growth rate of international tourist arrivals will be increased to an average of 3.3% from 2010 to 2030. Accordingly, the total number of international tourist arrivals in 2030 estimates to 1.8 billion of tourists.<sup>3</sup>

It should be noted that the development of tourism as a global industry has a great impact on related industries, such as transport, trade, construction, agriculture and other areas that take part in the creation of tourism products or provide related services. The size and structure of the population, economic potential, technological innovation, political and cultural trends are considered the main factors which will determine future development of tourism as a global industry (Nedeljković, Jovanović, Đokić, 2013). On the supply side, new destinations may

<sup>3</sup> <http://www.stuh.hr/novosti-detajli/drzavni-zavod-za-statistiku-objava-22.-rujna-2015./1210>

appear, while some mature destinations should still have a relatively homogeneous tourist product (such as swimming or ski tourism), so the differentiation of the tourism product will gain in importance. Anyway, tourism of the 21st century will be significantly different from the recent policy model of tourism development (Table no. 2).

**Table 2:** *Tourist requirements and needs*

| <b>Characteristics of the current tourism model</b>                                    | <b>Characteristics of the future tourism model</b> |
|--|--|
| Packages   | Individual travel                                  |
| Longer stay  | Shorter stay                                       |
| Model of one long journey  | Model of several shorter trips during the year     |
| Organized (sightseeing, program...)  | Decisions are made spontaneously and individually  |
| Comfort and passivity  | Activities and participation                       |
| Expectations of the number of visitors and the attractions                             | Expectations of the new experience and quality     |
| The feeling of superiority   | Respect and relationship with the hosts            |
| Lack of knowledge about the attractions, culture and traditions of place being visited | Knowledge about the attraction to be seen          |
| Behavior and attitudes of foreigner  | Behavior and attitudes aligned with the hosts      |
| Noise  | Silence  |
| Mass-produced souvenirs  | Personal souvenirs (photos, private recordings)    |
| Lack of interest in the host language  | Learning the local language                        |
| Fast transport   | Fast Transport Less important                      |
| The expectation of comfort   | Comfort is not essential                           |
| The distance between the guests and staff  | A good relationship with tourism workers           |

**Source:** *Ostrovski, S. (1999): Tourism in the face of 21st century s challenges, Institute of Tourism Academy of Physical Education Cracow, Poland, p. 34*

Interdisciplinarity is a characteristic of both: globalization and tourism, therefore researchers observe both phenomena. In the early stage of the development of globalization in tourism, the industry has taken on a symbolic value - a sign of wealth and cosmopolitanism. (Čomić, 2000). In the further stage of development, the nature of international tourism has changed in the economic, technological and cultural terms (Table 3).

**Table. 3:** *The interdependence of tourism and globalization*

| <b>TOURISM</b>   | <b>GLOBALIZATION</b>                              |
|--|---|
| Movement of population<br>(Tourists, employees in the tourism industry)  | Movement of the population<br>(Immigration, etc.) |
| Movement of ideas<br>(new cultural values, new business forms in tourism industry)                                   | Movement of ideas<br>(new technologies etc.)      |
| Capital flows<br>(Innovation in the tourism industry, FDI, profit)   | Capital flows<br>(Rapid movement)                 |
| The need for expansion of new technologies<br>(Open flows)   | New technologies                                  |
| Ancient civilizations<br>(Restriction of certain social groups)  | Time-space compression                            |
| Strong growth in the past 100 years  | Time-space compression                            |
| »Travel for all«, the development of world tourism culture   | World tourism culture                             |
| The need for fostering local culture and authenticity in tourism<br>(Differentiation between different destinations) | World culture                                     |

**Source:** *Kearne, 2004. (adapted from: Koncul, N. (2004): Položaj turizma u globalnim i europskim integracijskim procesima, Naše more, Volume 51, Number 5-6, p. 211.)*

As the main effects stemming from the impact of globalization processes in tourism we can enumerate:

- The rapid increase in potential tourist demand for a number of destinations, since consumers do not attract more than just nearby destinations
- Competition between tourist destinations has become extremely strong
- Small and medium enterprises have to fight for survival in the tourist market which increasingly push global companies
- The emphasis is on entrepreneurship, innovation, specialization and the increasing quality of products and services
- The increase in the need for additional capital to finance the necessary investments for maintaining competitiveness
- Problems for mature tourist destination arise from relationships with suppliers, which are often heterogeneous and do not apply the quality standards (adapted from: Pavlic, I, 2004)

The tourism market is one of the most unstable ones. Current changes in the global market are characterized by increasingly complex requirements for achieving competitiveness of destinations and complex requirements and needs of consumers.

### **Modern consumer profile in tourism**

The modern consumer has changed secondary needs. He is no longer a passive observer, but he is actively involved in creating his environment, what reflects to the destination marketing management. In developed countries, there is a category of consumers 'money - rich and time - poor', which affects tourism with the growth of demand for shorter trips.

The question of balance between time and money has become a key challenge for tourism destination in terms of combining activities, experiences and relaxation for tourists.

Global consumer in tourism at the beginning of the 21st century is characterized by the following features:

- Higher education
- Greater demand in relation with price - quality of service
- Growing concern for health and healthy lifestyles
- Preference for more short breaks through the year instead of one or two longer vacations
- A number of hobbies and interests
- Higher average age
- Belonging to a family with a small number of members (fewer children)
- Continuous use of the Internet as a factor for the availability of a large number of data about the destination in a short period
- Demand for authentic destinations offering specific experience
- Use of low-cost (low cost) carriers (adapted from UNTWO; 2007).

Comparing the second half of the 20th century and beginning of the 21st century, we may see a number of changes on the demand side or in consumer behavior in tourism (Table 4).

**Table 4:** *The difference between tourism/consumer of the 20th century and tourism/consumer of the 21st century*

| 20th century (from 50's to 90's)                             | 21st century (late 20th century and begging of the 21st century)   |
|--|--|
| <b>CONSUMER – DEMAND CHARACTERISTICS</b>                     |  |
| Passive and inert idler                                      | Dynamic and active consumer  |
| Participant of mass travel arrangements                      | Independent, individual traveler   |
| Organized trips  | Fluid organization of travel ( <i>Do it yourself</i> ) or comprehensive travel ( <i>All inclusive</i> )                                  |
| Booking of travel in advance                                 | Late travel booking  |
| Resting  | Experience, activity, education, participation   |
| Careless attitude towards his own health (sun and loitering) | Expecting relaxation of mind and body are expected during the vacation (sports, entertainment, learning, entertainment, excitement, etc) |
| Tan is paramount   | Sunbathing is avoided  |
| Similar tastes for travel and tourism                        | Pluralisation of tourist tastes  |
| Characteristic demand  | Differentiated and segmented demand  |
| Demand is similar regardless of the generation gap           | Demand segmented according to common generational characteristics (older, baby boomers, X / Y generations)                               |
| Inexperienced traveler                                       | Experienced, educated, sophisticated traveler  |
| Uncritical attitude to the prices (satisfied with the offer) | Critical – seeking value for money   |
| Predictable consumer behavior                                | Unpredictable behavior of consumers – higher and a lot more individual consumption   |
| Imitation – travelling to well known places                  | Creation – something new, something different, somewhere else  |
| Seeking well known and popular destinations                  | Seeking for special and new, runs away from everyday life, looking for authentic and real  |
| Buying what's available (comfortable)                        | Demanding and finicky, requiring a higher quality and service standard   |
| Careless attitude towards the living environment             | Ecologically conscious   |
| Going on vacation once a year                                | He travels frequently and stay shorter (several times a year, extended weekends)   |

**Source:** *Hendija Z. (2003): Potražnja kulturnog turizma - trendovi na tržištu, Institut za turizam, Zagreb (adapted from: Lekić, R: Održivi razvoj turizma posebnih interesa Konavle-Tivat, Zagreb, 2013.)*

One of the strategic goals of tourism destination marketing is to maximize the satisfaction of visitors (Buhalis, 2000). Regardless of the current changes in consumer behavior in the tourism industry, the fact is that mass tourism destination will not stop to exist. But, modern market flows require the existence of alternative offers tailored to the individual consumer, which includes special interest tourism products.

### **Special interest tourism – opportunity for repositioning Montenegro as tourism destination**

Special interest tourism is defined as travel with the primary motivation for the practice or consumption of particular interest, which includes unusual hobbies, activities, themes and destinations that tend to develop niche markets (Smith, Macleod & Robertson, 2012). This consumer group is classified as a special group of consumers/tourists with specific lifestyle. Special interest tourism is cited as an alternative to mass tourism (Table 5), not only as it relates to the concept of economies of small scale, but also because of better dispersion of tourists in the receptive region.

**Table 5:** *The differences between mass tourism and special interest tourism*

|   | <b>MASS TURIZAM</b>                                   | <b>SPECIAL INTEREST TOURISM</b>                            |
|---|---|--|
| <b>General characteristics</b>              | Rapid development                                     | Slow development   |
|   | Maximum development                                   | Optimal development  |
|   | Uncontrolled development                              | Controlled development                                     |
|   | Short term effects                                    | Long term effects  |
|   |   |  |
| <b>Characteristics of consumer behavior</b> | They moves in a big groups                            | They move individually or in a small groups                |
|   | Fixed travel arrangement (package) in the destination | They make spontaneous decisions regarding various services |
|   | Tourists whose decisions may be directed              | Tourists who make their own decisions                      |
|   | They passively follow tourist events                  | They want to actively participate in tourism events        |
|   | Do not learn foreign language (host language)         | Tend to learn foreign language (host language)             |
|   | Curious   | Tactical   |

**Adapted from:** Jovanović, V (2013): *Tematski turizam, Univerzitet Singidunum, Beograd, p. 6*

Some of the forms that are most frequently mentioned in this context are: cultural tourism, business tourism, event tourism, conference tourism, nautical, religious, urban tourism, sports tourism, wine tourism, rural tourism, spa tourism, etc. Special interest tourism has a relatively small share of the global market. Since the world population grows and more people live in urban areas, consumers will be increasingly attracted by special forms of tourism that promote conservation of natural and cultural heritage and sustainable development of destinations.

Also, individual tourists are becoming more interested to attend educational programs in the destination in terms of preserving and improving health, general education etc. which is additional option for the creation of special interests tourism products, such as health, spa, cultural and so on. Furthermore, because of limited potential for substitution of specific products, tourism offers based on specific motives continuously attract not that much price - sensitive categories of tourists and that supports the effective destination marketing.

Tourism is very vulnerable industry to economic crises and conflicts. The world economic crisis, which appeared in 2008, adds to the changes in the global tourism market. According to estimations of the World Tourism Organization (UNWTO), the current world economic crisis, the global epidemics and the increase of terrorism does not reduce the need and motivation of people to travel, but the structure of these trips - an increase in demand for closer destinations, shorter staying in the destination, travel to friends and relatives, while relative stability relates to traveling motivated by special interests (Lekić, 2013).

The fact is that special interest tourism can provide an important asset for economic growth and positioning the destination. The positioning is closely related to market segmentation and target market, considering its focus in selection of type of offer in relation to competition, market segments or target market. Thus, the dynamic form of tourism, known for its specific products, services and target segments, can provide new opportunities for repositioning mass tourist destinations. This is especially important for countries like Montenegro and the region that still face with the challenges of mass tourism, low quality of tourism offers, low price of tourism products, lack of infrastructure and so on.

The challenge is in the fact that destinations cannot be managed such as companies. The destinations mainly consist of a group of smaller tourism companies and other enterprises that realize their own marketing strategies, while the subject of the destination management should be integral tourism product. The focus is on synergetic effects of linking stakeholders in the function of successful destination positioning. Given that market of the Western Balkans is relatively small, co-opetition in the region is necessary for transition from undifferentiated (mass) to differentiated marketing, rebranding and competitive positioning.

### **Conslusion**

Tourism entered a new era, taking the position of the global industry and achieving a significant share of international trade in services. The competitiveness of the tourism market is becoming increasingly complex while demands of consumers support the development of innovative forms of supply. Despite all the changes, a consumer still occupies a central position in the tourism marketing concept.

Globalization in tourism requires the application of the concept of co-opetition. Thus, networking of competitive destinations for combining tourism products or agreements regarding the specialization of individual competitive destination for specific target segments is encouraged.

Montenegro as a country where tourism is a strategic industry should focus its efforts on attracting specific market segments, in the context of diversification, reduction of seasonality of its tourism products, as well as for efficient response to the challenges of global competition. The realization of common vision of Montenegro and the region requires the joint destination marketing management that will map the potentials and encourage the development of contemporary tourism forms.

Anyhow, the destination marketing management of Montenegro and the region should rely on innovative tourism products that include selling experience, rather than physical products. In any case, special interest tourism may be one of the efficient marketing responses for repositioning Montenegro and region towards sustainable destination

competitiveness and increasing quality of living of the local communities.

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# RURAL TOURISM IN THE FUNCTION OF THE REPUBLIC OF SERBIA DEVELOPMENT

*Gordana Radović<sup>1</sup>; Zorica Vasiljević<sup>2</sup>;*

## Abstract

*The goal of the paper is to highlight the economic importance of rural tourism for the development of the Republic of Serbia due to the fact that rural areas account for 85% of its area. The Republic of Serbia has no development of rural tourism that is adequate compared to the available resources, and the reason for that is the lack of a clear strategic development direction as well as insufficient financial investments into development of this economic branch. Therefore, it is necessary that in the future period to adopt the Strategy for Sustainable Development of Rural Tourism, as a special document with clearly defined development priorities and modalities of financing the development of all segments of the rural tourism supply. In this paper, we use the methods of analysis and synthesis, descriptive, as well as the historical methods.*

**Keywords:** *rural tourism, development, Republic of Serbia, financing*

## Introduction

According to the definition of rural tourism stated in the Encyclopedia of Tourism (2000), two facts are pointed out: (1) the rural area is a basic resource for the development of rural tourism, and (2) the development of this kind of tourism has been caused by the need of inhabitants from the urban areas for rest and recreation in rural areas. In 1986, the Council of Europe adopted a definition accepted in the European Union, according to which the term rural tourism is used in the cases when the rural culture is a key component of the offered tourism product. (Demonja, Ružić, 2010) The definition of rural tourism suggested by the Council of Europe also implies the activities that can be implemented in rural areas, above all

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1 Gordana Radović, Director, PhD, Director “Dnevnik-Poljoprivrednik” AD Novi Sad, Bulevar oslobođenja 81, Phone +381 64 13 78 643, gordana.radovic09@gmail.com;

2 Zorica Vasiljević, PhD, Full Professor, Faculty of Agriculture, University of Belgrade, 11080 Belgrade-Zemun, Nemanjina 6, Phone +381 11 4413412, vazor@agrif.bg.ac.rs

gastronomic activities, as well as those of health character. (Pančić Kombol, 2000)

According to the definition adopted at the EU, rural tourism comprises all tourist activities that can take place in rural areas and that can be included in their touristic offer. An analysis of available domestic and foreign literature leads to the conclusion there is no single, internationally accepted definition of rural areas. Therefore, in order to establish a common criterion of rurality, the definition proposed by the Organization for Economic Cooperation and Development (OECD) is accepted in the European Union. According to this criterion, rural areas, at local level, are considered to be those ones that have a population density of less than 150 inhabitants per km<sup>2</sup>. In the domestic literature, beside the term *rural tourism*, there are often used *agro-tourism* and *village tourism*. The utilization of those two terms is not adequate due to the fact that agro-tourism is only one of the forms of rural tourism, while the village tourism includes only the tourism in villages.

The rural tourism has economic, social and political importance. The development of rural tourism has positive economic effects both for farms and local communities, as well as for the country. The economic effects of the rural tourism development at the farm level are the following: diversification of activities, i.e. provision of additional income to the household from non-agricultural activities (tourism, sales of the homemade products, products of traditional crafts, souvenirs, processed agricultural products, etc.). The activity of rural tourism has also enabled the valorization of the women activities within the household, activities of youth and older members of the household, as well as the development of organic agricultural production, i.e. the sales and a realistic evaluation of the mentioned products through the rural tourism.

The economic effects of the rural tourism development at the level of local economic communities are diversification and development of rural economies, as well as reduction of unemployment through the creation of new jobs in rural tourism and related activities.

The economic effects of the rural tourism development at the country level are the following: preservation of traditional architecture, gastronomy, customs, folklore, development of rural infrastructure, i.e. the creation of better living conditions in rural areas. In addition, the effects are manifested even in reduction of differences in economic development between rural and urban areas, then differences in regional

development, which enables the reduction of migration from the rural to the urban areas. If the users of services in rural tourism are foreign tourists, it could enable the realization of "invisible exports", which could have positive effects on the balance of payments of the country. Acquainting foreign tourists with the culture and the way of living in one country has a social and political significance for that country.

The Republic of Serbia has comparative advantages for development of rural tourism, as, according to the categorization of the Organization for Economic Cooperation and Development (OECD), 85% of its territory are rural areas. There are three rural regions in the Republic of Serbia. (Đorđević-Milošević, Milovanović, 2012) The first region, and the largest one, covers 44% of the total area and is located in the southern part of the country. It is the least developed and poorest region with undeveloped rural economy (RE). The second region consists of hilly-mountainous areas of Central Serbia and it covers 28% of the total area, with the 44% of the total population living there. This region is the most populated one and its rural economy (RE) is diverse and characterized by a developed services sector. The third northern region is mainly the agricultural one and it is located in the plain area of the Autonomous Province of Vojvodina. This region makes 28% of the total area, with the 26% of the total population living there. This region has a developed rural economy, while only less than 10% of municipalities are classified as undeveloped ones according to the criteria of the United Nations (UN). The regions differ between themselves in economic, social and demographic characteristics. By the development of rural tourism, as the common development chance of all regions, economic development could be equalized, i.e. development of rural economies which today mainly rely on agriculture could be enabled. (Đorđević-Milošević, Milovanović, 2012)

The Republic of Serbia is one of the most agrarian European countries, while in its rural areas "dominates the diversification of the household income, not the diversification of activities." (Bogdanov, 2007, p.55) According to many authors (Štetić, Cvijanović, Šimičević, 2014) the future of tourism development in Serbia is in selective tourism, i.e. the tourism of special interests, with rural tourism as one of its components.

The aim of the paper is to highlight the economic importance of rural tourism for development of the Republic of Serbia, considering the fact that rural areas account for 85% of its surface. The development of rural

tourism in the Republic of Serbia is a complex process due to the fact that its rural areas have been classified as heterogeneous ones in Europe in terms of natural, economic, demographic and social conditions. For the purpose of the paper, we employ the methods of analysis and synthesis, descriptive, as well as the historical methods.

### **Review of the Literature**

The rapid development of rural tourism in the European Union in the 1990s was the result of needs for provision of additional income for the farms. According to the attitude of the World Tourism Organization the greatest economic importance of rural tourism is that this activity helps the poverty elimination (*tourism helps poverty elimination*). Rural tourism is mainly developed in areas that have limited financial resources, but extraordinary natural resources that could be a platform of economic development (Jing, 2006). The economic importance of rural tourism for the local economic community can be described in short by the term *CARE*, which means: *C*reate New Jobs; *A*ttract New Business; *R*etain Existing Firms; *E*xpand Existing Firms. (Đekić, Vučić, 2003)

Rural tourism is one of the most labor-intensive industries, that has a potential contribution to job creation and economic development of rural areas, which is often the most important element in the rural development strategies (Mitchell, Hall, 2005). Rural tourism also allows the market valuation of cultural heritage and its symbols, environment and identity of rural areas. The development strategy of rural tourism should be based on ecological, economic and social sustainability (Roberts, Hall, 2003). The sustainable development of rural tourism is a part of integral rural development, which is defined as "a modern concept that represents a complex development of a particular rural area on the basis of available natural, financial, infrastructural and human resources to be managed with due care to preserve the balance between man and nature" (Njegovan, Pejanović, 2009, p.121).

It is necessary that a village which tends to get a tourism function maintains agricultural production as the core business; has architectural solutions of accommodation facilities that fit into the rural landscape and preserves the rural way of life through fostering old customs and festivities, as well as the culture of food, clothing and housing. Also, it is necessary to engage the tourists through their host families in the whole country life, and that the local population is not isolated from tourists, i.e.

that it is not a "nameless provider of touristic services with limited working hours," but that it is simultaneously engaged both in the farm activities and in touristic ones and that it treats the tourists as a part of local, everyday life (Milenković, 2005). Rural tourism is a factor in development trends of rural areas, the supplementary activity of the rural population, the market for agricultural products, a factor of agricultural development and "softener" of depopulation flows (Todorović, Štetić, 2009).

The most important economic functions of rural tourism are the following: accelerative (development), inductive, multiplicative and the one of conversion. The accelerative function indicates the impact of rural tourism on the acceleration of the overall economic and social development, which is of particular importance for the economic development of undeveloped areas. The inductive function of rural tourism represents its impact on economic activities that are directly or indirectly associated with it. The multiplicative function of rural tourism means the impact of funds spent in this type of tourism to added (multiplicative) effects on the national economy. "The multiplication coefficient indicates the number of turnovers of money received from foreign tourists in one year ... the greater number of hands through which the 'foreign money' flows, the greater effect of tourism on the economy of the host" (Unković, Zečević, 2011, p.37).

According to Milojević, the multiplication effect of the rural tourism money spent in the local community is extremely high (Milojević, 2007). It is estimated that it amounts to 2.2, which means that 1 dinar spent by the tourist generates 2.2 dinars at the level of the local economy. The conversion function refers to the ability of rural tourism to convert natural and anthropogenic (non-economic) resources into the commodity, which enables them become "the elements of touristic demand and have the prices, and therefore the economic touristic effects as well"(Milenković, 2009, p.71). There is an agreement by domestic authors (Čomić, 2003) and foreign ones (George, Mair, Reid, 2009) that development of rural tourism cannot be realized only as economic growth; it should also be considered from the point of view of ecological and social development.

### **Development of Rural Tourism**

On the territory of the Republic of Serbia the rural tourism began to develop spontaneously in the 1970s in Deviči village (municipality of

Ivanjica). This was the beginning of practicing rural tourism not only in Serbia, but also in the whole Socialist Federal Republic of Yugoslavia (SFRY) (Marković, Ostojić, 2012). According to information from the archives of the Tourism Alliance, at the end of the 1980s, 800 households were dealing with rural tourism in Serbia, which were located in 50 villages equipped with approximately 3,000 beds.<sup>3</sup> Due to the adverse social, political and economic factors, in the last decade of the 20th century it came to a halt in this development process.

According to the data of the Tourist Organization of Serbia, in 1999 the rural tourism was present in only 40 villages and 15 municipalities, and 140 households dealt with this type of tourism, with the capacity of approximately 630 beds (Marić, 2001). At the beginning of the 21st century more significant results in rural tourism have been recorded at the area of AP Vojvodina and in Central and Western Serbia. Thus, for example, in the municipality of Gornji Milanovac, in the global crisis year of 2009, 80 rural households, with a total of 572 beds, have realized 15,000 overnight stays and obtained a turnover of 230,000 € (Ševarlić, Petrović, 2010). In the same year, on the whole territory of the Republic of Serbia, a total of 145,354 registered overnight stays in rural tourism was recorded in the narrow sense and 2,556,128 overnight stays which can be attributed to rural tourism, making a total of 2,700,000 or 27% of total overnight stays in the Republic of Serbia in all aspects of tourism.<sup>4</sup>

Based on the results from the Census of Agriculture from 2012, in the Republic of Serbia there is a total number of 628,552 farms. Only 78,301 farms or 12.4% are engaged in other profitable activities (OPA) except from agriculture. The average representation of rural tourism in other farm income-generating activities is 0.66% for the entire territory of the Republic of Serbia (Table 1). By regions, this representation is the largest in the area of AP Vojvodina and makes 1.11%, in the region of Šumadija and Western Serbia it is 0.67%, while in the Southern and Eastern Serbia and the Belgrade region it is 0.48% (Bogdanov, Babović, 2014).

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3 National Association "Rural Tourism of Serbia", <http://www.selo.co.rs>. (accessed on 10th March 2016)

4 Development Program of Sustainable Rural Tourism in the Republic of Serbia, Official Gazette of the Republic of Serbia, No. 85/2011.

**Table 1:** *The territorial distribution of agricultural households in the Republic of Serbia which are dealing with rural tourism*

| <b>Name of the Region (District)</b>   | <b>Number of households engaged in rural tourism</b> |
|--|--|
| Belgrade Region                        | 14   |
| Vojvodina Region                       | 93   |
| West Bačka District                    | 13   |
| South Banat District                   | 14   |
| South Bačka District                   | 19   |
| North Banat District                   | 11   |
| North Bačka District                   | 10   |
| Central Banat District                 | 6  |
| Sremski District                       | 20   |
| The Region of Šumadija and West Serbia | 295  |
| Zlatiborski District                   | 127  |
| Kolubarski District                    | 22   |
| Mačvanski District                     | 18   |
| Moravički District                     | 37   |
| Pomoravski District                    | 11   |
| Rasinski District                      | 39   |
| Raški District                         | 18   |
| Šumadijski District                    | 23   |
| The Region of South and Eastern Serbia | 112  |
| Borski District                        | 22   |
| Braničevski District                   | 18   |
| Zaječarski District                    | 27   |
| Jablanički District                    | 4  |
| Nišavski District                      | 6  |
| Pirotski District                      | 18   |
| Podunavski District                    | 1  |
| Pčinjski District                      | 10   |
| Toplički District                      | 6  |
| Kosovo and Metohija Region             | -  |
| Total:                                 | 514  |

**Source:** *Census of Agriculture 2012 - Agriculture in the Republic of Serbia (2012): Volume II, National Institute for Statistics, Belgrade, pp. 190-197.*

According to the National Association "Rural Tourism of Serbia", which collects data and monitors the work of over 80% of rural tourist households, around 200 thousand overnight stays was realized in rural

tourism in the Republic of Serbia in 2013, while in 2014 that indicator was about 180 thousand overnight stays.<sup>5</sup>

The development of rural tourism in some areas is the result of the agility, associations and service providers in rural tourism. Also, the current level of the rural tourism development is based on the vision, persistence and commitment of employees in particular tourist organizations, who have managed to provide the necessary financial resources by participation in various competitions and projects, both for the development of accommodation facilities, and for education (Radović, 2013).

On the basis of the reviewed research, it can be concluded that there are numerous problems in the development of rural tourism in the Republic of Serbia (Radović, 2015). They can be noted as: (a) the lack of financial sources; (b) the lack of Registry and defined standards; (c) the mismatch of what is envisaged in legal solutions to the current situation in practice; (d) insufficient supply of tourist facilities; (e) underdevelopment of infrastructure and tourist signs; (f) underdevelopment of tourism brokerage, i.e. insufficient involvement of travel agencies in the promotion and sales of the rural tourism products; (g) insufficient cooperation of the service providers and their training; and (h) adverse demographic characteristics of rural areas.

On the basis of analyzed information, it can be concluded that the rural tourism in the Republic of Serbia is insufficiently developed. An assessment of underdevelopment of Serbian rural tourism is to be found in the reports of various international experts who believe that there are opportunities for higher level of rural tourism development in Serbia (Bartlet, 2006).

### **Resources as a Potential of the Rural Tourism Development**

The resources of importance for the development of the rural tourism can be classified as natural, human, social, physical and financial.

Natural resources important for the development of rural tourism in Serbia are favorable characteristics of natural landscapes and their diversity, richness of flora and fauna, relatively clean air, water and soil,

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<sup>5</sup> Data obtained from V. Ivanovic, Director of the National Association "Rural Tourism of Serbia".

wealth of thermal waters, pleasant climate, etc. In rural areas, there are protected natural areas that are suitable for the development of eco-rural tourism. According to the criteria of the International Union for Conservation of Nature (IUCN), the territory of the Republic of Serbia is one of six European and 153 world centers of biodiversity. "The total area of protected natural areas accounts for 6.5% of the total territory of the Republic of Serbia, which has a total of five national parks, 98 nature reserves, 16 zones of protected landscape, 296 natural monuments, 24 nature parks, where there are located 215 plant and 462 animal species that are classified as protected and rare" (RARIS, 2012). In the AP of Vojvodina there are 15 protected natural areas, which are suitable for the development of agro-eco tourism and where it is necessary to pay special attention to the formation and development of eco-tourism facilities in order to establish sustainable development (Radović et al, 2011).

On the territory of the AP of Vojvodina, there are defined and protected natural areas and this activity has been implemented by the Provincial Secretariat for Environmental Protection and Sustainable Development. According to current data, on the territory of Vojvodina there are fifteen protected areas in which it is necessary to pay special attention to the formation and development of eco-tourism facilities in order to establish sustainable development. It is therefore to initiate educational centers for visitors in these areas, whose main function should be the promotion of protected areas, education and exchange of information and experience. Also, within these centers, tourists would be able to obtain information on accommodation capacities in agricultural households in the immediate environment. In order to implement those activities, it is necessary to have the support of the local economic communities that should implement the agro-eco tourism in the protected areas of the AP of Vojvodina, as well as that of the Ministry of Agriculture and the relevant Provincial Secretariat which would take care of the sustainable agricultural and rural development in this area in accordance with their responsibilities.

In the past, the natural resources of rural areas were primarily valorized through agriculture. In the future period, it would be necessary to valorize favorable natural resources even through the development of rural tourism. On the touristic market, the higher prices for agricultural products can be achieved (Vasiljević, Savić, 2014). Therefore, it is necessary to develop rural tourism and agriculture simultaneously as complementary activities. For this purpose, it is necessary to define the

modalities of financing the development of rural tourism offer, which should include accommodation facilities, catering and touristic facilities (Radović 2015).

There are no official statistical data on the number of residents in Serbia who are engaged in rural tourism. The relevant framework indicators may be data from the Census of Agriculture (2012), according to which there is 2% of the active working population engaged in the services of accommodation and food in rural areas, i.e. 19,331 out of 922,158 economically active population members living in rural areas are dealing with rural tourism (Bogdanov, Babović, 2014).

In order to analyze human resources, in terms of their importance for the development of rural tourism in Serbia, it is important to consider the following indicators: the share of rural population in total population, the age structure, level of education and unemployment rate of the population in rural areas. Number of people living in rural areas makes 40.6% of the total population, and every fifth rural resident of the Republic of Serbia is older than 65.<sup>6</sup>

According to the data from the Labor Force Survey for 2014, 36% of the total unemployed population in the Republic of Serbia lives in rural areas<sup>7</sup>. Women make 55% and men 45% of the total number of unemployed population in rural areas. In the structure of unemployed rural population, 28.6% are the residents of the most productive working age period (age from 25 to 34). In this age group, females make 29.6%, while males make 27.7%. The age and gender structures of the unemployed rural population represent a potential for the rural tourism development considering that this industry predominantly employs female laborforce.

According to 2011 Census, the population in rural areas in the Republic of Serbia has predominantly secondary education; 49.1% are men and 36.0% women. The high proportion of the total population has only elementary education and even 30.4% of the female population is without elementary education. Only 6% of women and 6.2% of men have post-secondary education (Bogdanov, Babović, 2014). All this implies that there is

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6 Strategy for Agriculture and Rural Development of the Republic of Serbia for the Period 2014-2024, Official Gazette of the Republic of Serbia, No. 85/2014.

7 National Institute for Statistics (2015): Labor Force Survey, 2014, Belgrade.

working inactive population in rural areas, which can be engaged in rural tourism. The level of education can be a limiting factor in the development, so it is necessary to provide the financing resources for education of this population (Radović, 2015).

The social resources which are significant for the development of rural tourism are the following: rich cultural and historical heritage, preserved characteristics of ethno features, folklore, traditional handicrafts and gastronomy, the treasury of folk customs, old crafts and events that take place in rural areas. The events have social significance in the preservation of tradition and cultural heritage, but they can also have economic significance if they are integrated into the touristic offer and adequately promoted on domestic and international touristic market.

It is estimated that in the Republic of Serbia, there are 1,000 to 1,500 touristic events per year, most of which are the ethnographic and gastronomic ones, which mainly take place in rural areas. It is therefore necessary to create a rural touristic product, which besides visiting the events should include the stay in rural touristic households, as well as a visit to cultural and historical monuments or protected natural areas that are in immediate vicinity. By organized promotion and marketing of the touristic market, an adequate valorization of the social and natural resources in the rural areas could be provided (Pejanović, Radović, 2012). For this purpose, it is necessary to define the modalities of financing the sales channels and promotion of the rural tourism product (Radović, 2015).

The physical resources of importance for the development of rural tourism are the following: the preserved traditional rural architecture, cultural and historical monuments, museums, galleries, libraries and other cultural institutions in rural areas, religious facilities, public infrastructure and tourist signalization. The Republic of Serbia has adequate physical resources for development of rural tourism, but public infrastructure, i.e. the transport, telecommunications, energy and communal infrastructure is characterized by low quality, while the touristic signalization is underdeveloped. It is therefore necessary to define the modalities of financing the development of public infrastructure in rural areas, as well as the touristic signalization (Radović, 2015).

Due to the poor economic situation of agriculture, agricultural holdings do not have the financial resources for the development of rural tourism,

i.e. they need external sources of financing (Vasiljević, 1998; Radović, 2014). On the other hand, the lack of financial resources represents the existential problem of some rural areas in the Republic of Serbia (Vasiljević, Dedeić, 2011). In recent years, poverty has become "a rural phenomenon" due to the fact that in rural areas 14.2% of the total population are poor, while in the Southeast and partly in Western Serbia the rural population accounts for 25% of the total number of poor population in the Republic of Serbia (Bogdanov, 2007).

According to the World Bank study "Rural Vulnerability in Serbia", in the rural areas that are marginal for agriculture "approximately one million people live below the poverty line, with two dollars a day, because these areas rely almost exclusively on agriculture, i.e. agriculture is the main source of income for 68% households" (Đorđević Milošević, Milovanović, 2012, p.117). It is therefore necessary to direct the development of poor regions to that of non-agricultural activities, primarily to the rural tourism. Based on the multiplicative effect of tourism, this activity allows the fastest diversification and development of rural economies.

Having analyzed natural, human, social and physical resources, we can say that their valorization through the development of rural tourism can ensure the development of rural areas. For that purpose, it is essential to provide the necessary financial support to each of these resources. The synthesis of the analyzed data imply that the financial resources are one of the greatest limitations for development of rural tourism in the Republic of Serbia (Radović, 2015).

The limited financial resources are not only characteristic of rural areas in the Republic of Serbia. A similar problem is present even in economically developed countries. For example, in North America the limited financial resources are a significant limitation in development of many rural areas, so the poor rural areas are entitled to the grants provided by the higher-order administration (Timothy, 2005). Therefore, even in the Republic of Serbia the governmental financial support should be a primary modality of rural tourism financing in the initial stage of development, but at the same time it is necessary to establish a system of the rural tourism financing based on the market principles. In other words, the market that should be set up is the one of full competition in terms of involvement in the domestic banking market of other financial institutions, apart from

commercial banks, such as micro-credit organizations, savings and credit cooperatives, etc. (Radović, 2015).

## **Conclusions and Recommendations**

The Republic of Serbia has no developed rural tourism in accordance with disposable resources and the reasons for that are the lack of a clear strategic direction of development and insufficient financial investments into development of this economic activity. Therefore, in future, it is necessary to adopt the Strategy for sustainable development of rural tourism in the Republic of Serbia as a special development planning document with clearly defined development priorities and modalities of financing the development of all rural tourism offer segments.

In the Strategy for sustainable development of rural tourism, it is necessary to define development priorities, i.e. the forms of rural tourism that should be developed in particular parts of the Republic of Serbia. It is necessary to base the development on the principles of sustainability viewed from the ecological, economic and sociological aspects. Furthermore, it is necessary to adopt the action plans, and to determine the responsibility for their implementation, i.e. to define the executors and management, but particularly the control of the goals' implementation. It would be appropriate to form the destination management organizations which would manage the sustainable development of rural tourism at the regional level in accordance with the current Law on tourism.<sup>8</sup>

It is necessary to define competencies in the management of sustainable development of rural tourism at the national level, which are now intertwined between the Ministry of Trade, Tourism and Telecommunications and the Ministry of Agriculture and Environmental Protection. If we hold that development is mainly based on the development of agro-tourism, taking into account the need for provision, an additional income for agricultural households by development of rural tourism, it is then logical that jurisdiction should be assigned to the Ministry of Agriculture and Environmental Protection.

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<sup>8</sup> The Law on Tourism of the Republic of Serbia, Official Gazette No. 36/2009, 88/2010, 99/2011, 93/2012, 84/2015.

It is necessary that the Strategy for sustainable development of rural tourism in the Republic of Serbia defines the modalities of financing the development and construction of touristic facilities, touristic contents and rural infrastructure, training of personnel and leadership development, as well as the development of touristic promotion and marketing channels of the rural tourism products. In addition to recently used modes of financing, which are mainly founded on the state budget and foreign donations, it is also necessary to include new modalities of financing. Solving of the problem of financing the development of touristic supply is of vital importance for development of rural tourism. In order to invest the financial resources adequately, and, also, to provide the control of expenditures and achieved results, it is necessary to establish the efficient way of management by financing sustainable development of the rural tourism in the Republic of Serbia.

Bearing in mind that the multiplier effect in rural tourism is high, the development of this sector has the ability to realize the fastest diversification of the rural economy. The development of rural tourism would allow reducing unemployment and providing additional income for the residents of rural areas. Also, the development of this activity should contribute to the reduction of differences in economic development between rural and urban areas, as well as reduce the depopulation of rural areas. Based on the above mentioned findings, it can be concluded that the development of rural tourism should enable the comprehensive development of the Republic of Serbia with regard to the fact that 85% of its territory consists of rural areas.

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# CONTRIBUTION OF INTERNATIONAL TOURISM TO EXPORT AND DEVELOPMENT PERFORMANCE OF SERBIA

*Dragana Gnjatović<sup>1</sup>, Miljan Leković<sup>2</sup>*

## Abstract

*The development tendencies of international tourism in global framework create a need for examining its importance for the economies of individual states. In that sense, this paper examines the impact of international tourism on export and development performance of Serbia. On the basis of conducted analysis we conclude that international tourism cannot still be labelled as the generator of exports and economic growth. Through comparative analysis of the effects of international tourism on the economies of the neighboring countries we conclude that export and development oriented economy of Serbia has relatively weak reliance on tourism. Policy makers are facing a challenge of the development of international tourism which corresponds directly to overall economic development of the country.*

**Keywords:** *international tourism, foreign exchange receipts from tourism, Serbia, export and development performance*

## Introduction

In the last six decades, tourism experienced continuing expansion and diversification and became one of the largest and fastest growing economic sectors in the world (Pantelescu, 2012). Tourist industry is among leading service industries in the world and economic flows generated by international tourism are important factors of growth of large number of developing countries. In many national economies tourism has been considered as key export industry. Since a tourist as a consumer with money earned outside the place of his temporary residence

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1 Professor Dragana Gnjatović, PhD, University of Kragujevac, Faculty of Hotel Management and Tourism, Vrnjačka Banja, Vojvodanska 5A, 36210 Vrnjačka Banja, Serbia, (+381 63) 804 46 03, e-mail: dragana.gnjatovic@kg.ac.rs.

2 Miljan Leković, Assistant, University of Kragujevac, Faculty of Hotel Management and Tourism, Vrnjačka Banja, Vojvodanska 5A, 36210 Vrnjačka Banja, Serbia, (+381 64) 358 23 04, e-mail: m.lekovic@kg.ac.rs.

has been “imported” instead of exporting material goods, this kind of exports are called “invisible exports” in economic literature.

The increase in the mobility of tourists is a global feature of modern tourism, which has been considered to be a driver of socio-economic progress. Tourism encourages the creation of new jobs, the development of trade and infrastructure, as well as the development of less developed regions contributing to the reduction of regional disparities (Obradović et al., 2013). In many countries, tourism has been considered as a generator of exports, economic growth and employment. Also, this economic sector affects almost all aspects of life – not only economic but also environmental, social and cultural ones.

In economic literature, general conclusion has been accepted that tourist industry is one of most dynamic and most profitable industries in the world. Taking into account the growing influence of tourism on global economy, it is important to point out to the difference between economic effects of domestic and international tourism. Domestic tourism affects the redistribution of monetary funds earned inside national economy through domestic tourist consumption while international tourism induces the spillover of funds from one economy to the other through foreign tourist spending. According to Bošković (2009), consumption of foreign tourists has multiplier effects on the economy as a whole. The multiplier effects of tourism are reflected in the fact that the means of tourist spending after their primary circulation continue to circulate in the economy and thus affect positively overall economic performance in the country, until the moment when they „flow out” of the „bloodstream“ of national economy through imports, travelling of domestic population abroad and withdrawal of money from the circulation in the form of savings. It is not difficult to conclude that international tourism, thanks to its described multiplier function, is in a position to provide a significant contribution to the development of national economy.

### **International tourism in the world**

The sources of vast quantity of data that speak about the importance of international tourism are different international economic and financial institutions whose goal is to accelerate national and global economic development: International Monetary Fund (IMF), The World Bank, United Nations World Tourism Organization (UNWTO) (Obradović et al., 2014). According to the data of these institutions, international

tourism as a global export category is on the fourth place after oil, chemical and food industry. International tourism accounts for 30 percent of world exports of services and 6 percent of world exports of goods and services.

Favorable development trends of international tourism date from the 1950s (Šantić et al., 2014). In international framework, the number of international tourist arrivals has grown from 25 million in 1950 to 1,087 million in 2013. The trend of growth has continued in 2014, when the number of international tourist reached record 1,135 million, which represents 4.4 percent growth comparing to the previous year. In the composition of international tourist arrivals Europe has a dominant share with 584 million of arrivals (52 percent). At the second place are Asia and Pacific with 263 million of international arrivals (23 percent), while at the third place is America with 182 million arrivals (16 percent). The remaining two regions have significantly lower share in international tourism: Africa accounts for 56 million of arrivals (5 percent) and Middle East accounts for 50 million of arrivals (four percent) (UNWTO, 2015).

Presented increase in the mobility of tourists at the global level due primarily to improved living standards caused an increase in international tourism receipts. International tourism receipts increased from two billion US dollars in 1950 to 1,197 billion US dollars in 2013 (Pantelescu, 2012). The growth of these receipts has been achieved in 2014, too, when they grew at a rate of 3.7% reaching historical maximum of 1,245 billion US dollars. The composition of international tourism receipts corresponds mostly to the composition of international tourist arrivals. Europe is at the first place with 509 billion US dollars (41 percent), Asia and Pacific are at the second place with 377 billion US dollars (30 percent), America is at the third place with 247 billion US dollars (22 percent) while the last but one and the last place are occupied by Middle East with 49 billion US dollars (four percent) and Africa with 36 billion US dollars (three percent) respectively (UNWTO, 2015).

Data in Table 1 point out to the fact that the percentage change of international tourism receipts is mostly in conformity with the percentage change of the number of international tourist arrivals.

**Table 1:** *International tourism development trends in the world*

| Year  | 2008 | 2009 | 2010 | 2011  | 2012  | 2013  | 2014  |
|---|------|------|------|-------|-------|-------|-------|
| 1. International tourism receipts (in billion US dollars) | 967  | 882  | 965  | 1.080 | 1.115 | 1.197 | 1.245 |
| Index (2008=100)  | 100  | 95   | 101  | 105   | 109   | 115   | 119   |
| 2. International tourist arrivals (in millions)           | 928  | 891  | 949  | 997   | 1.038 | 1.087 | 1.135 |
| Index (2008=100)  | 100  | 96   | 102  | 107   | 112   | 117   | 122   |

**Source:** *UNWTO, 2015*

In 2009, approximately equal percentage drop, and in the following years approximately equal percentage growth of international tourist receipts and international tourism arrivals has been recorded, which confirms our previous assumption on the conformity of those two indicators. The drop in international tourist receipts and international tourism arrivals in 2009 has been a direct consequence of current world economic crisis. However, despite global economic uncertainties and instability, in all following year international tourism has recorded growth, which tells us about its extraordinary resistance to global crises. In 2011, international tourism receipts have exceeded the amount of one trillion US dollars, and in 2012 more than one billion tourist travelled all over the world (Table 1). These numbers confirm the position of tourism as one of the largest sectors of the world economy. *UNWTO* has marked the achieved record of one billion international tourist arrivals with the campaign *One Billion Tourists – One Billion Opportunities*. The intention of *UNWTO* was to point out that even the smallest action has large positive effect when multiplied by one billion. In another words, only with joint action of tourist the present state in international tourism could be changed and improved.

### **International tourism in Serbia**

International tourism market does not perceive enough Serbia as tourist destination, where low government budget expenditures for the promotion of Serbian tourist industry offer are to be blamed. Insufficient budgetary allocations make national marketing in tourism uncompetitive on the global scene.

The fact is that Serbian tourist industry attains modest results despite its quality resource base, that is, quality resource development potentials. At

the moment, Serbia is going through final phase of transition reforms and is also adapting to European standards aiming to become a full member of the European Union. The fulfilment of these tasks is going to be a springboard on its road of economic development and tourism development as well as an integral part of its national economy (Obradović et al., 2013).

In scientific works which deal with the problems of international tourism, international tourist receipts are usually equated with foreign exchange earnings from tourism. This fact implies that data on the magnitude of foreign exchange earnings recorded in the balance of payments could be used in evaluating the importance of international tourism for national economy. Besides the data on the magnitude of foreign exchange earnings from tourism, the data on the number of international tourist arrivals are often used to show the development trends of international tourism (Table 2).

**Table 2:** *Development trends of international tourism in Serbia*

| Year   | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013  | 2014  | 2015  |
|--|------|------|------|------|------|------|-------|-------|-------|
| Foreign exchange inflow from tourism (in million US dollars) | 865  | 944  | 865  | 798  | 992  | 906  | 1.053 | 1.139 | 1.048 |
| Index (2007=100)   | 100  | 109  | 100  | 92   | 114  | 105  | 122   | 132   | 121   |
| Int. tourist arrivals (in thousands)                         | 696  | 647  | 645  | 683  | 764  | 810  | 922   | 1.029 | 1.132 |
| Index (2007=100)   | 100  | 93   | 93   | 98   | 110  | 116  | 132   | 148   | 163   |

**Source:** *Author's calculations, on the basis of data from Narodna banka Srbije, Republički zavod za statistiku Srbije*

In the observed period, foreign exchange earnings from tourism have increased from 865 million US dollars in 2007 to 1,048 million US dollars in 2015. In relation to the 2007 base year, the largest increase of foreign exchange earnings from tourism has been accomplished in 2014, while the fall of foreign exchange earnings from tourism has been recorded only in 2010.

On the other hand, in the observed period, the number of international tourist arrivals has increased from 1,132 thousand arrivals in 2007 to

1,132 thousand arrivals in 2015, while in relation to the 2007 base year the fall in international tourist arrivals has been registered in 2008, 2009 and 2010. The fall in the number of visits of international tourists in this three years period is a direct consequence of negative impact of current global economic crisis which did not spare Serbian economy or Serbian tourism. The factors that contributed to avoid larger fall of international tourist arrivals are the following (Obradović et al., 2013):

- The event of XXV Summer University Olympic Games in Belgrade from July 1st to July 12th, 2009 with 9,000 participants from 145 states;
- Introducing tourist offer of Serbia in catalogues of foreign tourist agencies – the contracts have been signed with 14 German tourist agencies, 10 agencies from Netherlands and Belgium, 9 from France, three from Great Britain and one each from Italy and Switzerland.

Resilience of tourist industry to economic crisis has been already proven in 2011, with the trend of growth of foreign exchange earnings from tourism and the trend of growth of international tourist arrivals. According to Čerović et al. (2015), this trend of growth is positively correlated with European integrations of Serbia because the accession to the European Union has a positive impact on the attitudes of foreigners, the country becomes more open and accessible and legal regulations more harmonized.

Based on previous presentation, general conclusion can be drawn that contemporary trends of international tourism development in Serbia are positive but regrettably insufficient because in the observed period foreign exchange earnings from tourism has been lower than foreign exchange expenditures on tourism.

The data presented in Table 3 show unambiguously that in all observed years Serbia experienced deficit in tourism balance worth 38 million US dollars in 2014 to 310 million US dollars in 2008. Having in mind traditional foreign trade deficit of the Republic of Serbia (Gnjatović, 2007), it could be concluded that in the analyzed nine years period tourism only aggravated the results in foreign exchange of goods and services. Yet, it is encouraging that the deficit in tourism balance in the last two years recorded the lowest values in the observed period, in the amount of 38 million US dollars in 2014 and 49 million US dollars in 2015.

**Table 3:** *Tourism balance of Serbia in 2007-2015 period (in million US dollars)*

| Year                                       | 2007   | 2008   | 2009 | 2010 | 2011   | 2012   | 2013   | 2014   | 2015   |
|--|--------|--------|------|------|--------|--------|--------|--------|--------|
| 1.Foreign exchange earnings from tourism   | 865    | 944    | 865  | 798  | 992    | 906    | 1.053  | 1.139  | 1.048  |
| 2.Foreign exchange expenditures on tourism | -1.041 | -1.254 | -959 | -953 | -1.114 | -1.017 | -1.117 | -1.177 | -1.097 |
| 1.-2.                                      | -176   | -310   | -94  | -155 | -122   | -111   | -64    | -38    | -49    |

**Source:** *Narodna banka Srbije*

Table 4 presents the composition of foreign exchange earnings from tourism in 2007-2013 period, aiming to point out to the share and importance of individual components. From this Table, it can be concluded that in the observed period, the use of payment cards of non-residents had the largest share in the composition of foreign exchange earnings from tourism ranging from 41.9 percent to 47.1 percent. The second component according to its importance is personal consumption of tourists for which the share has been estimated in the range from 34 percent to 38 percent.

Foreign exchange earnings originating from health services for non-residents, repurchase of checks from non-residents, purchase of foreign currency of non-residents and services of tourist agencies, hotels, restaurants and other services (sale of goods and services to foreigners - tourists, education expenses of non-residents) are considerably lower, so their share in the composition of foreign exchange earnings from tourism is of a modest scale.

The lowest foreign exchange earnings come from repurchase of checks from non-residents whose share in the composition of foreign exchange earnings has fallen from 2.9 percent in 2007 to minor 0.04 percent in 2013. Also, the share of purchase of foreign currency of non-residents in foreign exchange earnings from tourism is diminishing, while the share of other components is relatively stable (Gnjatović & Leković, 2015).

**Table 4:** *The composition of foreign exchange earnings from tourism in Serbia 2007-2013 (in thousands US dollars, in %)*

| <b>Component</b>                                       | <b>2007</b>                     | <b>2008</b>                     | <b>2009</b>                     | <b>2010</b>                     | <b>2011</b>                     | <b>2012</b>                     | <b>2013</b>                       |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| Health services for non-residents                      | 19,846<br>(2.3%)                | 27,467<br>(2.9%)                | 29,794<br>(3.4%)                | 33,236<br>(4.2%)                | 40,805<br>(4.1%)                | 31,235<br>(3.4%)                | 39,109<br>(3.7%)                  |
| Use of payment cards of non-residents                  | 362,770<br>(41.9%)              | 434,209<br>(46%)                | 385,341<br>(44.5%)              | 363,092<br>(45.5%)              | 454,699<br>(45.9%)              | 426,544<br>(47.1%)              | 490,053<br>(46.5%)                |
| Repurchase of checks from non-residents                | 25,213<br>(2.9%)                | 18,398<br>(1.9%)                | 1,197<br>(0.1%)                 | 1,399<br>(0.2%)                 | 814<br>(0.1%)                   | 2,209<br>(0.2%)                 | 370<br>(0.04%)                    |
| Purchase of foreign currency of non-residents          | 72,853<br>(8.4%)                | 68,998<br>(7.3%)                | 46,737<br>(5.4%)                | 31,646<br>(4%)                  | 34,150<br>(3.4%)                | 25,750<br>(2.8%)                | 28,016<br>(2.7%)                  |
| Services of tourist agencies, hotels, restaurants etc. | 35,609<br>(4.1%)                | 49,282<br>(5.2%)                | 42,806<br>(4.9%)                | 43,670<br>(5.5%)                | 57,241<br>(5.8%)                | 49,861<br>(5.5%)                | 61,573<br>(5.8%)                  |
| Tourism-other  | 15,010<br>(1.7%)                | 24,897<br>(2.6%)                | 24,608<br>(2.8%)                | 19,552<br>(2.4%)                | 30,353<br>(3.1%)                | 28,401<br>(3.1%)                | 32,612<br>(3.1%)                  |
| Personal consumption of tourists (an estimate)         | 334,000<br>(38.6%)              | 321,000<br>(34%)                | 334,890<br>(38.7%)              | 305,787<br>(38.3%)              | 373,598<br>(37.7%)              | 342,127<br>(37.8%)              | 401,151<br>(38.1%)                |
| <b>Total</b>   | <b>865,301</b><br><b>(100%)</b> | <b>944,251</b><br><b>(100%)</b> | <b>865,373</b><br><b>(100%)</b> | <b>798,382</b><br><b>(100%)</b> | <b>991,660</b><br><b>(100%)</b> | <b>906,127</b><br><b>(100%)</b> | <b>1,052,884</b><br><b>(100%)</b> |

**Source:** *Narodna banka Srbije*

Besides the share and importance of individual components in the composition of foreign exchange earnings from tourism, it is important to point out to total foreign exchange earnings from tourism by countries of origin of payments<sup>3</sup>.

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<sup>3</sup> National Bank of Serbia obtains data on foreign exchange earnings from tourism from commercial banks, which means that these data are presented according to the countries of the origin of payments and not the countries of the origin of tourists.

**Table 5:** Total foreign exchange earnings from tourism of the Republic of Serbia by countries of origin of payments 2007-2013, (million US dollars)<sup>4</sup>

| Year            | 2007             | 2008             | 2009             | 2010             | 2011             | 2012             | 2013              | 2014             | 2015             |
|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| Great Britain   | 216.8<br>(40.8%) | 276.4<br>(44.4%) | 120.2<br>(22.7%) | 101.7<br>(20.6%) | 116.5<br>(18.8%) | 35.7<br>(3.9%)   | 57.0<br>(5.4%)    | 61.0<br>(5.4%)   | 62.0<br>(5.9%)   |
| Germany         | 75.1<br>(14.1%)  | 122.2<br>(19.6%) | 222.7<br>(42%)   | 211.5<br>(42.9%) | 268.8<br>(43.5%) | 77.1<br>(8.5%)   | 130.3<br>(12.4%)  | 92.0<br>(8.1%)   | 65.0<br>(6.2%)   |
| USA             | 44.0<br>(8.3%)   | 30.1<br>(4.8%)   | 27.7<br>(5.2%)   | 30.2<br>(6.1%)   | 37.9<br>(6.1%)   | 39.5<br>(4.4%)   | 46.8<br>(4.4%)    | 47.0<br>(4.1%)   | 56.0<br>(5.3%)   |
| Belgium         | 20.9<br>(3.9%)   | 6.0<br>(1.0%)    | 22.4<br>(4.2%)   | 29.9<br>(6.1%)   | 43.8<br>(7.1%)   | 24.7<br>(2.7%)   | 37.8<br>(3.6%)    | 23.0<br>(2.0%)   | 22.0<br>(2.1%)   |
| Monte Negro     | 19.1<br>(3.6%)   | 27.3<br>(4.4%)   | 19.1<br>(3.6%)   | 19.9<br>(4.0%)   | 17.9<br>(2.9%)   | 78.6<br>(8.7%)   | 102.8<br>(9.8%)   | 77.0<br>(6.8%)   | 71.0<br>(6.8%)   |
| B&H             | 14.1<br>(2.6%)   | 26.3<br>(4.2%)   | 23.4<br>(4.4%)   | 24.0<br>(4.9%)   | 30.2<br>(4.9%)   | 100.2<br>(11.1%) | 187.8<br>(17.8%)  | 168.0<br>(14.7%) | 155.0<br>(14.8%) |
| Other countries | 141.1<br>(26.6%) | 134.8<br>(21.6%) | 94.9<br>(17.9)   | 75.4<br>(15.3%)  | 102.9<br>(16.7%) | 550.4<br>(60.7%) | 490.3<br>(46.6%)  | 671.0<br>(58.9%) | 617.0<br>(58.9%) |
| Total           | 531.3<br>(100%)  | 623.2<br>(100%)  | 530.5<br>(100%)  | 492.6<br>(100%)  | 618.1<br>(100%)  | 906.1<br>(100%)  | 1.052.9<br>(100%) | 1.139<br>(100%)  | 1.048<br>(100%)  |

**Source:** Narodna banka Srbije

Table 5 shows that in the observed nine-year period, Great Britain, Germany, the USA, Belgium, Monte Negro and Bosnia and Herzegovina contributed the most to foreign exchange earnings from tourism in Serbia. Cumulative share of those countries in foreign exchange earnings in 2007-2011 period has been from 73.4 percent to 84.7 percent, and in 2012-2015 period it has dropped to around 40%.

Great Britain and Germany made major contribution to foreign exchange earnings from tourism in Serbia whose individual share reached 44.4 percent and 43.5 percent respectively. In the last four years the share of those countries has diminished significantly while on the other hand the share of Monte Negro and Bosnia and Herzegovina in Serbian foreign exchange earnings has grown considerably. Possible explanation could be that during economic crisis, tourists avoid distant destinations with the aim of lowering transport costs and choose mainly the neighboring countries. Also, in time of crises, the priority is given to cheaper destinations and cheaper tourist offer, what is exactly the tourist offer of Serbia.

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<sup>4</sup> Individual consumption of tourists is not included in the calculations for 2007-2011 period.

## **The impact of international tourism on export and development performance of Serbia**

The tendency of development of international tourism in international framework imposes the need for examining its role in the economies of individual countries. The importance of tourism for national economy is reflected in its contribution to export and development performance. Key question here to be asked is to what extent international tourism contributes to the exports and economic growth of Serbia.

The contribution of international tourism to export performance of Serbia is measured by its share in the revenues form exports of services and in total revenues from exports of goods and services (Table 6).

**Table 6:** *The share of foreign exchange earnings from tourism in revenues from exports of services and total revenues form exports of goods and services of the Republic of Serbia, 2007-2014 (million US dollars)*

| <b>Year</b>                               | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1.Exports of services                     | 3,167       | 4,033       | 3,489       | 3,531       | 4,221       | 3,970       | 4,563       | 5,041       |
| 2. Exports of goods and services          | 11,924      | 14,991      | 11,854      | 13,339      | 16,001      | 15,175      | 19,127      | 19,202      |
| 3. Foreign exchange earnings from tourism | 865         | 944         | 865         | 798         | 992         | 906         | 1,053       | 1,139       |
| 3./1.x100                                 | 27.3%       | 23.4%       | 24.8%       | 22.6%       | 23.5%       | 22.8%       | 23.1%       | 22.6%       |
| 3./2.x100                                 | 7.3%        | 6.3%        | 7.3%        | 6.0%        | 6.2%        | 6.0%        | 5.5%        | 5.9%        |

**Source:** *Author's calculations, on the basis of data from Narodna banka Srbije*

In the observed period, the share of foreign exchange earnings from tourism in export revenues from services has stabilized on the level of 22.6 percent to 27.3 percent. The fact that one fourth of export revenues form services comes from international tourism speaks about the importance of this industry for the position of overall services sector in country's foreign trade. On the other hand, the share of foreign exchange earnings from tourism in total revenues from exports of goods and services is much lower, ranging from 5.5 percent to 7.3 percent. Such relatively modest contribution of international tourism to overall export performance of the Republic of Serbia is inconsistent with the

development possibilities of international tourism which were perceived for the reference period in the adopted strategic documents of the Republic of Serbia (Ministarstvo trgovine, turizma i telekomunikacija, 2006).

Yet, the importance of international tourism as an export industry is greater than it could be concluded initially on the basis of official published data. Additional importance of international tourism stems from the advantages of “invisible” exports in contrast to classic exports of goods and services (Mihalič, 2002, 93):

- „Some goods, which cannot become the subject of exchange within international trade, such as natural and cultural or social attractiveness of the country, can be valorized through tourism. They attract tourism demand and are indirectly „sold“ on the tourism market, in a form of higher prices for tourism products.
- Some products that are „exported“ by being sold to foreign tourists visiting the country, such as a bottle of wine or food, may achieve higher prices than if exported traditionally.
- ‘Exporting’ by selling to tourists also results in higher profits, because apart from the higher prices mentioned earlier, the costs are lower (for example, lower or no transportation costs or insurance costs).
- Some perishable goods, such as agricultural products, which are sold to the tourists in the country, may simply not be suitable for owing to an insufficiently developed infrastructure and management of export flows.“

Comparative analysis of the effects of international tourism on export performance of the countries in the region confirms the thesis that export oriented economy of Serbia has relatively weak support from tourism (Table 7). Within these countries, Albania, Montenegro and Croatia have strong reliance on tourism in their export orientation, Bosnia and Herzegovina and Bulgaria have moderate reliance on tourism while Serbia, Macedonia and Romania have the weakest reliance on tourism. So, when it comes to the ranking of countries in the region on the basis of the contribution of tourism to overall export performance, Serbia is among the countries that are at the bottom of this list. Although Serbia has a potential to be an important European tourist destination, before all, thanks to various natural beauties and rich cultural heritage, international tourism cannot still be considered as a generator of exports.

**Table 7:** *The share of foreign exchange earnings from tourism in total revenues from export of goods and services of the countries from the region, 2007-2013 (in percent)*

| Country    | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------|------|------|------|------|------|------|------|
| Albania    | 60.0 | 56.4 | 65.8 | 53.5 | 48.5 | 45.6 | 43.4 |
| B&H        | 18.8 | 17.7 | 17.0 | 13.0 | 12.1 | 12.5 | 12.4 |
| Bulgaria   | 15.9 | 15.9 | 18.4 | 14.9 | 12.7 | 12.3 | 12.5 |
| Montenegro | 41.7 | 47.3 | 55.1 | 50.9 | 48.0 | 50.3 | 50.4 |
| Croatia    | 38.3 | 39.6 | 40.7 | 35.5 | 36.7 | 36.3 | 39.1 |
| Macedonia  | 6.1  | 6.2  | 7.7  | 5.8  | 5.0  | 5.5  | 5.8  |
| Romania    | 4.8  | 4.7  | 3.7  | 3.0  | 3.0  | 3.0  | 2.5  |
| Serbia     | 7.3  | 6.3  | 7.3  | 6.0  | 6.2  | 6.0  | 5.5  |

**Source:** *The World Bank, Narodna banka Srbije*

After the analysis of the share of foreign exchange earnings from tourism in total revenues from exports of goods and services, it is necessary to point out to the share of foreign exchange earnings from tourism in country's GDP. In this way, one can get complete insight into the importance of international tourism for national economy (Table 8).

**Table 8:** *The share of foreign exchange earnings from tourism in GDP of Serbia, 2007-2014 (million US dollars)*

| Year                            | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1.BDP of the Republic of Serbia | 40,331 | 49,224 | 42,685 | 39,370 | 46,464 | 40,676 | 45,512 | 44,143 |
| 2.Foreign Exchange of Tourism   | 865    | 944    | 865    | 798    | 992    | 906    | 1.053  | 1.139  |
| 2./1.x100                       | 2.1%   | 1.9%   | 2.0%   | 2.0%   | 2.1%   | 2.2%   | 2.3%   | 2.6%   |

**Source:** *Author's calculations, on the basis of data from Narodna banka Srbije, Republički zavod za statistiku Srbije*

In the observed eight-year period, the share of foreign exchange earnings from tourism in GDP of Serbia ranged from 2.0 percent to 2.6 percent, providing the clearest picture about modest proportions of the contribution of international tourism to development performance of the country.

Previous thesis is also confirmed by comparative analysis of the effects of international tourism on development performance of the countries in the region (Table 9).

**Table 9:** *The share of foreign exchange revenue from tourism in GDP of the countries in the region, 2007-2013 (in percent)*

| Country    | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------|------|------|------|------|------|------|------|
| Albania    | 15.9 | 18.4 | 19.4 | 16.6 | 16.6 | 14.5 | 13.1 |
| B&H        | 6.5  | 7.0  | 5.9  | 5.2  | 5.7  | 5.2  | 4.2  |
| Bulgaria   | 12.8 | 13.9 | 13.0 | 12.2 | 13.6 | 12.4 | 8.3  |
| Montenegro | 24.3 | 29.6 | 28.9 | 27.3 | 32.0 | 30.5 | 20.8 |
| Croatia    | 19.4 | 23.2 | 19.8 | 18.0 | 21.1 | 19.7 | 16.8 |
| Macedonia  | 3.3  | 3.7  | 3.3  | 2.9  | 3.3  | 3.2  | 2.5  |
| Romania    | 1.8  | 2.1  | 1.5  | 1.4  | 1.7  | 1.6  | 1.0  |
| Serbia     | 2.1  | 1.9  | 2.0  | 2.0  | 2.1  | 2.2  | 2.3  |

**Source:** *Author's calculations, on the basis of: The World Bank, Narodna banka Srbije, Republički zavod za statistiku Srbije*

Among the above mentioned countries, the largest share of foreign exchange earnings from tourism in GDP has Montenegro and the smallest Romania. Regrettably, Serbia is on the one but last place considering the contribution of international tourism to development performance of the country. It is not difficult to conclude that international tourism cannot still be considered as a generator of economic growth.

Speaking about the importance of international tourism for national economy, it is important to point out to the fact that this sector of the economy provides foreign exchange funds so necessary to meet foreign debt obligations of the country. International tourism could play in time an important role in diminishing the rate of external indebtedness of Serbia, contributing to the foundations of stable and sustainable development of the national economy (Gnjatović, 2008).

## Conclusion

A growing number of international tourist arrivals in the world testifies to the tourist movement as the most massive phenomena of modern times, and growing revenues from international tourism confirm its position as one of the largest sectors in the world economy.

By examining the importance of international tourism for Serbian economy, insufficient contribution of this industry to country's export and development performance has been found. One of the reasons for modest results of international tourism as an export and development segment of the economy is insufficient commitment to tourism and tourist policy within development policy of the Republic of Serbia. By putting the focus

on policies to improve tourism in the economic policy of the country, adequate commercialization and full valorization of Serbian tourist products would be provided and ultimately that would induce country's economic growth (Gnjatović & Grbić, 2009). Unenviable position of tourism points out to the necessity of urgent financial support from the State in the form of subsidies, issued guarantees, tax incentives, soft loans and similar instruments of financial assistance. Also, capital investments that are an instrument of long term and healthy development are needed, thus such investments should be considered as priority ones (Leković & Pantić, 2014). So, policymakers face a challenge of the development of international tourism as propulsive sector of the economy that corresponds directly to the overall country's economic development.

Despite the fact that Serbia lags significantly behind developed countries regarding the level of development of investment funds (Jakšić et al., 2015), the chance for the development of hotel industry and tourism in general should be sought in investing in investment funds. It is particularly important to attract financial resources of special type of investment funds which invest in immovable property (*Real Estate Investment Trust – REIT*). The exchange of examples of good practices with the world and the implementation of the above mentioned and similar examples is tracing a path to the development of international tourism of Serbia and promising positive effects on national economy.

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# IMPACT OF TOURISM ON BASIC MACROECONOMIC INDICATORS IN THE EUROPEAN UNION AND SERBIA

*Tanja Stanišić<sup>1</sup>, Sonja Milutinović<sup>2</sup>*

## Abstract

The main objective of the paper is to assess the importance and role of tourism in the European Union countries and Serbia, measured by its share in the basic macroeconomic categories. The relationship between the tourist traffic and the size of selected macroeconomic indicators is examined in this paper by using the appropriate methodology. Consideration of the position of Serbia in relation to the European Union countries, according to the most important indicators of tourism development and selected macroeconomic indicators is defined as the specific objective of the research. The methods applied in this paper are: comparative, correlation and cluster analysis. The research results indicate the great importance of tourism for economic development in modern conditions, as well as the need to improve Serbia's position when it comes to the tourism development and its role in the economic development of the country.

**Keywords:** *tourism, macroeconomic indicators, European Union, Serbia*

## Introduction

The role of tourism is gaining importance when it comes to economic growth and prosperity of the modern states. Tourism as an industry has equal importance both locally and globally. The fact that tourism is the primary economic activity in many countries has been adopted by all countries in the world. For this reason, governments of many countries are trying to develop tourism as a major economic activity, in order to

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1 Tanja Stanišić, Ph.D., Assistant professor, Faculty of Hotel Management and Tourism in Vrnjačka Banja, University of Kragujevac, Serbia, phone number: +381644941542, E-mail: tanja.stanasic@kg.ac.rs

2 Sonja Milutinović, Ph.D. student, Teaching Assistant, Faculty of Hotel Management and Tourism in Vrnjačka Banja, University of Kragujevac, Serbia, +381648198998, E-mail: sonja.milutinovic@kg.ac.rs

obtain benefits for their economies (Dritsakis, 2004). Navickas and Malakauskaite (2009) argue that the competitiveness of tourism destination is particularly important for countries that want to increase their share on the tourism market that is rapidly evolving. Cooper, Fletcher, Fyall, Gilbert and Wanhill (2008) talk about the importance to simultaneously develop and support the activities of the destination and to preserve and protect the existing resources of importance for tourism destinations. Tourist supply in the EU countries covers a wide range of natural and anthropogenic resources, attractions, events and accommodation facilities of all categories (Vodeb, 2012). The comparative advantage of the EU destinations was achieved thanks to the tourism product differentiation, efficiency of price policy, which is based on economies of scale and by focusing on segments of the tourism demand, which needs can be fully met (Podovac et al., 2013, 172). When it comes to Serbia, the effects of tourism development in Serbia multiple and largely affect the overall economic and social development. The role of tourism as a generator of economic development, as well as its multiplier effects, contribute to an increase of the basic and supplementary employment, especially in underdeveloped areas. By developing tourism and including numerous activities that have an interest in the overall tourism development or its individual parts, Serbia ensures the long-term economic stability. However, there are barriers to more intensive tourism development, which are conditioned by major changes in the internal environment in Serbia, but also its surroundings. Considering that Serbia has a lot of quality resources for tourism development, it should become a driving force behind economic development and a factor of stabilization and growth of economic activity in Serbia (Dimitrovski & Milutinović, 2014, 58). The paper analyses the relationship between the tourism development in the EU countries (measured by International Tourist Arrivals and International Tourism Receipts) and the level of contribution of tourism to basic macroeconomic indicators. Another purpose of the paper relates to the consideration of the position of Serbia according to the results achieved in tourism compared to the EU countries. The first and the second part of the research are related to the analysis of the tourism development level and analysis of tourism's contribution to the main macroeconomic indicators in the EU countries and Serbia. The relationship between the level of tourism development and tourism's contribution to the basic macroeconomic indicators is examined in the third part of the paper. The heterogeneity/homogeneity of the EU countries and Serbia, according to the observed indicators, is examined in the fourth part of the paper. This,

once again, points to the position of Serbia, reviewing its membership in one of three defined clusters.

### **Literature review**

Tourism, as the fastest growing industry in the world, is a significant driver of economic development of modern economies. The development of the tourism sector can greatly affect the economic development of any country (Krstić, Stanišić & Petrović, 2015, 508). The development of tourism in the country can lead to a revenue increase of population that is employed in tourism enterprises, as well as, the proportion of the population who are not directly employed in tourism enterprises, or is employed in companies whose economic survival depends on tourism, to a greater or lesser extent. Many studies emphasize the link between tourism development, economic growth and development and the impact of tourism on the basic macroeconomic indicators (Ivanov & Webster, 2007; Massidda & Mattana, 2012; Kasimati, 2011; Brida, Pereyra, & Devesa, 2008; Castro-Nuño, Molina-Toucedo, & Pablo-Romero, 2013; Lee & Chang, 2008). Krstić & Stanišić (2015) analysed the contribution of tourism to the gross domestic product in the EU countries and Serbia. Among the analysed EU countries there are those where tourism participates in the GDP of over ten percent. When it comes to Serbia, tourism still has not such important role. The percentage of the direct contribution of tourism to the GDP in Serbia is also lower compared to the EU average, and to the world average (Krstić & Stanišić, 2015, 14). Gnjatović & Leković (2015) analysed the position of international tourism in Serbia's balance of payments and the impact of foreign currency revenue from tourism on the export and overall performance of the domestic economy. Analysis showed that international tourism has no positive effect on the overall Serbia's balance of payments, as well as that its contribution to export and growth performance of the country is still a relatively modest. Namely, in the reporting period (2007-2013) the outflow of foreign currency from tourism is constantly higher than the foreign currency inflow from tourism. They also analysed the participation of foreign currency revenue from tourism in overall revenues from exports of goods and services and came to the following results: during the reporting period, the share of international tourism in total revenues from exports of goods and services was at a modest level from 5.5% to 7.3%. The contribution of international tourism to growth performance in the country is also relatively modest: the participation of foreign currency revenue from tourism in Serbia's GDP in the observed

period is ranged from 3.4% to 4.1%. A comparative analysis of relevant macroeconomic indicators for the countries of South-Eastern Europe has shown that Serbia, when it comes to participation of foreign currency revenue from tourism in GDP, is on the bottom of the list.

### **Research methodology, data and hypothesis**

In accordance with the defined objective of the paper, the authors of the study assume the existence of positive interdependence between the degree of tourism development in the analyzed countries and its contribution to basic macroeconomic indicators.

The methods of comparative analysis, correlation analysis and cluster analysis are applied in this paper. The position of Serbia according the tourism development level and the contribution of tourism to the basic macroeconomic indicators in relation to the European Union countries is analysed by using the comparative analysis. The relationship between the tourism development level and its contribution to the basic macroeconomic indicators is examined by using the correlation analysis. Cluster analysis grouped the European Union countries and Serbia in three relatively homogeneous groups on the basis of all the observed indicators (International Tourist Arrivals, International Tourism Receipts, Total contribution of tourism to GDP, Direct contribution of tourism to GDP, Total contribution to Employment and Investment).

Information base of research are the data of the World Tourism Organization (UNWTO) about International Tourist Arrivals and International Tourism Receipts and the data of the World Travel & Tourism Council (WTTC) about contribution of tourism to the main macroeconomic indicators in 2014.

### **Research results and discussion**

The research results and the accompanying analysis of the results are grouped into four segments:

1. Analysis of development level of tourism in the EU countries and Serbia,
2. Analysis of tourism contribution to the main macroeconomic indicators in the EU countries and Serbia,
3. Correlation analysis,
4. Cluster analysis.

## Analysis of development level of tourism in the EU countries and Serbia

The data about international tourist arrivals and international tourism receipts in the European Union countries in 2014 are given in Table 1.

**Table 1:** *International Tourist Arrivals and International Tourism Receipts in the European Union countries in 2014*

| Country         | International Tourist Arrivals (1000) | International Tourism Receipts (US\$ million) |
|-----------------|---------------------------------------|---|
| Austria         | 25291                                 | 20559   |
| Belgium         | 7976                                  | 14268   |
| Bulgaria        | 7311                                  | 4134  |
| Croatia         | 11623                                 | 9866  |
| Cyprus          | 2441                                  | 2819  |
| Czech Republic  | 10617                                 | 6691  |
| Denmark         | 8557                                  | 7260  |
| Estonia         | 2918                                  | 1434  |
| Finland         | 2731                                  | 4050  |
| France          | 83700                                 | 55402   |
| Germany         | 33005                                 | 43326   |
| Greece          | 22033                                 | 17793   |
| Hungary         | 12139                                 | 5884  |
| Ireland         | 8260                                  | 4866  |
| Italy           | 48576                                 | 45545   |
| Latvia          | 1843                                  | 955   |
| Lithuania       | 2061                                  | 1440  |
| Luxembourg      | 1038                                  | 5361  |
| Malta           | 1690                                  | 1517  |
| Netherlands     | 13926                                 | 14716   |
| Poland          | 16000                                 | 10925   |
| Portugal        | 9323                                  | 13808   |
| Romania         | 1912                                  | 1813  |
| Slovak Republic | 6235                                  | 2578  |
| Slovenia        | 2411                                  | 2719  |
| Spain           | 64995                                 | 65187   |
| Sweden          | 10750                                 | 12695   |
| United Kingdom  | 32613                                 | 45262   |

Legend:  Countries with the highest value of analyzed indicator

Countries with the lowest value of analyzed indicator

Source: UNWTO, <http://www2.unwto.org/en>

Countries with the largest number of International Tourist Arrivals, as well as, with the largest amount of International Tourism Receipts are France, Italy and Spain, traditionally the most important tourist destinations in Europe. The minimum number of International Tourist Arrivals is recorded in Latvia, Luxembourg and Malta, while the smallest amount of International Tourism Receipts is recorded in Estonia, Latvia and Lithuania.

The results of descriptive statistics based on the data shown in Table 1 are presented in Table 2.

**Table 2:** *The results of descriptive statistics (International Tourist Arrivals and International Tourism Receipts in the EU countries)*

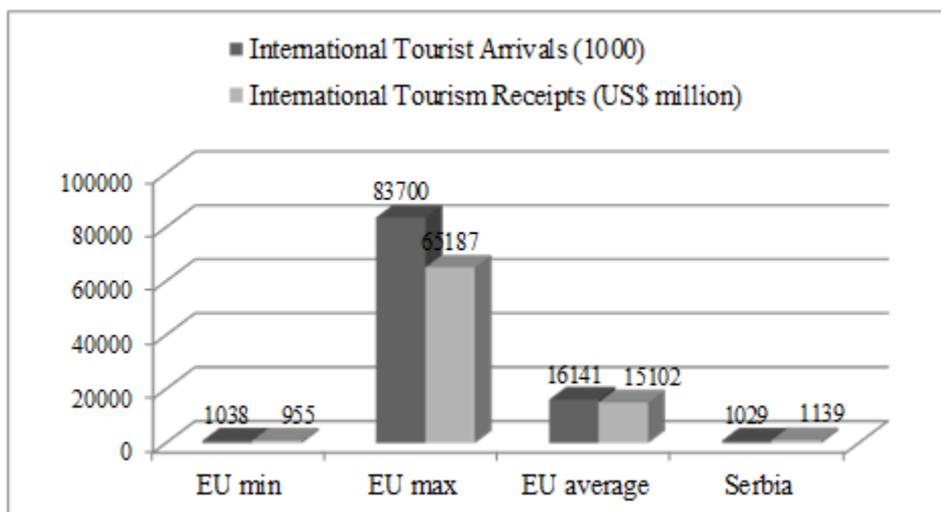
|   | N  | Minimum | Maximum  | Mean     | Std. Deviation | Variation Coefficient (%) |
|---|----|---------|----------|----------|----------------|---------------------------|
| International Tourist Arrivals (000)          | 28 | 1038.00 | 83700.00 | 16141.96 | 20147.49       | 124.81                    |
| International Tourism Receipts (US\$ million) | 28 | 955.00  | 65187.00 | 15102.60 | 18166.84       | 120.28                    |

**Source:** *Prepared by the authors (SPSS Statistics 19)*

The lowest recorded value of the International Tourist Arrivals amounts 1.038 million, while the largest recorded value of the International Tourist Arrivals is 83.7 million. The smallest recorded amount of the International Tourism Receipts in the EU countries is 955 million US\$, while the largest recorded amount is 65,187 billion US\$. Since the coefficient of variation in both cases is greater than 100%, it can be concluded that this is a very heterogeneous set of data, or that the EU countries are very heterogeneous according to the International Tourist Arrivals and International Tourism Receipts.

Figure 1 shows the relative position of Serbia according to the International Tourist Arrivals and International Tourism Receipts in relation to the minimum, maximum and mean value of these indicators in the EU member states.

**Figure 1:** Comparison of development level of tourism in the EU and Serbia in 2014



**Source:** UNWTO, <http://www2.unwto.org/en>

On the basis of Figure 1, it can be concluded that Serbia lags significantly to the average values of International Tourist and Arrivals International Tourism Receipts recorded in the EU. Serbia recorded even lower value of International Tourist Arrivals in relation to the lowest recorded value in the EU, as well as a slightly higher value of International Tourism Receipts in relation to the lowest recorded value in the EU.

### **Analysis of tourism contribution to the main macroeconomic indicators in the EU countries and Serbia**

Table 3 presents data on the contribution of tourism to the selected macroeconomic indicators in the EU countries in 2014. The direct contribution of tourism to GDP means GDP generated by industries that deal directly with tourist, including hotels, travel agents, airlines and other passenger transport services, as well as the activities of restaurant and leisure industries that deal directly with tourists. The total contribution of tourism to GDP means GDP generated directly by the Travel and Tourism sector plus its indirect and induced impact. The total contribution to employment includes number of jobs generated directly in the Travel and Tourism sector (employment by hotels, travel agents, airlines and other passenger transportation services) plus the indirect and induced contributions. Investment (Capital investment) includes capital

investment spending by all industries directly involved in Travel and Tourism (WTTC, 2015).

**Table 3:** *Contribution of tourism to the main macroeconomic indicators in the EU countries in 2014*

| Country         | Total contribution of tourism to GDP (US\$ in billion) | Direct contribution of tourism to GDP (US\$ in billion) | Total contribution to Employment (thousands of jobs) | Investment (Capital investment) (US\$ in bn) |
|-----------------|--|---|--|--|
| Austria         | 59.26  | 21.23   | 622.64   | 4.10   |
| Belgium         | 31.81  | 12.56   | 292.78   | 2.79   |
| Bulgaria        | 7.28   | 2.07  | 361.94   | 0.73   |
| Croatia         | 14.13  | 6.26  | 310.33   | 1.08   |
| Cyprus          | 4.53   | 1.48  | 82.40  | 0.33   |
| Czech Republic  | 16.45  | 5.37  | 498.27   | 2.10   |
| Denmark         | 23.11  | 6.59  | 205.48   | 3.49   |
| Estonia         | 3.59   | 0.66  | 86.96  | 0.46   |
| Finland         | 17.68  | 5.81  | 170.06   | 1.65   |
| France          | 254.84   | 102.60  | 2714.11  | 41.23  |
| Germany         | 343.47   | 145.20  | 4981.98  | 32.38  |
| Greece          | 39.06  | 15.76   | 699.86   | 3.67   |
| Hungary         | 14.00  | 5.39  | 415.50   | 1.10   |
| Ireland         | 21.95  | 5.06  | 171.38   | 6.50   |
| Italy           | 216.69   | 87.94   | 2553.04  | 12.19  |
| Latvia          | 2.81   | 1.00  | 76.30  | 0.34   |
| Lithuania       | 2.28   | 0.90  | 60.89  | 0.27   |
| Luxembourg      | 2.80   | 1.11  | 14.33  | 0.79   |
| Malta           | 2.88   | 1.50  | 51.06  | 0.22   |
| Netherlands     | 48.62  | 16.67   | 709.05   | 4.60   |
| Poland          | 23.88  | 9.31  | 669.57   | 3.90   |
| Portugal        | 36.39  | 13.87   | 831.58   | 3.30   |
| Romania         | 9.88   | 3.18  | 467.38   | 3.58   |
| Slovak Republic | 5.83   | 2.28  | 135.99   | 0.71   |
| Slovenia        | 6.27   | 1.73  | 103.40   | 0.94   |
| Spain           | 214.44   | 78.26   | 2652.61  | 17.94  |
| Sweden          | 53.77  | 13.69   | 527.09   | 3.65   |
| United Kingdom  | 309.76   | 102.2   | 4227.97  | 21.42  |

Legend:  Countries with the highest value of observed indicator

 Countries with the lowest value of observed indicator

**Source:** WTTC, <https://www.wttc.org/datagateway/>

Three countries with the lowest Total contribution of tourism to GDP are Latvia, Lithuania and Luxembourg. The smallest Direct contribution of tourism to GDP among the EU countries is recorded in Estonia, Latvia and Lithuania. When it comes to Total contribution to Employment, Lithuania, Luxembourg and Malta are the country with the lowest contribution of tourism to employment. The minimum amount of Capital investment in tourism is recorded in Cyprus, Lithuania and Malta. France, Germany and United Kingdom are the countries with the highest value of all four indicators observed.

The results of descriptive statistics based on the data shown in Table 3 are presented in Table 4.

**Table 4:** *Descriptive Statistics (analyzed indicators of tourism contribution)*

|   | N  | Min   | Max     | Mean   | Std. Deviation | Variation Coefficient (%) |
|---|----|-------|---------|--------|----------------|---------------------------|
| Direct contribution of tourism to GDP (US\$ in billion) | 28 | 0.89  | 145.20  | 23.92  | 39.30          | 164.29                    |
| Total contribution of tourism to GDP (US\$ in billion)  | 28 | 2.28  | 343.47  | 63.83  | 100.58         | 157.57                    |
| Total contribution to Employment (Thousands of jobs)    | 28 | 14.33 | 4981.98 | 881.92 | 1301.63        | 147.59                    |
| Investment (Capital investment) (US\$ in bn)            | 28 | 0.22  | 41.23   | 6.26   | 10.10          | 161.34                    |

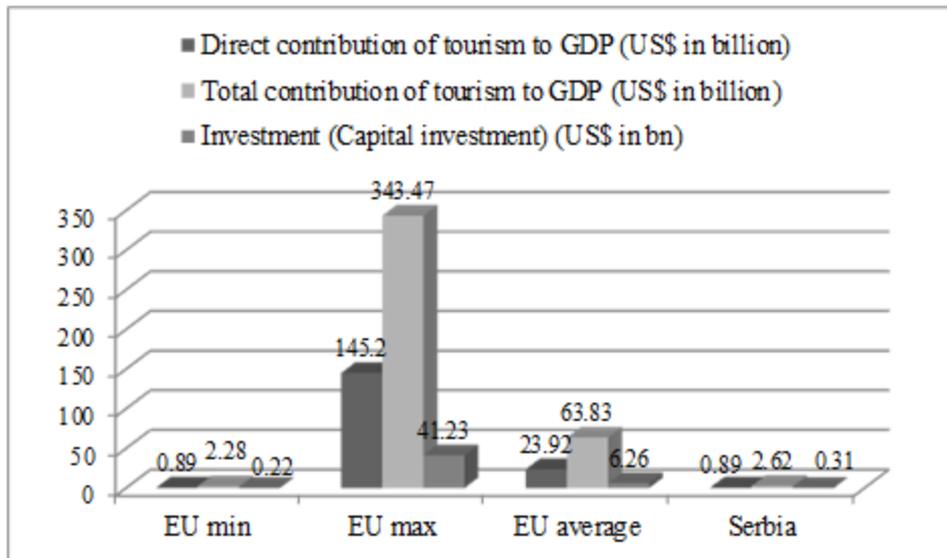
**Source:** *Prepared by the authors (SPSS Statistics 19)*

Similar to the situation presented in Table 2, the value of variation coefficients for all observed indicators in Table 4 is greater than 100. This fact points out the great heterogeneity of the EU countries according to the recorded contribution of tourism to the basic macroeconomic indicators. The largest variation is recorded when it comes to Direct contribution of tourism to GDP.

Figure 2 shows the relatively position of Serbia according to direct and total contributions of tourism to GDP and capital investment compared

with the minimum, maximum and average values of these indicators recorded in the EU.

**Figure 2:** Comparison of contribution of tourism to the selected macroeconomic indicators in the EU and Serbia in 2014



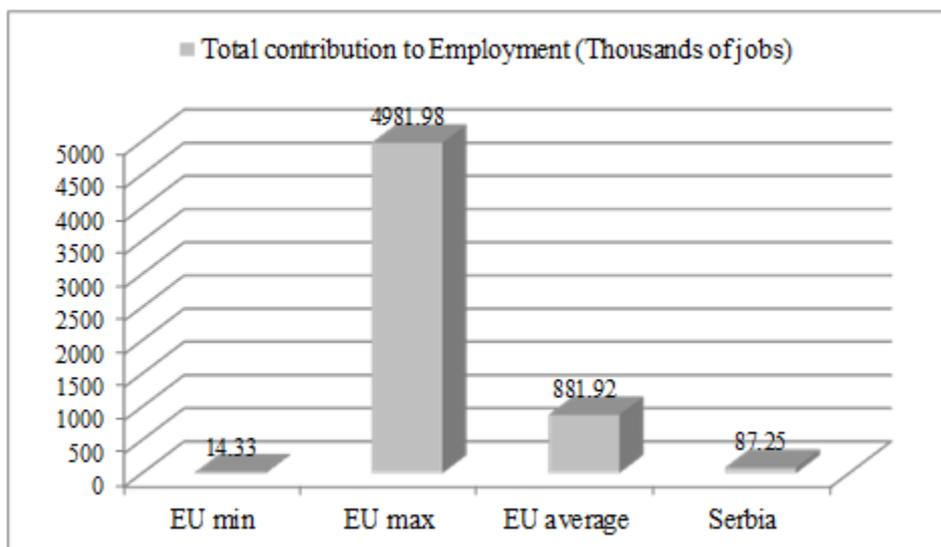
**Source:** WTTC, <https://www.wttc.org/datagateway/>

The recorded value of these three indicators in Serbia is significantly lower not only than the maximum, but also than the average values of the EU. Direct contribution of tourism to GDP in Serbia is equal to the minimum value recorded in the EU. Total contribution of tourism to GDP and Investment in Serbia are negligibly higher than the minimum values recorded in the EU.

Figure 3 gives a comparative overview of the total contribution of tourism to employment in Serbia and the minimum, maximum, and average values of this indicator in the EU.

In contrast to the all previously observed indicators, Total contribution of tourism to employment is significantly higher than the minimum recorded value in the EU, but still significantly below the EU average. It can be concluded that tourism is a relatively important generator of employment in Serbia, providing around 87,000 jobs in 2014.

**Figure 3:** Comparison of total contribution of tourism to employment in the EU and Serbia in 2014



**Source:** WTTC, <https://www.wttc.org/datagateway/>

### The results of correlation analysis

Relationship between the level of tourism development, measured by International Tourist Arrivals and International Tourism Receipts, and the contribution of tourism to the basic macroeconomic indicators (Direct contribution of tourism to GDP, Total contribution of tourism to GDP, contribution to Total Employment and Investment), is analyzed in the Table 5 by calculating of the Pearson correlation coefficient between the observed indicators on a sample of the EU countries.

The results of correlation analysis indicate that there is a high positive correlation between the International Tourist Arrivals and International Tourism Receipts and all observed indicators. When it comes to International Tourist Arrivals, the highest positive correlation is recorded between this indicator and Investment (Pearson' correlation coefficient of 0.856). When it comes to International Tourism Receipts, the highest positive correlation is recorded between this indicators and Total contribution of tourism to GDP (Pearson' correlation coefficient of 0.916). Given results of the correlation analysis are statistically significant.

**Table 5:** *The examination of interdependence between the tourism development and tourism's contribution to the basic macroeconomic indicators*

|                                       |                     | <b>International Tourist Arrivals</b> | <b>International Tourism Receipts</b> |
|---------------------------------------|---------------------|---------------------------------------|---------------------------------------|
| International Tourist Arrivals        | Pearson Correlation | 1                                     | 0.940(**)                             |
|                                       | Sig. (2-tailed)     |                                       | 0.000                                 |
| International Tourism Receipts        | Pearson Correlation | 0.940(**)                             | 1                                     |
|                                       | Sig. (2-tailed)     | 0.000                                 |                                       |
| Direct contribution of tourism to GDP | Pearson Correlation | 0.807(**)                             | 0.906(**)                             |
|                                       | Sig. (2-tailed)     | 0.001                                 | 0.002                                 |
| Total contribution of tourism to GDP  | Pearson Correlation | 0.805(**)                             | 0.916(**)                             |
|                                       | Sig. (2-tailed)     | 0.000                                 | 0.000                                 |
| Total contribution to Employment      | Pearson Correlation | 0.731(**)                             | 0.869(**)                             |
|                                       | Sig. (2-tailed)     | 0.000                                 | 0.000                                 |
| Investment                            | Pearson Correlation | 0.856(**)                             | 0.855(**)                             |
|                                       | Sig. (2-tailed)     | 0.000                                 | 0.000                                 |

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Source:** *Prepared by the authors (SPSS Statistics 19)*

### **The results of cluster analysis**

Cluster analysis examined the homogeneity/heterogeneity of the analysed countries (Petrović, Krstić, & Stanišić, 2015), the EU member states and Serbia, according to recorded tourist arrivals and tourism receipts and tourism contribution to the basic macroeconomic indicators. All countries are grouped into three clusters.

According to the Final Cluster Centers given in Table 6, it can be seen that countries in cluster 2 have the highest value of the analysed indicators, that lower value of the analysed indicators can be observed for the countries in cluster 1, and that cluster 3 is composed of the countries with the lowest values of the analysed indicators.

**Table 6: Final Cluster Centers**

|                                       | Cluster  |          |         |
|---------------------------------------|----------|----------|---------|
|                                       | 1        | 2        | 3       |
| International Tourist Arrivals        | 34871.25 | 74347.50 | 7166.26 |
| International Tourism Receipts        | 38673.00 | 60294.50 | 6466.57 |
| Direct contribution of tourism to GDP | 35.05    | 111.73   | 13.35   |
| Total contribution of tourism to GDP  | 232.29   | 234.64   | 17.03   |
| Total contribution to Employment      | 3096.41  | 2683.36  | 305.60  |
| Investment                            | 17.52    | 29.59    | 2.02    |

**Source:** Prepared by the authors (SPSS Statistics 19)

The following structure of clusters is derived as a result of cluster analysis:

- Cluster 1: Austria, Germany, Italy and United Kingdom;
- Cluster 2: Spain and France;
- Cluster 3: Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Sweden and Serbia.

In a cluster with the highest values of observed indicators, cluster 2, there are only two countries, France and Spain, which are, based on results achieved in the field of tourism, the leading countries of Europe, and also one of the world's most significant tourist destinations. Cluster 3, cluster with the lowest values of observed indicators, contains as many as 22 countries of the European Union. Serbia is located in this cluster. The results of the cluster analysis indicate the great heterogeneity of the EU countries when it comes to tourism development and contribution of tourism to the basic macroeconomic indicators. Six countries (Spain, France, Austria, Germany, Italy and United Kingdom) stand out as leaders. In addition to being located in a cluster with the lowest values of observed indicators, it can be said that, by the ranking of countries in the third cluster, Serbia would be on the bottom of the list according to the results achieved in tourism.

### **Conclusion**

Modern tourism in the XXI century is affecting almost all countries of the world. The positive effects of tourism on the overall economic activity can be used as factor of faster economic development. Many countries pay a lot of attention on this economic sector because it employs a

number of staff and affects the increase in consumption of local and national products and services, which are not burdened with customs, transport costs and other levies of classic international trade. The scope and significance of international tourism trends in the world is best confirmed by numerous national, inter-regional, continental and global organizations which are dealing with the improvement of tourism and other activities that contribute to the development of tourism. It should be noted that tourism is one of the activities that will generate dynamic growth in the upcoming period in terms of the world economy. Experts of the World Tourism Organization predict that tourism will become one of the leading activities of the world economy, with a very dynamic growth in the future.

The aim of the paper was to analyse the interdependence between the tourism development and the level of contribution of tourism to certain macroeconomic indicators, as well as consideration of the position of Serbia according to the results achieved in tourism in comparison with the EU countries. The analysis of the tourism development level and the contribution of tourism to the selected macroeconomic indicators already points to the existence of certain positive links between them. Countries with the largest International Tourist Arrivals and International Tourism Receipts (such as France, Italy, Spain, Germany and United Kingdom) are the countries that recorded the highest level of direct contribution of tourism to GDP, Total contribution of tourism to GDP, Total contribution of tourism to Employment and Investment in tourism sector. Lithuania is, for example, a country that is located at the bottom on the list of the EU countries according to all observed indicators.

When it comes to Serbia's position in comparison with the EU countries, the data point out to its relatively unfavourable position. Serbia recorded a lower value of almost all observed indicators in relation to the minimum recorded value in the EU. A slight exception is the indicator of Total contribution of tourism to employment, where Serbia has a slightly higher contribution compared to the minimum contribution recorded in the EU.

A high positive correlation between the tourism development (measured by International Tourist Arrivals and International Tourism Receipts) and the contribution of tourism to the basic macroeconomic indicators (measured by direct contribution of tourism to GDP, Total contribution of tourism to GDP, Total contribution of tourism to Employment and Investment) is confirmed by the results of the correlation analysis. These

results suggest a high positive, statistically significant interdependence between these indicators. Cluster analysis confirmed the high heterogeneity of the EU countries when it comes to the tourism development level. Two leading clusters, with the highest values of observed indicators contains only six the EU countries. The remaining 22 EU countries, as well as Serbia, are in clusters 3, cluster with the lowest performance in the field of tourism development and tourism's contribution to the basic macroeconomic indicators.

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# STATISTICS OF TOURISM AND CATERING TRADE STATISTICS IN THE REPUBLIC OF SERBIA

*Jelena Radović-Stojanović<sup>1</sup>; Nevena Vasović<sup>2</sup>;*

## Abstract

*In this paper, we present the statistical data sources on Tourism and Catering Trade published by Statistical Office of the Republic of Serbia. The aim of the paper is to show interested researchers the available statistical data sources on Tourism and Catering Trade activity in the Republic of Serbia that can be used for empirical research. We briefly introduce survey methodology applied by Statistical Office of the Republic of Serbia. We present selected statistical data using tables and advanced graphs and we also list available publications with these data. Analyzing the available data, we conclude that statistical surveys are extensive and the obtained pieces of information are important for analyzing levels, trends and tendencies in tourism, but there is also a way to enrich available sources of information, especially with the data related to the value of the tourist turnover and with seasonally adjusted data.*

**Keywords:** *tourism statistics, catering trade statistics, statistical survey, database, Serbia*

## Introduction

Statistical coverage of Tourism and Catering Trade includes collecting, processing and publishing the statistical data in the field of Tourism and Catering Trade by the Official producers of economic statistics in the Republic of Serbia. Statistics of Tourism and Catering Trade covers economic activity within the activity of national economy which was originally named - Tourism and Catering Trade, but today, in the System of National Accounts of the Republic of

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1 Jelena Radović-Stojanović, PhD, Assistant professor, The Academy of Criminalistic and Police Studies, 196 Cara Dusana Street, 11080 Belgrade-Zemun, Republic of Serbia, (+ 381 11) 31 07 123, jelena.rs@kpa.edu.rs

2 Nevena Vasović, MSc, Assistant, Faculty of Hotel Management and Tourism, University of Kragujevac, Vojvodjanska bb, 36210 Vrnjacka Banja, Republic of Serbia, (+381 36) 515 00 24, nevena.vasovic@kg.ac.rs

Serbia, it is known as Accommodation and Food Service. The main producer of statistical data in the fields of tourism and catering trade in Serbia is the Statistical Office of the Republic of Serbia. Statistical coverage of tourism and catering trade has been realized through two statistical areas. The Tourism area, i.e. tourism statistics, provides information of tourist turnover and capacity of accommodation facilities, while the Catering Trade, i.e. catering statistics, monitoring trends of volume and structure of turnover that is realized in the Catering Trades activity.

Statistical Office of the Republic of Serbia collects data about Tourism and Catering Trade activity via regular statistical surveys. In the area of Tourism, there are two types of surveys: statistical survey of tourist arrivals, or Tourists arrivals and overnight stays, and Statistical survey on travel agencies. These surveys collect the data on tourist turnover based on the number of arrivals and overnight stays realized by domestic and foreign tourists. In the Catering Trade area, there are quarterly and annual Catering trade surveys, and within these two types of surveys the data on Catering Trade turnover are collected. In this paper, we present these types of surveys, and outline a basic form of survey methodology. We list the indicators obtained via these surveys and publications of Statistical Office of the Republic of Serbia where these data is published.

Besides the Statistical Office of the Republic of Serbia, the data in the areas of Tourism and Catering Trade are also collected and published by other state organizations and institutions that are a part of the system of official statistics in the Republic of Serbia. The Ministry of Trade, Tourism and Telecommunications publishes information in the field of domestic and external trade, data about tourist turnover and the review of categorized tourist facilities in the Republic of Serbia. National Tourism Organization of Serbia publishes the data about tourist destinations in the Republic of Serbia and the data about catering facilities in the Republic of Serbia, which are available to the domestic and foreign tourists.

One part of the information is obtained via the surveys of the very Organization and the records that the Organization carried out, but the largest part of the information is taken from the Statistical Office of the Republic of Serbia. This is the reason why the paper is primarily focused on the presentation and analysis of the data of the

Statistical Office of the Republic of Serbia, as the most important producer of economic statistics in the area of Tourism and Catering Trade in the Republic of Serbia.

The main aim of this paper is to introduce interested researchers to the available statistical data that could be used in empirical researches in the area of Tourism and Catering Trade. After Introduction, in the first part of this paper, we present surveys on tourist arrivals and overnight stays and surveys on travel agencies. In the second part, we present statistical surveys of the Catering Trade turnover.

We describe in brief the methodology applied in these surveys and present statistical data which are obtained. Some of the data is presented using advanced graphics and tables. Some other possibilities of the analysis, based on the available data, are also illustrated in order to analyze the level and trends in the Tourism and Catering Trade in the Republic of Serbia. Statistical publications of Statistical Office of the Republic of Serbia, where the data on Tourism and Catering Trade are published, are presented, as well. We also present data, i.e., indicators on Tourism and Catering Trade, which are available in the database of the Statistical Office of the Republic of Serbia. In Conclusion, we point out that the possibilities of analysis that can be performed based on available statistical sources of information in the area of Tourism and Catering Trade are considerable, but there is a way to enrich available sources of information, especially with the data related to the value of the tourist turnover and with seasonally adjusted data.

### **Tourism statistics – Methods and data**

In Tourism statistics, Statistical Office of the Republic of Serbia conducts two types of surveys: Survey on tourist arrivals and overnight stays and Statistical survey on travel agencies. Statistical research about tourist arrivals and overnight stays has a long tradition. In the statistical system of Serbia, the first methodology manual was introduced in 1946, and it was published in 1954 in the edition of the Federal Statistical Office "Methodological material " volume no. 37. The aim of survey on tourist arrivals and overnight stays is to collect the data about the level, structure, tourist turnover and capacity of catering facilities.

Reporting units in these surveys are business entities and tourists in catering facilities for accommodation. Reporting units deliver data about the number of overnight stays and their accommodation facilities to the Statistical office of the Republic of Serbia. Survey is carried out through reporting methods and data is collected on a monthly level, by filling the form “Monthly report about tourist visits and overnight stays in catering facilities.” Reporting units – business entities (companies that provide accommodation services) prepare their reports about accommodation facilities and overnight stays of domestic and foreign tourists, using book of guests, technical documentation, inventory lists and documents for determining the type and category of accommodation facilities. Definition of main variables and methodology is coordinated with suggestions of Eurostat in the field of tourism (Regulation (EU) No 692/2011).

Surveys collect the following data:

- Data about the number of tourist arrivals and overnight stays in accommodation facilities;
- Data about the number of foreign tourist arrivals and overnight stays in accommodation facilities according to the country they come from;
- Data about the number of accommodation facilities for tourist accommodation, according to types and categories, and also according to the number of rooms and beds.

Data obtained in surveys are used for monitoring and analyzing the level of tourist turnover, for studying tourism conjectures, for analyzing the use of accommodation facilities, as well as for planning and analyzing measure of economic policy in the field of tourism. The data obtained are published in the publications of the Institute: Statistical Release, Monthly Bulletin, Statistical Yearbook of Serbia, Municipalities in Serbia, Statistical calendar and on the Internet website of the Institute.

Statistical survey on travel agencies covers travel agencies that are located in the Republic of Serbia and have a license for performing intermediation in Tourism. These agencies are reporting units in a statistical survey. This type of research is implemented with reporting method, based on filling the appropriate form. The aim of this survey is to provide data about travel agencies in country and abroad, the data about the level and structure of tourist turnover realized by

travel agencies and capacity of travel agencies of their own transport means (cars, vehicles, ships, boats). The obtained results are useful for analyzing tourist turnover realized by travel agencies, understanding economic impact of travel agencies and the creation of satellite account in the System of National Accounts in order to observe the impact of tourism on the national economy.

In these researches the following data are obtained:

- turnover, expressed by the number of tourists (number of arrivals) and the number of overnight stays,
- tourist turnover of domestic tourists, covers turnover (the number of nights and tourists) realized in arrangement of travel agencies by domestic tourists,
- tourist turnover of foreign tourists, covers turnover realized in arrangement of travel agencies by foreign tourists in the Republic of Serbia, where origin of foreign tourists is determined on the basis of nationality, and
- travel means of travel agency, includes data on the number of transport vehicles which an agency owns (buses, passenger cars, ships, boats, etc.) and are intended for the transport of tourists or for rental to the tourists.

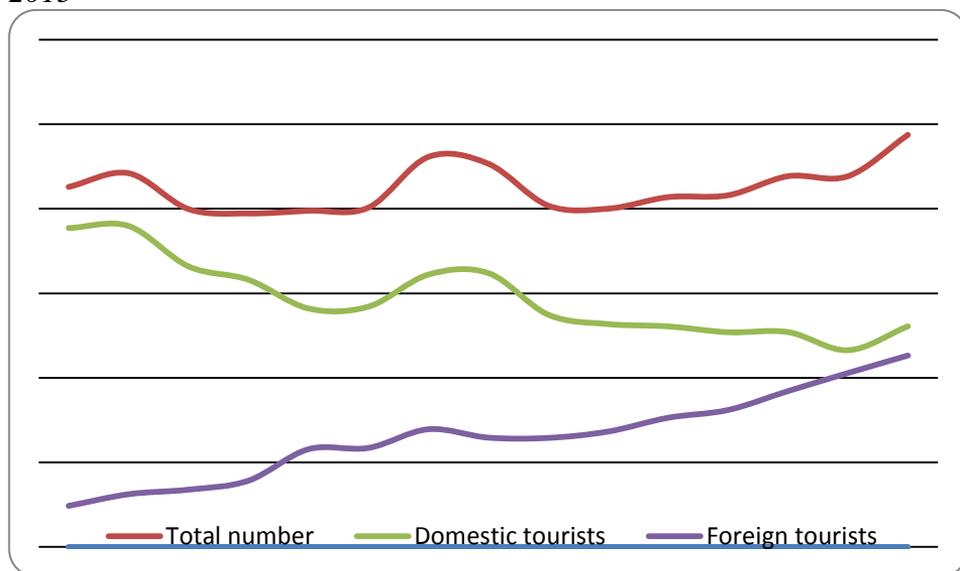
The survey is semiannual, and results are published in the Statistical Yearbook of the Republic of Serbia and on the Internet website of the Statistical Office of The Republic of Serbia.

Statistical data in the area of Tourism are also available in the Database of the Statistical Office of the Republic of Serbia. Database can be accessed via Internet website. As it is explained (Radović – Stojanović, Zečević, Kojčin, 2015, p.832), "... The Statistical Office of the Republic of Serbia Database was formed at the beginning of 2010. The database was formed with about 400 indicators and in the meantime it has been developed and changed with data, so that today it contains data for 735 indicators in all areas of social and economic life from which the Office collects and processes statistical data". The following tourism indicators are available: Tourist arrivals and overnight stays - annual data, Tourist arrivals and overnights stays from December 2010 - monthly data and Tourist arrivals and overnight stay by regions - monthly data. "Indicators in the Database can be observed by different qualitative and numerical characteristics. Furthermore, there is a choice of territory, a period of

observation and the type of data to be displayed. After the selection of characteristics, time period and data types, a report in the form of a series of data, or two-dimensional tables containing series of structures and time series are generated from the database” (Radović–Stojanović, Zečević, Kojčin, 2015, p.835). Regarding indicators from the tourism area, for each indicator there are available data for domestic tourists, foreign tourists and in total, and the data about tourists visit by regions (Belgrade region, Vojvodina region, Šumadija, West Serbia, South and East Serbia).

Graph 1 shows data about tourists' arrivals - annual data (domestic, foreign, and total) in the period from 2001 to 2015 for the Republic of Serbia. The data on the number of domestic and foreign tourists are obtained via statistics surveys of tourist arrivals and overnight stays. The data on the number of tourists from 2005 to 2015 are downloaded from the Database, while for the period from 2001 to 2005 data is taken from the publication of Statistical Office of the Republic of Serbia, Statistical Yearbook 2005.

**Graph 1:** *Tourist arrivals - domestic, foreign, total, annual data, 2001-2015*

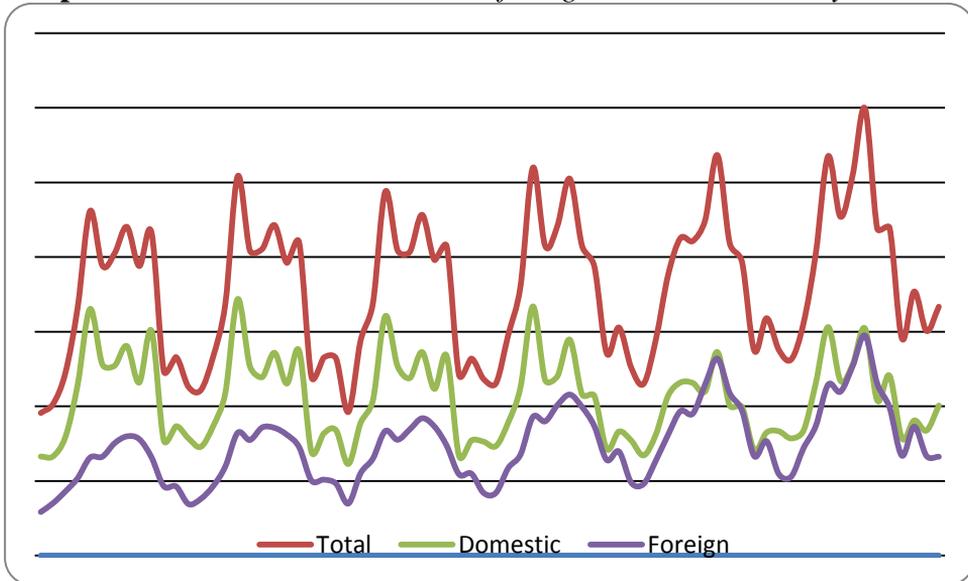


**Source:** *Statistical Office of the Republic of Serbia, Statistical Yearbook 2005, Database*

In the period from 2001 to 2015, the number of domestic and foreign tourists shows opposite trends – the number of domestic tourists decreases, while the number of foreign tourists shows an upward long-term trend. The downward trend in the number of domestic tourists was briefly reversed in the expansion phase of the Serbian economy, which, according to (Radović – Stojanović, 2014, p. 165), is manifested in the period from February 2006 to January 2008. Till 2009, the total tourist visits are decisively influenced by domestic tourists, and then the foreign tourists take precedence. The number of foreign tourists who visit Serbia has not significantly declined after the global economic crisis, i.e. after 2008 and 2009, but the number of domestic tourists has, which means that the domestic tourists felt the decline in living standards during the crisis, and reacted by reducing tourist travel in the country. One part of this decrease can probably be attributed to the reorientation of domestic tourists to foreign destinations, but the appearance of the series and the fact that the domestic tourists reacted in the slowdown phase by reducing tourist travel, speak in favor of the interpretation that the causes related to the standard of living and economic situation in the country are crucial to the creation of domestic tourism demand. The growth in the number of domestic tourists in 2015 gives hope that this downward trend could stop and perhaps even reverse. For all that time, the number of foreign tourists increases year by year, when in the last couple of years almost equals the number of domestic tourists. The total number of tourist visits, which for last couple of years was at approximately the same level, after 2010 begins to grow, primarily due to the visit of foreign tourists. However, only in 2015 it exceeds the level of before the global economic crisis.

Graphic 2 shows monthly data on domestic and foreign tourist arrivals in the period from January 2010 to February 2015 (the last available data). As it can be seen, the data is not seasonally adjusted. In the Database of the Statistical Office of The Republic of Serbia, monthly data about tourist arrivals for the period before 2010 are not available. These data can be found in Monthly Statistical Bulletin, but only in the index form.

**Graph 2:** *Tourist arrivals - domestic, foreign, and total, monthly turnover*



**Source:** Statistical office of the Republic of Serbia

In the time series of tourist arrivals, the impact of the seasonal component is evident. Based on the available data, the time series model Tourist arrivals – total is seasonal ARIMA model type  $(0,1,1)(0,1,1)^3$ . Tourist visits to the Republic of Serbia in the last five years are in the highest from May to September, whereas in other months they are at a considerably lower level, i.e. only about 50% of the visits in the period from May to September. The Graph shows that the seasonal pattern of series over the years changes and that the visit, which in the beginning of the period is distributed in the summer months, in 2014 and 2015 reaches the peak in the month of August. In the Database of the Statistical Office in the Republic of Serbia there are not available monthly data for the period before 2010, which is necessary in order to analyze how the seasonal pattern appeared in previous years.

### **Catering Trade Statistics**

There are two types of surveys in the Catering Trade statistics: Quarterly survey and Annual survey on Catering Trade. In these surveys the collected data is about Catering Trade turnover. The aim

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3 Identification of time series model is performed using the software JDemetra +.

of surveys is to provide necessary data for monitoring and analyzing trends, level and structure of turnover in the catering trade industry. In these surveys there is a large number of data in the field of catering trade. In a quarterly survey the following data are collected:

- total turnover of business entities in the reporting quarter by months,
- the turnover by statistical territorial units,
- the structure of turnover by types of catering services, and
- the turnover of catering activities by month.

In the annual survey, the following data are collected:

- The number and capacity of catering facilities by type and category,
- The number of employees by types of catering facilities,
- The level and structure of turnover of Catering Trade, by type of catering trade services,
- The volume and structure of turnover in Catering Trade, by quantity and value, and
- The total turnover in Catering Trade by month.

Data on Catering Trade comes from accounting and other records of business entities (legal entities and entrepreneurs) that deal with the Catering Trade activities. They are reporting units in statistical surveys. The survey is conducted via reporting method - reporting units send completed forms by post office. Definitions of basic variables and calculation of methodology results are partially coordinated with the recommendations of Eurostat (Council Regulation No 1165/98). Turnover in the Catering Trade presents a bookkeeping accounting value of Catering Trade services (accommodation, food, beverages), and other services provided by the Catering Trade (transport of guests and luggage, catering craft activities, sales of tobacco, souvenirs, newspapers, etc.). The turnover tax (or Value Added Tax since 2005) is also included in the value of the services performed.

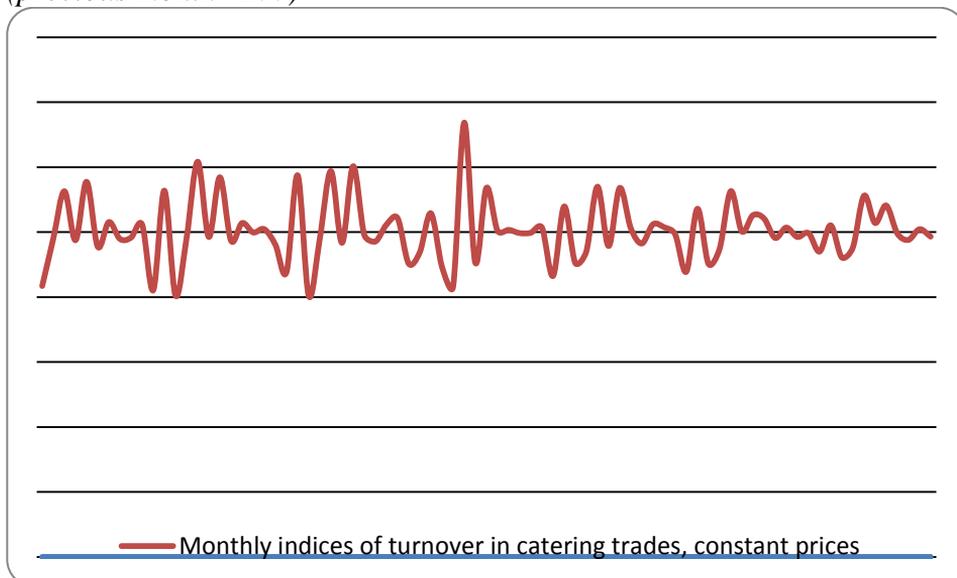
Data on the turnover in the Catering Trade by months presents estimates derived from monthly variations and assessment of the turnover trends. By the end of the quarter, monthly estimates are adjusted on the basis of regular quarterly statistical survey, which is based on an incomplete coverage of legal persons, where legal

entities whose aggregate value of turnover compared to the full set amounts to over 90% are covered, as well as on the basis of sample based quarterly survey of entrepreneurs. Final data is the result of Catering Trade surveys in annual and they make up the total turnover, which is published in the annual series. Catering Trade turnover indices at constant prices are obtained by dividing the turnover index at current prices by price index of catering services. The data is published in the Monthly Statistical Bulletin (monthly data), Statistical Yearbook (annual, final data) and on the Internet website of the Office.

The obtained data is used for monitoring and analyzing the level, dynamics and structure of turnover in the Catering Trade industry, for realizing international statistical obligations, for planning and analyzing economic policy in the field of Catering Trade, for studying economic situation in the field of catering activity, for analyzing measure of effects of economic policy in the field of Tourism and Catering Trade, for analyzing the characteristics of seasonal use of facilities and turnover services in the Catering Trade. The possibilities of applying data is numerous. But, besides the large amount of data which is collected in surveys in the database of the Statistical Office of the Republic of Serbia, there are only two indicators available: Annual turnover in Catering Trade and Monthly turnover in Catering Trade. The annual turnover in Catering Trade is expressed in the absolute data and in the indices (in current prices and constant prices). For monthly turnover in Catering Trade, there are available monthly indices of turnover in the current prices and constant prices.

Graph 3 shows the Catering Trade turnover indices at constant prices. Catering Trade turnover indices at constant prices are obtained by dividing the turnover index at current prices by price index of catering services. Monthly index of turnover in Catering Trade at current prices is calculated as ratio of turnover value in the specified month to the corresponding average value of the base year (previous month =100).

**Graph 3:** *Catering Trade turnover indices at constant prices, 2009-2015 (previous month=100)*



**Source:** Statistical Office of the Republic of Serbia.

Catering Trade turnover, as it was expected, shows seasonal fluctuations. The time series model Catering Trade turnover is a seasonal ARIMA model of the type  $(0,1,1) (0,1,1)$ .<sup>4</sup>

Seasonal pattern is changed by years, so in 2014 and 2015 Catering Trade turnover was the biggest in March, as opposed to previous years, where the peaks of season have been in May, March and December, respectively. Turnover stays at the approximately same level in the whole period.

The Catering Trade annual turnover in the current prices is presented in the Table 1.

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<sup>4</sup> Identification of time series model is performed using the software JDemetra +.

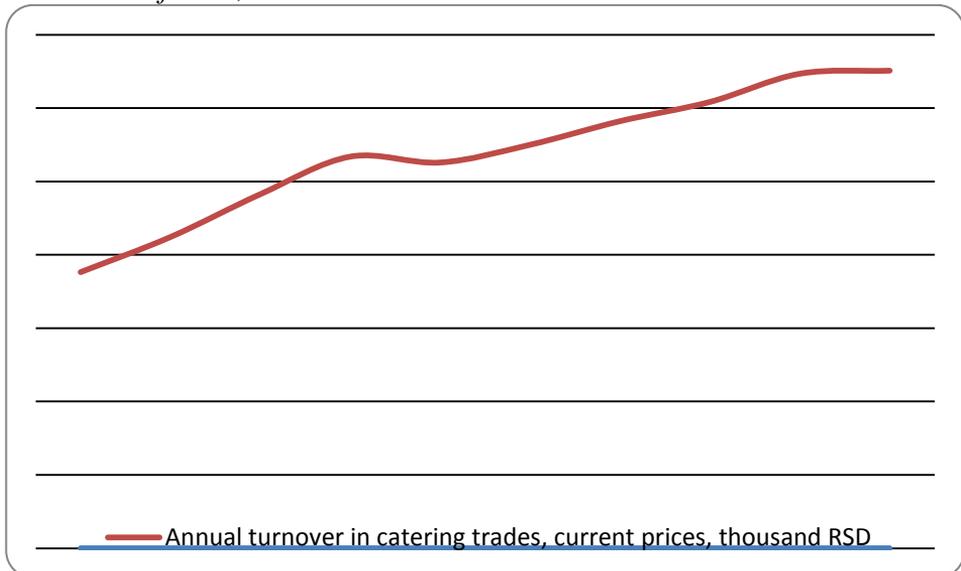
**Table 1:** Annual turnover in catering trades, current prices, expressed in thousands of RSD

| Annual turnover in catering trades, current prices, expressed in thousands of RSD |                |
|---|----------------|
| 2005  | RSD 37,641,087 |
| 2006  | RSD 42,432,870 |
| 2007  | RSD 48,271,064 |
| 2008  | RSD 53,384,299 |
| 2009  | RSD 52,583,535 |
| 2010  | RSD 55,002,378 |
| 2011  | RSD 58,219,574 |
| 2012  | RSD 60,841,400 |
| 2013  | RSD 64,685,091 |
| 2014  | RSD 65,104,515 |

**Source:** Statistical Office of the Republic of Serbia.

The Catering Trade annual turnover in the current prices is presented in the Graph 4.

**Graph 4:** Annual turnover in catering trades, current prices, expressed in thousands of RSD, 2005-2014.

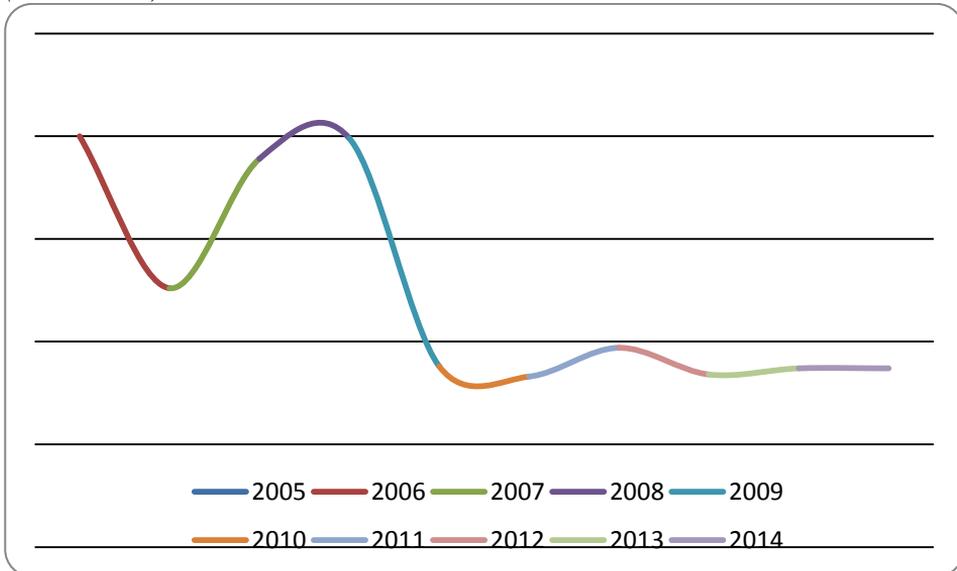


**Source:** Statistical Office of the Republic of Serbia.

Graph 4 shows that there was a significant increase in turnover at the Catering Trade in the period from 2005 to 2014. However, the indices

of annual turnover at constant prices indicate that this growth comes from price growth, and that in recent years there has been actual decline and then stagnation in turnover at the Catering Trade.

**Graph 5:** *Annual turnover indices in catering trades, constant prices (2005=100)*



**Source:** *Statistical office of the Republic of Serbia.*

The annual Catering Trade turnover significantly decreases with the outbreak of the global economic crisis, and after 2009, it remains at about the same annual level.

The series of monthly data shown in Graph 3 is in an index form (monthly data on the value of Catering Trade turnover are not available). Regarding annual data, of interest for the analysts would be extending the series and the introducing several additional indicators in the Database, which would enable monitoring of trends over a longer time period and has opened new perspectives in the analysis.

The similar situation is in other areas of applied statistics, where there is a great need for a longer time series, as observed in (Radović – Stojanović, Čudan, 2012, p. 141).

## Conclusion

Although there are numerous data collected via statistical surveys of Tourism and Catering Trade statistics, the number of indicators in the Database of Statistical Office of The Republic of Serbia in the areas of Tourism and Catering Trade is relatively small. There are not included all data obtained via surveys, and some series are short, while the researchers are interested to extend the series. Some annual data in the database are not available, so the information must be sought in the publication of the Institute. This is the case with tourist arrivals, for which there are no available data in the database for the period before 2005, although they can be found in the Statistical Yearbook. It is similar with the monthly data on Catering Trade turnover.

Monthly turnover in the Catering Trade, on the bases on which monthly turnover indices at current and constant prices are calculated, is not available in the database, nor in the in the publications of the Statistical Office of the Republic of Serbia. In the publications of the Office, one could find some other interesting data, for example, the data about tourist arrivals and overnight stays by types of tourism area and regions and also some seasonally adjusted data. However, the data on monthly turnover in the Catering Trade are not incorporated in Database.

Some of the data obtained via statistical surveys of the Office (the data about tourist capacity) are published by other producers of official statistics in Serbia, such as the National Tourism Organization of Serbia. In contrast to data on tourist arrivals and overnight stays, which is useful for understanding the tourism demand, the data on capacities are important for understanding the supply in tourism. The question which remains is how to incorporate this kind of data in the database of the Statistical Office of the Republic of Serbia.

Nevertheless, analytical capabilities of available data from the Statistical Office of the Republic of Serbia are significant. The analyzed data, gathered via statistical surveys, show the most important tendencies in Tourism and Catering Trade, the growing number of tourist visits and stagnation of Catering Trade turnover, as well as the Tourism dependency on the cyclical conjecture in Serbian

economy. However, there are some ways to improve these analytical capabilities. The absolute data on the turnover value, as well as the seasonally adjusted data, would be interesting for the empirical research and application of mathematical methods in the analysis, whereas the introduction of different calculated indicators based on available data would create new approaches in the analysis of economic effects of Tourism and Catering Trade.

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# INDICATORS OF COMPETITIVENESS IN TOURISM: CASE OF SERBIA, MONTENEGRO AND FYR MACEDONIA

*Stefan Denda<sup>1</sup>; Jasna Stojanović<sup>2</sup>;*

## Abstract

*The competitiveness of tourist destinations is a phenomenon of 21st century. Comparative advantage of destinations on the market is determined by factors of production i.e. natural (inherited) and created (infrastructure). In the paper is carried out a comparative analysis of the countries of the former Yugoslavia, the candidates of the European Union, Serbia, Montenegro and FYR Macedonia. For monitoring the competitiveness it was used a model that has been developed by The World Economic Forum for the purpose of Travel & Tourism Competitiveness Index (TTCI). The model covers 14 key indicators based on data from numerous national and international institutions such as World Tourism Organization (UNWTO), World & Travel Tourism Council (WTTC), The International Air Transport Association (IATA), United Nations Educational, Scientific and Cultural Organization (UNESCO), International Union for Conservation of Nature (IUCN) and United Nations Conference on Trade and Development.*

**Keywords:** *competitiveness, tourism, indicators, EU candidate countries*

## The concept of competitiveness in tourism

The competition of tourist destinations is considered to be a manifestation of a broader phenomenon called “economic competition in the 21<sup>st</sup> century” (Popesku, 2011). Therefore each destination is striving for the realization of competitive (comparative) advantage that is based on exogenous resources (natural, cultural, historical, capital and investments) and endogenous resources (human and knowledge resources and technological innovation) (Blanke & Chiesa, 2011). In the scientific

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1 MSc Stefan Denda, research-trainee, Geographical institute “Jovan Cvijić” SASA, Đure Jakšića 9, Belgrade, 011/2636-594, s.denda@gi.sanu.ac.rs;

2 MSc Jasna Stojanović, research-trainee, Geographical institute “Jovan Cvijić” SASA, Đure Jakšića 9, Belgrade, 011/2636-594, j.stojanovic@gi.sanu.ac.rs

literature there are several models that are used to represent the level of competitiveness.

The first model of competitiveness at the country level was developed by Potter (1990), and it is known as a "national competitiveness diamond". Among the general and widely accepted, the "Crouch-Ritchie competitiveness model" was developed in 1999 (Crouch & Ritchie, 1999) and "Dwyer and Kim integrated model of competition" in 2003 (Dwyer & Kim, 2003). The Crouch-Ritchie model includes five comparative advantages of destination: core resources and attractors, destination management, qualifying and amplifying determinants, but also destination policy, planning and development. At the same time the model highlights two different but related environments, macro and micro environment (Јовичић, 2011; Denda, 2013). On the other hand "Dwyer-Kim's model" complements the previous model bringing demand as an additional element (determinant of competitiveness), but all the resources are shared on inherited and created. According to him, destination competitiveness is not a goal in itself, but a means to achieve broader regional and national economic development (Dwyer & Kim, 2003). Based on the above we can specify that a destination is truly competitive if it has "ability to increase tourism expenditure, to increasingly attract visitors while providing them memorable experiences, and to do so in a profitable way, while enhancing the well-being of destination residents and preserving the natural capital of the destinations for future generations" (Papp & Raffay, 2011).

The issue of competitiveness in tourism is discussed by many international organizations, including the „Organisation for Economic Co-operation and Development“ (OECD), which defined the four mayor, three additional and two groups of indicators of development in the future period. However, as a special model by „World Economic Forum“ (WEF) was developed „Travel & Tourism Competitiveness Index“ (Crouch, 2007). The World Economic Forum is the leading companion of competitiveness at the global level, which seeking an answer to question: „Why are some countries successfully developed, while others lag behind?“ Monitoring the level of tourism competitiveness at the national level is conditioned by the fact that tourism is the dominant development force in many countries (Petrović-Randelović & Miletić, 2012). The index is a continuation of „Competitiveness monitor“ that is published three times by „World Travel&Tourism Council“ until 2004. It includes a series of „pillars of competitiveness“ of which highlights the 14 primary

and two additional indicators (education and training and the availability of qualified labor). All indicators are grouped into three sub-areas: *a) Travel & tourism regulatory framework subindex, b) Travel & tourism business environment and infrastructure subindex and c) Travel & tourism human, cultural and natural resources subindex*. So far six reports have been published (2007, 2008, 2009, 2011, 2013, and 2015) in which the data from different organizations were used such as: World Tourism Organization (UNWTO), World Travel&Tourism Council (WTTC), International Air Transport Association (IATA), United Nations Educational, Scientific and Cultural Organization (UNESCO), International Union for Conservation of Nature (IUCN) and others (Blanke & Chiesa, 2009).

A: T&T regulatory framework subindex:

1. *Policy rules and regulations* - the extent to which national authorities encourage the development of the tourism industry (foreign direct investment, foreign ownership, visa liberization etc.)
2. *Environmental regulation* - issues of sustainable development, in particular segment of waste disposal, carbon dioxide emissions, percentage of endangered species etc.
3. *Safety and security* - a key competitiveness factor (costliness of common crime and terrorism, incidence of road traffic accidents as well as the role of state security services)
4. *Health and hygiene* – referring to the access to improved drinking water and sanitation, as well as the organization of the health system (efficiency, availability of physicians and number of hospital beds)
5. *Prioritization of Travel & Tourism* - the allocation of funds for development projects in the field of tourism, as well as participation in international exhibitions and fairs

B: T&T business environment and infrastructure subindex:

1. *Air transport infrastructure* – we measure both the quantity (number of departures, airport density, number of operating airlines) and quality of air transport (infrastructure)
2. *Ground transport infrastructure* – distribution and quality of transport network and facilities within the country (roads, railways, ports)
3. *Tourism infrastructure* – the presence of accommodation infrastructure (the number of hotel rooms), rent-a-car companies, ATMs and etc.
4. *Infrastructure* - the availability of the Internet telephone lines, mobile telephony, which provide a sense of the access to travel planning, provision of accommodation and other activities

5. *Price competitiveness in the T&T industry* - means more/less favorable product prices, cheaper airport charges and fuel prices, lower taxes, affordable hotel accommodation and more

C: T&T human, cultural and natural resources subindex:

1. *Human resources* – the base for future growth and development with adequate education and training and the availability of qualified labour (labour regulations make easy to hire and fire labour force)
2. *Natural resources* - the availability of natural capital (the number of UNESCO natural World Heritage sites, the quality of the environment), the richness of the fauna and the percentage of protected areas
3. *Natural resources* - the availability of natural capital (the number of UNESCO natural World Heritage sites, the quality of the environment), the richness of the fauna and the percentage of protected areas
4. *Cultural resources* – the number of UNESCO cultural World Heritage sites, the number of international fairs and exhibitions, and the capacity of public facilities (eg. sports stadium seating capacity)

## **Methodology**

The paper analyses the level of tourism competitiveness of three countries of the Western Balkans, the former Socialist Republic of Yugoslavia and today's candidate European Union countries: Serbia, Montenegro and FYR Macedonia. The same historical, political, economic and social conditions, and similar tourism products and focus toward identical segments of the market have contributed to the selection. Applying the indicators of the World Economic Forum they were evaluated on the basis of data from 2008, 2009, 2011, and 2013 with accompanying literature and the data from national statistical offices. The years 2007 (Serbia and Montenegro were the same country) and 2015 were not taken into consideration because of the incompatibility of the methodology.

### **Tourism competitiveness index in Serbia, Montenegro and FYR Macedonia**

Tourism product of the mentioned countries is very fragmented, with no unique resources, and therefore tends to use geographic position as a competitive advantage for the purpose of long-term socio-economic progress (Popesku, 2011). This is a small market, with modest human potential and lack of funds for further improvement of the tourism offer.

**Table 1:** *Basic informations about selected countries*

| Category                        | Serbia    | Montenegro | Macedonia |
|---------------------------------|-----------|------------|-----------|
| Surface area (km <sup>2</sup> ) | 88.361    | 13.812     | 25.713    |
| Population                      | 7.186.862 | 620.029    | 2.022.547 |
| GDP (in billions USD)           | 43,87     | 4,59       | 11,32     |
| GDP per capita ( in USD)        | 4.245     | 4.757      | 12.096    |

**Source:** *National statistical offices*

Tourism is one of the most dynamic service activities and the type of "modern, global and temporary migration" (Jovanović, Krstić & Janković-Milić, 2013). This is confirmed by the constant increase in participant number of tourist movements: 25 million (1950), 277 million (1980), 435 million (1990), 675 million (2000) to 935 million (2010). During 2014 the number of foreign tourists globally reached 1.1 billion, which is 4.7% or 51 million more than in 2013 (1,087 million). The European region recorded a growth of 4% (sub-Mediterranean and Southern Europe 7%). It remains the most visited region with more than a half of international tourists, with over 588 million arrivals (compared to 2013, increase of 22 million) (UNWTO, 2014). It is assumed that by 2020 there will be around 1.6 billion tourists and European region will reach 717 million.

Since the first WEF report (2007), the leading region of T&T competitiveness is Europe, especially EU members. According to the results, 13 of 20 top rated countries are from this area. The top rated countries are: Switzerland, Spain, France, Germany, UK, Italy, as well as Australia, USA, Canada and Japan (Blanke & Chiesa, 2013).

**Table 2:** *Competitiveness of Serbia - global and European level*

| Rank        | 2008.  | 2009.  | 2011.  | 2013.  | 2015.  |
|-------------|--------|--------|--------|--------|--------|
| World       | 78/130 | 88/133 | 82/139 | 89/140 | 95/141 |
| Europe      | 35/42  | 38/42  | 38/42  | 40/42  | 35/37  |
| Index value | 3,76   | 3,71   | 3,85   | 3,78   | 3,34   |

**Source:** *Blanke & Chiesa 2008, 2009, 2011, 2013, 2015*

In the terms of competitiveness, Serbia lags considerably behind the leading countries. Throughout the researched period maximum of all countries was 5.68 (2011) and minimum 1.99 (2008). Although, Serbia index value during this period was 2.43 to 2.59. The data is less alarming if we observe the world level, while at the European level it ranks near the bottom. Albania and Moldova are positioned behind Serbia, as well as, Bosnia and Herzegovina, Armenia and Ukraine.

**Table 3: Key indicators of tourism competitiveness of Serbia**

| Indicator  | 2008.     | 2009.     | 2011.     | 2013.      |
|--|-----------|-----------|-----------|------------|
| <b>A: Travel &amp; tourism regulatory framework</b>                    | <b>73</b> | <b>78</b> | <b>67</b> | <b>74</b>  |
| Policy rules and regulations   | 59        | 67        | 68        | 103        |
| Environmental sustainability   | 128       | 127       | 124       | 115        |
| Safety and security  | 76        | 85        | 66        | 55         |
| Health and hygiene   | 46        | 44        | 41        | 46         |
| Prioritization of Travel & Tourism                                     | 114       | 119       | 105       | 108        |
| <b>B: Travel &amp; tourism business environment and infrastructure</b> | <b>72</b> | <b>80</b> | <b>84</b> | <b>81</b>  |
| Air transport infrastructure   | 92        | 105       | 111       | 110        |
| Ground transport infrastructure  | 86        | 91        | 115       | 117        |
| Tourism infrastructure   | 52        | 58        | 49        | 56         |
| ICT infrastructure   | 57        | 63        | 62        | 49         |
| Price competitiveness  | 82        | 90        | 118       | 119        |
| <b>C: Travel &amp; tourism human, natural and cultural resources</b>   | <b>88</b> | <b>96</b> | <b>94</b> | <b>109</b> |
| Human resources  | 45        | 54        | 76        | 94         |
| Education and training   | 70        | 66        | 82        | 95         |
| Availability of qualified labor  | 22        | 31        | 57        | 80         |
| Affinity for Travel & Tourism  | 98        | 83        | 66        | 104        |
| Natural resources  | 112       | 126       | 123       | 131        |
| Cultural resources   | 52        | 64        | 59        | 65         |

**Source:** *Blanke & Chiesa 2008, 2009, 2011, 2013*

According to subindex level, in the area of core resources, Serbia is the worst ranked. Protection of those resources is not adequate. This is indirectly related to environmental sustainability. Serbia has an extremely poor ground and air transport infrastructure. At the same time taxes and tolls are not reduced and that affects its competitiveness. Many indicators are ranked worse, especially in the field of tourism legislation.

**Table 4: Competitiveness of Montenegro - global and European level**

| Rank        | 2008.  | 2009.  | 2011.  | 2013.  | 2015.  |
|-------------|--------|--------|--------|--------|--------|
| World       | 59/130 | 52/133 | 36/139 | 40/140 | 67/141 |
| Europe      | 31/42  | 30/42  | 25/42  | 26/42  | 33/37  |
| Index value | 4,15   | 4,29   | 4,56   | 4,50   | 3,75   |

**Source:** *Blanke & Chiesa 2008, 2009, 2011, 2013, 2015*

Montenegro is the best positioned of all researched countries, both on the global and European level. By 2013 it recorded a index values growth (max 4.56) and in 2015 decreased up to 3.75. It should be highlighted that the Government of Montenegro invests significant funds in improving the supply and infrastructure.

**Table 5: Key indicators of tourism competitiveness of Montenegro**

| Indicator  | 2008.     | 2009.     | 2011.     | 2013.     |
|--|-----------|-----------|-----------|-----------|
| <b>A: Travel &amp; tourism regulatory framework</b>                    | <b>53</b> | <b>50</b> | <b>32</b> | <b>34</b> |
| Policy rules and regulations   | 37        | 35        | 10        | 22        |
| Environmental sustainability   | 105       | 98        | 45        | 33        |
| Safety and security  | 53        | 48        | 37        | 45        |
| Health and hygiene   | 52        | 52        | 53        | 55        |
| Prioritization of Travel & Tourism                                     | 67        | 69        | 42        | 44        |
| <b>B: Travel &amp; tourism business environment and infrastructure</b> | <b>68</b> | <b>66</b> | <b>49</b> | <b>50</b> |
| Air transport infrastructure   | 54        | 56        | 62        | 58        |
| Ground transport infrastructure  | 71        | 88        | 109       | 92        |
| Tourism infrastructure   | 31        | 64        | 25        | 19        |
| ICT infrastructure   | 63        | 39        | 42        | 51        |
| Price competitiveness  | 129       | 95        | 48        | 62        |
| <b>C: Travel &amp; tourism human, natural and cultural resources</b>   | <b>45</b> | <b>35</b> | <b>36</b> | <b>47</b> |
| Human resources  | 76        | 40        | 35        | 51        |
| Education and training   | 75        | 52        | 45        | 63        |
| Availability of qualified labor  | 67        | 34        | 26        | 36        |
| Affinity for Travel & Tourism  | 1         | 1         | 7         | 7         |
| Natural resources  | 69        | 80        | 71        | 62        |
| Cultural resources   | 66        | 51        | 46        | 59        |

**Source:** *Blanke & Chiesa 2008, 2009, 2011, 2013*

In the context of the regulatory subindex, Montenegro has improved its position in all areas. The biggest progress has been achieved in the field of environmental sustainability. Remarkable results are related to policy rules and regulations and affinity for travel & tourism. At the same time a lot is being done in labour force education. Huge efforts are invested in the creation of adequate business environment (tourism infra and supra structure, price competitiveness), but it remains “the problem of inadequate air traffic”.

**Table 6: Competitiveness of Macedonia - global and European level**

| Rank        | 2008.  | 2009.  | 2011.  | 2013.  | 2015.  |
|-------------|--------|--------|--------|--------|--------|
| World       | 83/130 | 80/133 | 76/139 | 75/140 | 82/141 |
| Europe      | 35/42  | 37/42  | 37/42  | 36/42  | 34/37  |
| Index value | 3,68   | 3,81   | 3,96   | 3,98   | 3,50   |

**Source:** *Blanke & Chiesa 2008, 2009, 2011, 2013, 2015*

Macedonia with its tourism supply is globally better ranked than Serbia, but on European level is near bottom. Since 2009 the index value has increased, while in 2015 declined (2013:2015/3.98:3.50).

**Table 7: Key indicators of tourism competitiveness of Macedonia**

| Indicator  | 2008      | 2009      | 2011      | 2013       |
|--|-----------|-----------|-----------|------------|
| <b>A: Travel &amp; tourism regulatory framework</b>                    | <b>93</b> | <b>69</b> | <b>56</b> | <b>57</b>  |
| Policy rules and regulations   | 75        | 76        | 78        | 66         |
| Environmental sustainability   | 84        | 83        | 65        | 73         |
| Safety and security  | 80        | 64        | 42        | 43         |
| Health and hygiene   | 68        | 42        | 42        | 47         |
| Prioritization of Travel & Tourism                                     | 128       | 129       | 106       | 99         |
| <b>B: Travel &amp; tourism business environment and infrastructure</b> | <b>80</b> | <b>75</b> | <b>78</b> | <b>74</b>  |
| Air transport infrastructure   | 113       | 119       | 127       | 122        |
| Ground transport infrastructure  | 79        | 76        | 88        | 84         |
| Tourism infrastructure   | 61        | 63        | 69        | 64         |
| ICT infrastructure   | 72        | 67        | 55        | 60         |
| Price competitiveness  | 72        | 59        | 49        | 46         |
| <b>C: Travel &amp; tourism human, natural and cultural resources</b>   | <b>81</b> | <b>87</b> | <b>93</b> | <b>100</b> |
| Human resources  | 71        | 70        | 75        | 81         |
| Education and training   | 71        | 75        | 92        | 97         |
| Availability of qualified labor  | 53        | 61        | 30        | 37         |
| Affinity for Travel & Tourism  | 75        | 69        | 53        | 73         |
| Natural resources  | 85        | 92        | 92        | 113        |
| Cultural resources   | 57        | 70        | 74        | 75         |

**Source:** *Blanke & Chiesa, 2008, 2009, 2011, 2013*

Generally speaking, in the reporting period Macedonia improved position within the sub-index regulatory framework, but also in the business environment and infrastructure. The results were slightly worse in the field of funds allocated for the improvement of the tourism supply and environmental sustainability. Many problems exist in the field of infrastructure works and resources, both core (natural and cultural), and human resources, where exists a continuous regression.

### **The economic effects of the tourism activity**

The tourism industry is a "crucial part" of the economy of each country, regarding its significant financial, political and social effects. It brings a number of benefits such as the generation of new jobs and GDP growth. According to WTTC data, tourism is one of the largest "industries" accounting about 9.8% of world GDP with almost 284 million jobs (WTTC, 2016).

**Table 8:** *Share of travel & tourism industry in GDP (%)*

| Country    | 2008 | 2010 | 2012 | 2014 |
|------------|------|------|------|------|
| Serbia     | 1,0  | 2,0  | 1,7  | 1,9  |
| Montenegro | 12,7 | 10,8 | 8,6  | 9,8  |
| Macedonia  | 1,4  | 1,5  | 1,3  | 1,3  |

**Source:** *Blanke & Chiesa, 2009, 2011, 2013, 2015*

When we observe all the indirect and induced effects, T&T industry makes 9.2% of European GDP. On the other hand, the tourism industry share in Serbia, Montenegro and Macedonia varies. Only in Montenegro tourism represents an important part of GDP. Based on TSA, share of tourism in GDP ranged from \$445.0M (2008) to \$996.0M (2010) in Serbia, \$415.0M (2012) to \$535.0M (2010) in Montenegro and \$120.0M (2008) to \$146.0M (2010) in Macedonia.

When we evaluate the total contribution of the tourism economy in GDP (direct, indirect and induced effects), we can see the dominance of Montenegro. Expressed in monetary terms, maximal values were made in 2010: in Serbia \$3.663,0M or 7.4% GDP, in Montenegro \$1,002.0M or 20.3 % of GDP and in Macedonia \$595.0M or 6.2% of GDP. Only Montenegro records positive, while Macedonia and Serbia are characterized by a negative GDP growth rate. When we analyze the contribution of tourism industry to the “general economic growth”, the results are modest and the highest are in Montenegro due to Adriatic Sea (Čerović et al., 2015). The tourism sector is labour intensive industry because it directly employs a large number of people with various competence and education. Directly it employs 14 million people and indirectly generates about 35 million jobs. It is assumed that the growth of this industry in the next decade will be about 2.8%, which will overcome the global economic growth in Europe of 1.9%.

**Table 9:** *Travel & tourism industry employment (%)*

| Country    | 2008. | 2010. | 2012. | 2014. |
|------------|-------|-------|-------|-------|
| Serbia     | 0,9   | 1,9   | 1,6   | 2,6   |
| Montenegro | 10,8  | 9,3   | 7,6   | 8,8   |
| Macedonia  | 1,4   | 1,5   | 1,2   | 1,2   |

**Source:** *Blanke & Chiesa, 2009, 2011, 2013, 2015*

Montenegro has the largest share of employees in the industry compared to the total number of employees (15,000 in 2014). During the same year 34,800 people worked in Serbian tourism industry, and in Macedonia 8,300 employees. When we add employed in other service sectors

(transport, trade, service and manufacturing), the employees' number is growing dramatically. In Serbia the total number of employees is 128,000, or 6.7% (2010), 34,000 or 20.9% in Montenegro (2008) and 33,000 or 5.7% in Macedonia (2008 and 2010). The multiplicative effect of tourism is very strong. One of the biggest problems of employment in the tourism is seasonality, particularly associated with swimming and recreational, nautical and mountain tourism.

During 2014 at the global level total revenue was \$1,500.0 bn (1,245.0 bn relating to accommodation, food and drink, entertainment and shopping and 221.0 bn to international passenger transport). International tourism (travel and passenger transport) makes 30% of global services exports and 6% of total goods and services exports. Tourism industry is the world's fourth largest export industry. At the regional level, Europe, achieved 41% of global tourism revenue (\$509.0 bn or €38.03 bn), representing an increase of \$17.0 bn compared to 2013. At the same time, Southern and Mediterranean Europe grew by 5% (UNWTO, 2014).

**Table 10:** *International tourism receipts (US\$ millions)*

| Country    | 2007  | 2009  | 2011  | 2013   |
|------------|-------|-------|-------|--------|
| Serbia     | 531.0 | 865.4 | 991.7 | 1052.9 |
| Montenegro | 630.0 | 662.1 | 777.3 | 884.0  |
| Macedonia  | 185.0 | 218.0 | 239.4 | 266.6  |

**Source:** *Blanke & Chiesa, 2009, 2011, 2013, 2015*

It is obvious that income from tourism has been constant, which is related to attractiveness of this region. Average spending per guest in 2014 in Serbia was \$1,142.0, in Macedonia \$666.0 and in Montenegro \$667.0. Tourism deficit of Serbia ranged from €87.0M in 2012, €49.0M in 2013, €25.0M in 2014 to €35.0M (NBS, 2015). On the other hand, only Montenegro had surplus in tourism, which was higher than €400.0M in 2015. In the period 2007-2010 the lowest surplus was achieved in 2007 (€432.0M), and the best results were recorded in 2008 (€485M) and in 2010 (€464M) (Đuranović & Radunović, 2011).

### **Tourist turnover as an indicator of T&T industry development**

Tourist turnover is an indispensable component of tourism development, an indicator that determines the total number of arrivals and the number of their overnight stays in a certain area (Omerović, 2014).

The territory of Serbia was divided into four tourist clusters by Tourism Development Strategy 2006-2015: 1. *Vojvodina*, 2. *Belgrade*, 3. *Western Serbia with Kosovo (under provisional administration by UNMIK-a)* and 4. *Eastern Serbia* (Sl. glasnik RS, 91/06). City-break, events, spa/wellness, mountain and rural tourism, business + MICE, thematic routes (cultural heritage), nautical and medical tourism were singled out as key tourist products.

**Table 11:** *Tourist arrivals and overnight stays in Serbia*

| Year | Tourist arrivals |           | Tourist overnight stays |           | Average number of overnight stays |         |
|------|------------------|-----------|-------------------------|-----------|-----------------------------------|---------|
|      | Domestic         | Foreign   | Domestic                | Foreign   | Domestic                          | Foreign |
| 2008 | 1,619,673        | 646,494   | 5,935,219               | 1,398,887 | 3.7                               | 2.2     |
| 2009 | 1,373,444        | 645,022   | 5,292,613               | 1,469,102 | 3.9                               | 2.3     |
| 2011 | 1,304,443        | 764,167   | 5,001,684               | 1,643,054 | 3.8                               | 2.2     |
| 2013 | 1,270,667        | 921,768   | 4,579,067               | 1,988,393 | 3.6                               | 2.2     |
| 2015 | 1,304,944        | 1,132,221 | 4,242,172               | 2,409,680 | 3.2                               | 2.1     |

**Source:** *Municipalities and regions of the Republic of Serbia*

During the researched period the number of arrivals and overnight stays are characterized by certain stability. The highest number of arrivals (2,437,165) was recorded in 2015, while overnight stays (7,734,106) was recorded in 2008. The dominance of domestic tourists is obvious. It is encouraging that the number of foreign arrivals and overnight stays has been increasing during the entire period. Bearing in mind the tourism products it should not be surprising short average length of stay. Domestic tourists have longer average stay than foreign ones (over 3 days/over 2 days).

**Table 12:** *Index of tourist arrivals and overnight stays in Serbia*

| Year      | Tourist arrivals |          |         | Tourist overnight stays |          |         |
|-----------|------------------|----------|---------|-------------------------|----------|---------|
|           | Total            | Domestic | Foreign | Total                   | Domestic | Foreign |
| 2011/2009 | 102.4            | 94.9     | 118.4   | 98.2                    | 94.5     | 111.8   |
| 2013/2011 | 105.9            | 97.4     | 120.6   | 98.8                    | 91.5     | 121.0   |
| 2015/2013 | 111.1            | 102.7    | 122.8   | 101.2                   | 92.6     | 121.1   |
| 2015/2008 | 107.5            | 80.5     | 175.1   | 90.7                    | 71.4     | 172.2   |

**Source:** *Authors*

Among the most visited destinations are Belgrade, Novi Sad with its surroundings, Subotica with Palić, Kopaonik and Zlatibor, Vrnjačka Banja Spa and Sokobanja Spa, Podunavlje and Podrinje, Niš and Niška

Banja Spa, Šumadija (Kragujevac, Arandjelovac and Topola), but also Tara and Mokra Gora (Sl. glasnik RS, 91/06).

**Table 13:** *Tourist arrivals by type of resort*

| Category              | 2008    | 2009    | 2011    | 2013    | 2015    |
|-----------------------|---------|---------|---------|---------|---------|
| Main adm. centres     | 772,251 | 660,521 | 697,117 | 805,046 | 915,172 |
| Spa resorts           | 366,098 | 358,481 | 375,473 | 405,768 | 427,456 |
| Mountain resorts      | 448,854 | 391,316 | 402,221 | 398,841 | 446,189 |
| Other tourist resorts | 577,208 | 525,263 | 512,445 | 494,630 | 546,377 |
| Other resorts         | 101,755 | 85,585  | 81,354  | 88,150  | 101,971 |

**Source:** *Statistical Yearbook of Serbia & Tourist turnover*

The majority of tourists visit the main administrative centers – Belgrade and Novi Sad (33-37%), while on the second place is a broad category of other tourist resorts (22-27%). Foreign visitors stay in city centers (63-65%), while domestic tourists are majority in spas (21-28%) and mountain resorts (25-28%). The city of Belgrade has the largest share of foreign arrivals (57%), while Vrnjačka Banja Spa and Zlatibor take 7-11% of domestic tourists.

**Table 14:** *Tourist overnight stays by type of resort*

| Category              | 2008      | 2009      | 2011      | 2013      | 2015      |
|-----------------------|-----------|-----------|-----------|-----------|-----------|
| Main adm. centres     | 1,417,859 | 1,348,576 | 1,362,578 | 1,518,204 | 1,783,584 |
| Spa resorts           | 2,367,730 | 2,286,661 | 2,308,435 | 2,134,497 | 1,854,582 |
| Mountain resorts      | 1,912,008 | 1,687,734 | 1,590,016 | 1,558,126 | 1,661,487 |
| Other tourist resorts | 1,377,867 | 1,251,409 | 1,172,675 | 1,130,999 | 1,130,209 |
| Other resorts         | 258,642   | 202,383   | 211,034   | 225,634   | 221,990   |

**Source:** *Statistical Yearbook of Serbia & Tourist turnover*

The largest number of overnight stays is realized in spas (28-35%) and mountain resorts (24-26%), followed by the main administrative centers. In these destinations the most foreign overnights stays are realized (59-60%). Domestic tourists represent a majority in spas and mountain resorts (Denda, 2015). Belgrade dominates in terms of foreign overnight stays (52-55%). On the other hand, in Vrnjačka Banja Spa, Sokobanja Spa, Zlatibor and Kopaonik, domestic visitors are more prevalent. Belgrade, Novi Sad and Niš belong to tourist resorts of the first category.

In Montenegro three regions with more tourism clusters were singled out: 1. *coastal region* (Bay of Kotor, Budva, Bar and Ulcinj), 2. *central region* (with the Lovćen NP Cetinje and Podgorica with the Skadar Lake NP), 3. *Mountain region* (Kolašin with Biogradska gora NP, Žabljak with

Durmitor NP, Prokletije with Turjak and Plav and future Prokletije NP) (Đurašević, 2009). The most recognizable part of the Montenegro tourist offer consists of classic swimming and nautical tourism, mountain and agro-tourism, cultural and religious tourism, business tourism, spa/wellness, and sports and recreational tourism (adventure, water activities etc.) (Denda & Stojanović, 2015).

**Table 15:** *Tourist arrivals and overnight stays in Montenegro*

| Year | Tourist arrivals |           | Tourist overnight stays |            | Average number of overnight stays |         |
|------|------------------|-----------|-------------------------|------------|-----------------------------------|---------|
|      | Domestic         | Foreign   | Domestic                | Foreign    | Domestic                          | Foreign |
| 2008 | 156,904          | 1,031,212 | 828,462                 | 6,966,279  | 5.3                               | 6.7     |
| 2009 | 163,680          | 1,044,014 | 856,332                 | 6,695,674  | 5.3                               | 6.4     |
| 2011 | 172,355          | 1,201,099 | 956 368                 | 7,818,803  | 5.5                               | 6.5     |
| 2013 | 167,603          | 1,324,403 | 997,728                 | 8,414,215  | 5.9                               | 6.3     |
| 2015 | 153,185          | 1,559,924 | 747,576                 | 10,307,371 | 4.9                               | 6.6     |

**Source:** *Statistical Yearbook of the Republic of Montenegro*

Montenegro is a traditional tourist destination. Every year the number of tourist arrivals increase: from 1,188,116 in 2008, to 1,713,109 in 2015. The same situation is with the number of overnight stays: from 7,794,741 in 2008 to 11,054,947 in 2015. The data shows the foreign tourist domination (mainly from the area of former Yugoslavia). The length of stay is enhanced by the swimming and recreational tourism in the summer months (about 6 days).

**Table 16:** *Index of tourist arrivals and overnight stays in Montenegro*

| Year      | Tourist arrivals |          |         | Tourist overnight stays |          |         |
|-----------|------------------|----------|---------|-------------------------|----------|---------|
|           | Total            | Domestic | Foreign | Total                   | Domestic | Foreign |
| 2011/2009 | 113.7            | 105.3    | 115.0   | 116.2                   | 111.6    | 116.7   |
| 2013/2011 | 108.6            | 97.2     | 110.2   | 107.2                   | 104.3    | 107.6   |
| 2015/2013 | 114.8            | 91.4     | 117.7   | 117.4                   | 74.9     | 122.5   |
| 2015/2008 | 144.1            | 97.6     | 151.2   | 141.8                   | 90.2     | 147.9   |

**Source:** *Authors*

Coastal resorts absorb the largest number of arrivals (89-92%), both foreign (91-92%) and domestic (73-83%). In the second place is the Capital of Podgorica (about 4%) followed by mountain resorts (approximately 4%). Among the tourist destinations the most foreigners visit Budva (48%), than Herceg Novi (16%), while the number of domestic guests is almost the same (23-35%).

**Table 17: Tourist arrivals by type of resort**

| Category              | 2008      | 2009      | 2011      | 2013      | 2015      |
|-----------------------|-----------|-----------|-----------|-----------|-----------|
| Capital               | 50,393    | 49,166    | 53,480    | 65,136    | 84,078    |
| Coastal resorts       | 1,058,825 | 1,081,805 | 1,245,340 | 1,348,394 | 1,529,073 |
| Mountain resorts      | 38,304    | 41,161    | 49,184    | 51,271    | 63,503    |
| Other tourist resorts | 40,229    | 34,623    | 24,547    | 25,669    | 35,043    |
| Other resorts         | 365       | 939       | 903       | 1,536     | 1,412     |

**Source:** *Statistical Yearbook of the Republic of Montenegro*

Approximately 96-97% of overnight stays is realized in the coastal resorts (97% foreign), followed by mountain and other tourist resorts and the Capital of Podgorica. The largest number of overnight stays is realized in Budva, Herceg Novi, Bar and Ulcinj.

**Table 18: Tourist overnight stays by type of resort**

| Category              | 2008      | 2009      | 2011      | 2013      | 2015       |
|-----------------------|-----------|-----------|-----------|-----------|------------|
| Capital               | 111,271   | 103,464   | 103,636   | 116,532   | 155,410    |
| Coastal resorts       | 7,459,794 | 7,244,830 | 8,493,955 | 9,128,809 | 10,687,914 |
| Mountain resorts      | 102,560   | 99,500    | 107,506   | 107,548   | 127,448    |
| Other tourist resorts | 120,682   | 102,208   | 68,249    | 56,136    | 81,982     |
| Other resorts         | 434       | 2,004     | 1,825     | 2,918     | 2,193      |

**Source:** *Statistical Yearbook of the Republic of Montenegro*

**Table 19: Tourist arrivals and overnight stays in Macedonia**

| Year | Tourist arrivals |          | Tourist overnight stays |           | Average number of overnight stays |         |
|------|------------------|----------|-------------------------|-----------|-----------------------------------|---------|
|      | Total            | Domestic | Foreign                 | Total     | Domestic                          | Foreign |
| 2008 | 350,362          | 254,957  | 1,648,073               | 587,447   | 4.7                               | 2.3     |
| 2009 | 328,566          | 259,204  | 1,517,810               | 583,796   | 4.6                               | 2.2     |
| 2011 | 320,097          | 327,471  | 1,417,868               | 755,166   | 4.4                               | 2.3     |
| 2013 | 302,114          | 399,680  | 1,275,800               | 881,375   | 4.2                               | 2.2     |
| 2015 | 330,537          | 485,530  | 1,357,822               | 1,036,383 | 4.1                               | 2.1     |

**Source:** *Tourism in the Republic of Macedonia 2008-2012, 2010-2015*

Tourism in Macedonia is concentrated within eight statistical areas: 1. *Polog Region* (Popova Shapka, Mavrovo) 2. *Skopje Region* (Skopje, Katlanovska Spa), 3. *North-East Region* (Kumanovo, Kokino) 4. *East Region* (Kočani) 5. *South-East Region* (Dojran, Lake Dojran), 6. *Varadar Region* (Kavadraci, Demir gate), 7. *South-West Region* (Ohrid, Sveti Naum) and 8. *Pelagonia Region* (Pelister, Galičica) (Marinoski & Korunoski, 2012). Due to the richness of natural and cultural resources in

Macedonia, several different forms of tourism can be extracted such as cultural, lake and mountain tourism, rural and eco-tourism, wine, city-break and spa tourism.

It is obvious that Macedonia follows the trends of increasing number of arrivals and overnight stays. During the 2015 it achieved a record in arrivals (816,067) and in overnight stays (2,394,205). The growing number of foreign visitors brings certain economic effects. Since it is a landlocked country like Serbia, with a similar tourist offer, it is characterized by slightly shorter average length of stay both domestic and foreign tourists.

**Table 20:** *Index of tourist arrivals and overnight stays in Macedonia*

| Year      | Tourist arrivals |          |         | Tourist overnight stays |          |         |
|-----------|------------------|----------|---------|-------------------------|----------|---------|
|           | Total            | Domestic | Foreign | Total                   | Domestic | Foreign |
| 2009/2008 | 97.1             | 93.8     | 101.7   | 94.0                    | 92.1     | 99.4    |
| 2011/2009 | 110.2            | 97.4     | 126.3   | 103.4                   | 93.4     | 129.3   |
| 2013/2011 | 108.4            | 94.4     | 122.0   | 99.3                    | 90.0     | 116.7   |
| 2015/2011 | 116.3            | 109.4    | 121.5   | 111.0                   | 106.4    | 117.6   |
| 2015/2008 | 134.8            | 94.3     | 190.4   | 107.1                   | 82.4     | 176.4   |

**Source:** *Authors*

Most tourists are registered in Skopje (22-27%) and other tourist resorts (43-50%). The most visited regions are South-West (Ohrid) with 38-46% Skopje (22-27%) and Pelagonia (9-11%).

**Table 21:** *Tourist arrivals by type of resort*

| Cartegory             | 2008    | 2009    | 2011    | 2013    | 2015    |
|-----------------------|---------|---------|---------|---------|---------|
| Skoplje               | 134,051 | 127,266 | 141,386 | 168,623 | 220,212 |
| Spa resorts           | 22,965  | 21,369  | 27,441  | 28,405  | 29,169  |
| Mountain resorts      | 43,165  | 52,484  | 71,309  | 68,745  | 62,355  |
| Other tourist resorts | 305,793 | 283,430 | 279,695 | 300,540 | 355,890 |
| Other resorts         | 99,346  | 103,221 | 127,737 | 135,481 | 148,461 |

**Source:** *Statistical Yearbook of the Republic of Macedonia*

The most overnights stays are recorded in Skopje (12-15%), with 30-38% of foreign overnight stays, followed by other tourist resorts (59-70%), where foreign guests make 41-44% and domestic 69-80%. Individually analyzed South-West (53-65%), South-East (12-15%) and Skopje region (11-17%) take the biggest share.

**Table 22: Tourist overnight stays by type of resort**

| Category              | 2008      | 2009      | 2011      | 2013      | 2015      |
|-----------------------|-----------|-----------|-----------|-----------|-----------|
| Skoplje               | 251,950   | 240,695   | 229,521   | 288,682   | 378,253   |
| Spa resorts           | 137,166   | 134,840   | 216,526   | 222,362   | 215,541   |
| Mountain resorts      | 110,012   | 120,891   | 160,336   | 144,125   | 136,436   |
| Other tourist resorts | 1,562,487 | 1,418,318 | 1,250,866 | 1,259,590 | 1,407,244 |
| Other resorts         | 173,905   | 186,862   | 162,968   | 242,416   | 256,731   |

**Source:** *Statistical Yearbook of Macedonia & Tourism - news release*

As the target markets members of the European Union (EU 28) stand out republics of the former Yugoslavia, countries outside the EU (primarily Russia, Ukraine and Turkey), other non-European countries (USA, China including Hong Kong). Significant role is played by the domestic market. The main competitors in the area of the South (Mediterranean) Europe are Croatia, Slovenia, and Albania, Hungary, Romania and Bulgaria.

Although in all countries an increasing number of overnight stays and arrivals was registered, it should be noted that a major problem is seasonality. The current offer leads to a concentration of guests during the summer months (June-August). This phenomenon is most manifested in Montenegro (68% of arrivals and 78% of overnight stays). The main reason is the dominant role of swimming and nautical tourism. This dependence is less marked in Macedonia where during summer 44% of arrivals and 59% of overnight stays are recorded and in Serbia (32% of arrivals and 35% of overnight stays). It is interesting that in the period December-March in Montenegro only 3% is realized, and in Serbia about 26% of total overnights (data from 2015).

### **Conclusion**

Travel and tourism competitiveness index represents a powerful tool for evaluation of tourist offer of certain countries. In this case, indicators of three Western Balkan countries have been compared: Serbia, Montenegro and FYR Macedonia. Using the data from various international and national organizations, the situation of the above mentioned countries on the global and European level has been determined. The conclusion has been reached that all three countries have significant problems in the area of regulatory framework, business environment and infrastructure, but also in the area of fundamental resources. There is an evident increase in the number of arrivals and overnight stays, but the economic effects are not yet at a satisfactory level. This is primarily related to international

tourism receipts, but also a direct and indirect contribution of travel & tourism to GDP. The largest part of the profit is linked to the city centers (Belgrade) in Serbia, coastal resorts in Montenegro (Budva, Herceg Novi, Bar) and other tourist resorts in Macedonia (Ohrid). The problems of seasonality and fragmentation of the tourist offer are the key major obstacles of further development. With high quality tourism policy, Serbia has the greatest opportunities to achieve full-year tourist turnover.

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# THE ROLE AND IMPORTANCE OF STRATEGIC PLANS IN THE DEVELOPMENT OF TOURISM

*Svetlana Vukotić<sup>1</sup>; Boško Vojnović<sup>2</sup>;*

## Abstract

*The term planning and tourism is as complex as the concept of tourism. This intensifies the need for development planning, where planning is seen as a process, and not as a current event. The paper discusses the strategic plans for tourism development. Planning will be defined as an integrated approach with the essential characteristics, functions and levels. We will also investigate the tasks and phases of planning. A special segment that will be considered relates to planning the concept of tourism development: national and regional levels, as well as development planning at the level of cities or tourist sites, as well as tourist destinations. The aim is to show that the development of tourism in Serbia should apply best practices and modern solutions, and in this way, an acceptance of planning as an essential factor of development.*

**Keywords:** *planning, tourism, strategy, development, strategic plans*

## Introduction

Overall tourism development philosophy of the modern age is maximally directed towards tourists, guest, client-customer and his satisfaction. On the other hand, tourism, as part of the tertiary sector is considered one of the most profitable industries in the world and has great economic importance for each country. The higher the overall level of development, the more important the place and role of this group of the service sector is. Tourism as a complex phenomenon is among the most dynamic and most propulsive activities and, as such, is most associated with other parts of the economy. The annual growth rate of 4.3% for travel and 6.7% for

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1 PhD, Associate Professor, University Union-Nikola Tesla, Faculty of Entrepreneurial Business, Cara Dušana 62-64, 11000 Belgrade, Phone: 0113428142; Email address: cecavukotic@gmail.com

2 PhD, Associate Professor, High School of Agriculture, Vojvode Putnika 56, 15000 Šabac, Phone: 015344580; Email address: bosko\_v@open.telekom.rs

consumption, which is more than the expected growth of 3% per year in the world's GDP (Hamović, et al., 2009). In accordance with the understanding that modern tourism is the concept of open and developed market economy, hence arises the necessity of the changes taking place in the complex market in the field of tourism to be ranked the fastest and most turbulent. According to Boljević and associates (2014) tourism is a labour-intensive economic activity that provides over 200 million jobs worldwide. The share of tourism in the world GDP is about 10.5%, through tourism over 12.5% of total exports in the world are realized and about 30% of world trade in services.

In order to achieve these indicators, it is necessary to detect potential opportunities or possible dangers, as well as potentiation of powers and avoidance of weaknesses, all of which can be benefits of planning for future development efforts. Ketchen and Short (2011) point out that unforeseen circumstances or unexpected restrictions should always be accounted for. Together with the strategic plan, the organization must prepare and plan implementation, as a strategic plan that cannot be achieved is unusable.

Modern organizations are trans organizational systems, because they do not represent the traditional exchange of final products, but the exchange of information and knowledge, including reciprocal functions and responsibilities of the partner companies. There are many forms of partnerships in tourism. Creation of clusters also emphasizes the synergetic effects, and the construction of the network structure, as well as vertical and horizontal connectivity, allows for cluster members to relativize their shortcomings and emphasize their advantages, in order to generate the necessary competitiveness in the market (Vukotić et al., 2013). In the literature, but also in practice, the motivation for the merger with tourism clusters is usually found in marketing activities. Marketing aims, as pointed out by Riznić and associates (2010) to collect the relevant resources of the organization to plan and carry out the provision of customer satisfaction.

In any case, tourism and other activities, is primarily intended to satisfy the consumer. De facto, the industry encompasses all the phenomena and relationships arising from the interaction of tourists, suppliers and retailers of tourism products, governments and host communities in the process of attracting and welcoming tourists (Hadiani et al., 2012).

The focus of our attention in this paper is primarily strategic planning, which we will deal first from the general point of view, then from the perspective of the tourism industry.

### **Strategic plans**

Strategic planning determines the strategic choices of companies, strategic goals and sets effective strategies necessary for their implementation. Concisely, Hill and Jones (2001) define strategic planning as a process of looking at the future of the organization and development of the necessary procedures and operations to achieve the desired objectives.

Strategic planning is an important factor to win the market and increase profitability. The strategic plan is a document that serves as a long-term guide of an organization. Companies must confront long-term competition, accordingly, they plan long-term goals for the interconnection of different activities. Four types of planning can be distinguished:

1. Basic financial planning
2. Planning on the basis of forecast
3. Foreign-oriented planning (with the help of a consultant engaged outside of the company)
4. Planning of top management (creating internal teams)

According Hill and associates (2004), a basic model of strategic planning consists of the following elements: defining the mission and goals of the highest level, external analysis of opportunities and threats, internal analysis of strengths and weaknesses and the SWOT analysis.

In order to achieve critical success factors there needs to be key drivers of work to generate strategies and plans of action. Therefore, Byrnes (2009) sets out the strategic plan as a set of comprehensive plans designed to deploy all available resources of the company, in order to achieve certain goals stemming from the mission and vision. The strategic planning process can be represented graphically as shown below.

**Figure 1:** The strategic planning process



**Source:** *Evans. Lindsay, 2002*

The tasks of strategic planning are:

- Identify significant customers and operational requirements
- Optimal use of resources and providing a bridge between short and long-term demands
- Ensure that at all organizational levels there exist well understood initiatives on quality
- Ensure that the organization and work structure eases the implementation of a strategic plan.

Three important characteristics of planning can be singled out, in orientation to (Vojnović, 2014):

1. Basic questions, in the direction of maximizing revenue,
2. Change of company's position and increasing deal opportunities,
3. Focus on the development and growth of the organization.

The central task of the planning process is the current and future state of the market and identifying threats and opportunities of the global environment.

The function of planning aims to:

1. Pass development plans and direct business activities according to market requirements,
2. Market research,
3. Personalizing activities and functions to the organization's goals.

According to the time span for which they are composed, development plans can be defined as: long, medium and short term.

The time dimension of development is directly related to the level of planning with the strategic levels having the longest schedules, and operating the shortest. Although at first glance the same, strategic plans are quite different from general ones. Characteristics of strategic plans are: 1) the adoption in the long period of time, it requires vision 2) realization of strategic plans is visible only after a long time, and 3) they relate to the much smaller number of elements than the general plan, which due to a long time to achieve does not mean they are easier to make, but the opposite.

### **Strategic planning in tourism**

Planning in tourism appears in the form of different approaches, from individuals who plan their holiday, through business entities and certain destinations that are planning future strategies to achieve the appropriate development or business goals, to countries that plan to the role of tourism in their future economic and social development, and intergovernmental and international organizations and institutions that are planning their future activities. Therefore, planning should be seen as a process, not as a current event.

Various entities in the tourist destination (usually described as the "Stakeholders", "Players", "Participants in the tourist business," and so on.) refer to each other, to dialogue, to cooperate (rather than compete) and the creation of various partnerships (Bakić, 2009). Their potential is measured by the performance and the ability to successfully negotiate the planned development of tourism in the destination, confronting with a unique goal - to provide the market with a tourist oriented product. The main bearers and exponents of knowledge are people, but in the literal and figurative sense we can speak of people as capital of the organization (Zakić, Vukotić, 2013).

Summing up all the theoretical views on this, but also practical experience, models of tourism planning can be divided into two large groups (Vukonić, Keča, 2001): 1) traditional, (including physical planning and economic approach to planning) and 2) current models (PASOLP model - Product's Analysis Sequence for Outdoor Leisure planning and RPP model - development spatial planning).

Model of physical planning is the oldest approach to planning which is the starting point in the analysis of resources and existing supply capacity.

In this model the planning of tourism can be distinguished by the following phases:

- Analysis of resources and capacities,
- Programming additional capacity which includes global assessment of the market,
- Preparation of detailed spatial plans and
- Evaluation of costs and benefits.

Vojnović and colleagues (2012) point out that the model of economic planning approaches gives different variants of development of tourism policy and made a sort of advance planning. Yet this model has no real analysis of the prerequisites of development or analysis of resources. It starts with the assessment of resources and assessment of market demand in order to, based on comparisons of these two elements, recognize development opportunities. So determined possibilities are the foundation for the development of detailed plans. No matter that this is about a partial market approach to planning, however, assessing market demand is an innovation in the field of planning. Economic planning approach appeared at a time when the supply abundantly exceeded demand, and when, "ready-made" offers could not successfully compete in the market. For this reason, it was necessary to enrich the supply. This model can be divided into the following phases:

- estimation and forecast of the market, and researching resources and existing offerings,
- comparison of the market and resources,
- variants of development tourist policies,
- selection of a particular development plan or development tourist politics and
- detailed planning of selected policies.

Given all the specifics that tourism has, it is very difficult in modern conditions to apply a uniform planning model. Yet there emerged two models, or more precisely, two groups of models which now have the greatest versatility in planning. The first is the model *Product Analysis Sequence for Outdoor Leisure Planning* - PASOLP, which fully respects the market approach to planning and introduced in the planning analysis the conditions of development. It is based on facility planning, as in a market economy tourism product. Because there are different definitions of a tourism product, for purposes of this model is the most appropriate one according to which the tourism product is a web or set of services,

goods and other conditions which meet certain tourist needs (Stefanović, 2003). At the same time this is the biggest complaint of this model, which is a tourist product treated differently and determined.

However, this model has several advantages. The basic advantages of model PASOLP are:

- Enables the development of different variants of tourism products,
- It is, progressive and avoids returning to the earlier stages,
- ensures that the best utilization of the most original resource of a destination is achieved,
- Considers the opinions of all social levels,
- Differences short-term, medium-term and long-term needs of tourism development.

Another group of contemporary models relate to the development of spatial planning (RPP) model, in which tourism is seen as the movement of people from the city of domicile to the tourist destination to satisfy their recreational, cultural, cognitive or other needs. According to Češljaš and Jeffery (1989), this model has the following phases: analysis of conditions for the development, identification of determinants of market development, programming capacity offers, working out detailed plans, forecasting of economic, social and physical consequences.

### **The concept of tourism development**

Some of the specifics of tourism are:

- The number of contacts in cross-sector relationships, which enlarge their quantitative and qualitative dependence, which directly affects the faster development of tourism,
- Relation to the systems of international relations (political, cultural or economic),
- Mixed subsystem of the economy and, as such, connected and open to the historical changes of the society at large,
- Tourism gives results in the long term (and the return of investments in facilities and infrastructure)
- Most tourist services are delivered the directly, which reduces expenses for intermediaries,
- Tourism has an impact on the development of other industries and activities (agriculture, transport, construction, industry and others).

Forming the concept of tourism development, in the context of the planning process essentially involves the following: the basic orientation of the development policy and the level of coordination. Čerović (2002) points out that the problems that are manifested in the creation of tourism development are not identical at the state level, a tourist destination, tourist site, or elsewhere in the tourist business. Global development concept, for instance, is made for the country as a whole and it establishes common requirements and benefits expected from tourism, with the determination of conditions for tourism development, which is the obligation of the state (Unković, 1995).

The basic three levels which we consider are related to: planning concepts of national tourism development, planning concepts of regional tourism development and planning of tourism development at the level of tourist cities and localities. As a special level that will be analysed is planning of a tourist destination.

### **The planning of a concept of national tourism development**

In today's tourism all the differences disappeared, or have blended into a single national plan in which are discussed and planned all the possible implications of tourism development, both on the physical, economic, social, cultural and environmental levels. Today, such a plan is called the main or master - plan for tourism.

The name of the plan suggests that it includes the total national area and predictable mutual benefit, without preference to any particular, although it is known that it is rare that the entire national space has equal opportunities for tourism development. In all master- plans of tourism are favoured smaller areas with more opportunities for tourism development, and which thus give their own contribution to the total national territory and its economy.

However, a more comprehensive and more adequate method is to determine two or more homogeneous groups of tourist attractiveness which may represent the centre of the tourism development in and around which it can form a certain capacity of the tourism offer (Gunn, 1993). This method is called method of clusters of tourism development or cluster methods.

Also, "width" should mean the necessity of achieving regional cooperation in tourism, creating different integrated tourism products, compatible to its content, the development of different clusters that transcend national barriers and "networking of interest" on the basis of the creation of "additional benefits for tourist consumers' (Bakić, 2009). Clusters certainly contribute to the internationalization, better application of technology, the introduction of quality standards, more qualifications of employees, affect the mobility of investment, innovation and increase productivity, reduce overall costs and contribute to the achievements of some other results (Vukotić et al., 2014).

At the national level it is a particularly important part of the planning related to the so-called great infrastructure. This is because the investment is very high, and exceeds, as a rule, the possibilities of certain areas, but, also, because such infrastructure very rarely can be used exclusively for tourism. The national plan should, in this respect, clearly mark which part in the financing of such infrastructure is the responsibility of the tourist complex. In a typical tourist cluster, for example, the quality of experience of visitors depends not only on the attractiveness of primary attraction (beaches or historical sites), but also of the quality and effectiveness of complementary activities, such as: hotels, restaurants, commercial distributors and transport capacity. Because the cluster members are mutually dependent, good performance of one can boost the success of others (Lazzaretti, Capone, 2004).

### **The planning of a concept of regional tourism development**

The main activities of this strategy are based on identifying local resources and attracting domestic or foreign investors (Vojnović, et al., 2009).

Planning of tourism development at the regional level is global. This means that the regional plan lists only the functions and purposes of smaller spatial units within the region, as well as the dimensions of development through basic indicators of tourism development. Also, global capacities are planned and coordinating with other regions - the principle of complementarity. Of course, it should be noted that each region has a different history, culture, politics and the like, so that to some extent, must take into account that each individual form of (tourism) development is unique.

For example, in order to achieve the best possible position in the international market, Vojvodina should apply the model of development that would provide a competitive advantage, relying on the experience of similar destinations. Still in accordance with Košić and his associates (2015) important activities that will contribute to improving the quality of services in rural tourism are:

- by improving the quality of accommodation capacities,
- education of the population with the aim of reaching a higher quality of service,
- the establishment and application of criteria for standardization and quality of services in rural tourism in Vojvodina and
- intensifying promotion at the local and the international market.

For regional planning marketing activities are important, because all plans, including regional, are proved on the tourist market. The other side of development, as well as tourism development, are costs. It is better to face these costs in the planning stages, i.e. at the beginning of implementation. This, for example, refers to the cost of cultural and social development. They were influenced in the early stages of planning such solutions that will strengthen relations between the host - guest. Furthermore, economic costs related to the construction or expansion (Vojnović, et al., 2012).

### **Planning of tourism development at the level of tourist sites and localities**

Planning for the tourist cities and localities in recent world tourism literature is called site design or site planning. If the design is understood as increasing the quality of the tourist town, then good design should be socially (moral, cultural and ethical), ecologically, economically, technologically and individually (aesthetic, psychological) acceptable and justified. Good design is created in the process of technical and technological design of the tourism product. Regions and destinations are a group of individual sites, but their attributes equally apply to the site. Therefore, it is not enough just to design a basic function of tourist activity, but must take into account all the characteristics of the city and surrounding area (architecture, climate, population, trades, cultural diversity and so on.). Localities and their environment suffer from a lack of understanding of their relationships. Each local decision about the design must respect the interests of tourist destinations and regions.

Within this conceived design originated the concept of "place - making", which literally means the creation of the site. Otherwise, it is the process by which designers design the whole environment of the tourist destination, its overall visual identity. It is, therefore, a creative adaptation of the actual characteristics of the site. Of course, there are certain criteria that must be followed, namely:

- Plans must create a development which will reliably function as a system (individual viewpoints turned into a whole)
- the existence of structural stability,
- functionality of usage
- function of aesthetic satisfaction (Gunn, 1993).

In any case, with plans of this level it is very important that the plan can be successfully implemented only if the guest (tourists) is in advance well visualized, as pointed out by Vojnović and his associates (2012). Precisely this implies uniqueness and diversity as a formula for success.

### **The planning and development of tourist destinations**

To be able to talk about the planning of tourist destinations, we should define the concept of a tourist destination. In any case, the destination is a spatial determinant in which a tourist trip takes place. In addition to space, time is also an important characteristic (actually, the length of stay).

Laws (1995) believes that the development of the destination is directly related to the development of tourism. Angeloni (2012) points out that to ensure that tourism generates success and favour, destinations must be planned, organized, managed and controlled. Associated with the management of tourist destinations are the elements from which it is structured: attractive elements, functional elements, material and organizational elements (Jovičić, 2002).

Attractive elements are parts of space or facilities, that by their properties meet the needs of consumers. They can be natural (climate, surface, flora and fauna, etc.) And anthropogenic (cultural and historical heritage, manifestations, events, fairs, etc.). For example, international facilities of a resort type are completely absent from our market, even though there are numerous attractive destinations for their positioning (VrnjačkaBanja, Palić, Zlatibor, Sokobanja...). It is important to mention that all the mentioned facilities are subscribers of contractual arrangements with

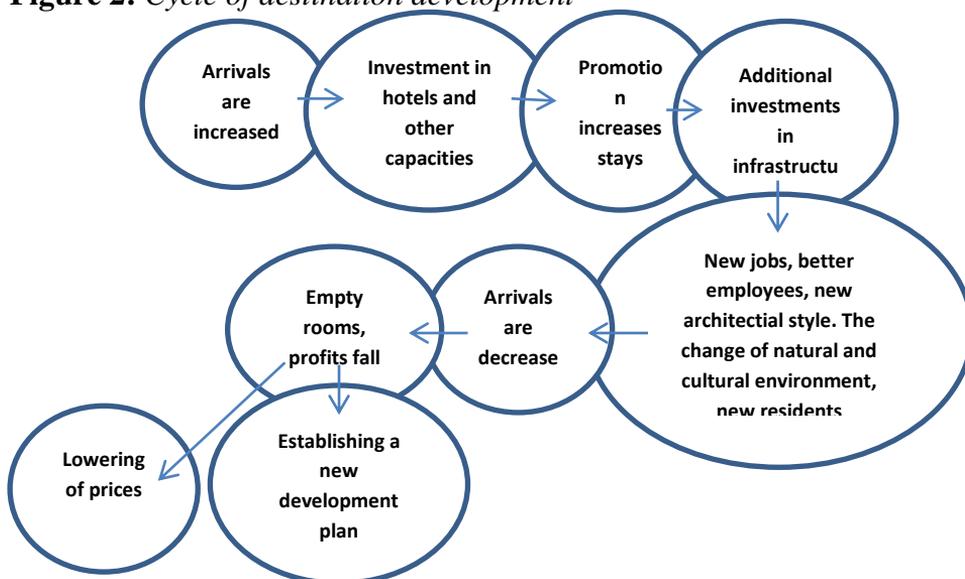
foreign companies, mostly the Contact on Franchising, which lead to taking over the standardized technical-technological and organizational systems of business, directed to giving standardized services and the facilities which belong to a certain chain (Petrović et al., 2013)

Functional elements reflect the economic and environmental characteristics, and are very important for the process of planning the development of destinations. Material elements create the material basis of traffic and make the totality of organizational measures towards the development of tourism.

Although tourism is characterized by dynamism it is often asked why there is no longer a destination. Blank (1989) states the following limitations: a lack of comparative advantages (location, quality, resources), capacity load, a preference for the status quo because of the lack of adaptability to changes in the community, favouring another development, resistance of "green parties" to any development, bad politics of exploitation of public goods and the like.

In its development, the destination is going through a lot of phases (Figure 2).

**Figure 2:** *Cycle of destination development*



**Source:** *Laws, 1995.*

When planning the tourist destinations, the following dilemmas, challenges and misunderstandings should be removed (Gunn, 1993):

- administrative division of the territory to destination zones is more suitable for administration, and less for the market
- borders of destination zones are fixed, but should follow the "heartbeats" of the market,
- destination zones are uniform, which cannot give the same results in all areas,
- the opinion that the best zones can be developed only by the private sector is wrong, because to this should be added the role of States and the non-profit organizations,
- claim that the destination zones succeed most in places dependent on tourism is questionable, because tourism has no point without other activities
- only identifying the destination zone does not ensure success, investments and management are also necessary.

### **Conclusion**

Experience has shown that the planning of tourism or planning in tourism is more of an art than science, with an important role of intuition. Being different is the risk in the business world, but also in tourism, but it is also the basis for development if it succeeds. However, one of the principles which may lead to success is the planned activity. It is from this combination of the set of postulates, steps or items involved in making plans and the visionary, but even a bit of a daredevil and intuitive approach to generate good results. Strategic planning is an important factor for winning the tourist market and increasing profitability. In order to achieve these premises, it is very important to anticipate changes, examine the situation and future development projects.

Of all the plans, strategic planning has a special role. First of all, it belongs to the general, not the partial context. Then, strategic plans are mainly long-range plans, with a significant impact on tourism development strategy. The paper discusses in detail the models of planning in tourism. The paper analyses the advantages and disadvantages of certain groups of modern models.

A large number of stakeholders is participating in tourist activities. The imperative of the site has always been important. All visitors must have

their destination - a place where they travel. Therefore, we analysed the three concepts of tourism development: national, regional and local. Each of these levels requires certain strategic plans, which would also need to generate development. Joining clusters and crossing certain spatial borders are one way of achieving synergy effects or the potentiation of the advantages and the relativizing of disadvantages.

The level tourist destination is different from the other three mentioned levels, and can be made simpler and less dispersed and the other, but still in its development passes through a lot of stage. Similarly, the management of tourist destinations is very layered and complex as it represents a spatial determinant in which a tourist trip takes place. However, if we carefully approach the development of a tourist destination and its planning then this will have an impact on the satisfaction of tourists or consumers-users of services. It will continue to positively affect directly or indirectly the development of all levels.

The fact that tourism, i.e. the tourism industry is very dynamic, with frequent and rapid changes and new developments that are taking place in several iterations, which imposes an obligation for plans to change and adapt to new circumstances. From what has been said is imposed as the ultimate conclusion that the tourism industry needed continuous, planned actions, and continuous planning.

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# TOURISM AS A DEVELOPMENT OPPORTUNITY OF THE REPUBLIC OF SERBIA

*Renata Pindžo<sup>1</sup>; Lidija Barjaktarović<sup>2</sup>;*

## Abstract

*Nowdays, we can talk about the concept of economic development which is driven by tourism, although the tourism development in many developed tourism destinations still depends of the level of economic development in general. Serbia has recognized the importance of this phenomenon; tourism came into the focus of the economic policy and expectations especially with regard to the future economic effects. Aware, that is necessary to establish a system of experience and comprehensive tourist products which are positioned and ready for the global market, as well as recognizable tourism image of the country as an attractive, safe, new and undiscovered tourism destination, Serbia defined new system of incentives, launched tourism industry, improve the regulatory framework, mobilized resources. With accepting global standards and rules, tourism fulfills all conditions to become a dynamic market for employment and career development in particular for young people.*

**Keywords:** *economic development, incentives, investments, employment*

## Introduction

Tourism is one of the most dynamic and most flexible branches of the economy today. The authors of this study sought to draw attention to the strong link between tourism and economic development, as well as the current contribution of tourism to the overall economic development of Serbia, but also on the prospects and conditions which are essential to bring Serbian tourism in the focus of economic policy of the country. Accordingly, the subject of research of this paper is review of the

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1 Renata Pindžo, PhD, Assistant Professor, Faculty of Economics, Finance and Administration, Singidunum University; Deputy Minister, Ministry of Trade, Tourism and Telecommunications; Phone: +381113122-855, e-mail: renata.pindzo@mtt.gov.rs

2 Lidija Barjaktarović, PhD, Associate Professor, Faculty of Business, Singidunum University, Phone: +381113094-094, e-mail: lbarjaktarovic@singidunum.ac.rs

development of tourism as the chances for the development of the Republic of Serbia. Research are based on data and research provided by the United Nations World Tourism Organization (UNWTO), the United Nations (UN), World Travel & Tourism Council (WTTC), World Economic Forum (WEF), World Bank (WB), the Ministry of Trade, Tourism and Telecommunications (MTTT) of the Republic of Serbia, the Statistical Office of the Republic of Serbia (SORS), National Bank of Serbia (NBS) and relevant scientific workers in the field of tourism and hospitality, in the period from 2005 to 2015. Recognizing the object and purpose of research, this paper is conceived in five parts. The introduction defines the object, aim and expected contributions of the research. In the second part will be presented global trends, results and predictions. In the third part of the paper will be examined relationships / connections between tourism and economic development. In the fourth part will be analyzed the effects of tourism on the economy of the Republic of Serbia. The study will be completed with concluding observations.

### **Global Trends, Results and Forecasts**

Over the past six decades, tourism has continued to expand and diversify; it is now one of the largest and fastest-growing economic sectors in the world. (Petković et al., 2016) Many new tourist destinations have emerged alongside the traditional ones of Europe and North America. From 1980 to 2015, international tourist arrivals (i.e. overnight visitors) more than tripled worldwide, leaping from 279 million in 1980 to 1,184million in 2015, corresponding to an average growth of 4.2 % a year. Tourism is resilient industry, continuing to grow even during the period of economic crisis. Year 2015 marks 6th consecutive year of above-average growth with international arrivals increasing by 4,4 % (Petković et al., 2016). Demand was strong and destinations recorded mixed results: due to foreign exchange rate fluctuations, the drop in oil prices and other commodities as well as increased safety and security concerns. (Petković et al., 2016). This growth in 2015 fit in trend projected for the period 2010-2020 with the average rate of growth +3.8%.

**Figure 1:** *Tourism – an economic and social phenomenon*



**Source:** *UNWTO, 2015*

In the same period, the export value of tourism - that is, international tourism receipts, including international passenger transport - increased from US\$ 125 billion in 1980 to US\$ 1,384 billion in 2015. In real terms, this corresponds to an average growth of 4.1 % a year, which is virtually the same pace as tourist arrivals. According to UNWTO (2016), long-term forecast *Tourism Towards 2030*, international tourist arrivals are expected to continue to grow at the sustained pace of 3.3% a year on average, reaching 1.8 billion by 2030. International tourist arrivals in the emerging-economy destinations of Asia, Latin America, Central and Eastern Europe, Eastern Mediterranean Europe, the Middle East and Africa will grow at double the pace (4.4 % a year) of advanced economy destinations (2.2 % a year). As a result, arrivals in emerging economies are expected to surpass those in advanced economies by 2015. In 2030, 57 % of international tourist arrivals will occur in emerging-economy destinations (versus 30 % in 1980 and 47 % in 2010). Arrivals in advanced-economy destinations will make up 43 % of arrivals overall (versus 70 % in 1980 and 53 % in 2010). Projections (especially for 2016) are based on a scenario of sustained but uneven growth driven by low oil prices, strong US dollar and moderate economic improvement in some source markets (especially in advanced economies: United States and United Kingdom for example, while, according to the forecasts, Brazil and Russia will continue to suffer from weak economic conditions after significant travel decrease in 2015. China will remain leading out bond market.). Security and safety risks (including the growing threat of terrorism) and geopolitical tensions in number of destinations will have strong impact on future tourism results (in first two months in 2016, Paris recorded 20% decrease of foreign tourists arrivals, mostly from Japan, China and other Far East countries).

## **Tourism and Sustainable Development Goals (SDGs)**

Future tourism development must be guided by the principles of sustainable development: tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities can be defined as sustainable tourism. According the UNWTO (2015) sustainable tourism should: a) make optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural resources and biodiversity; b) respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to intercultural understanding and tolerance; c) ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation.

Furthermore, it is important to say that the year 2015 has been a milestone for global development as governments world wide have adopted the 2030 Agenda for Sustainable Development, (UN, 2015) along with the Sustainable Development Goals (SDGs), which are people-centred, transformative, universal and integrated (UN, 2015).

Tourism has the potential to contribute, directly or indirectly, to all of this goals. In particular, it has been included as targets in goals 8, 12 and 14 on inclusive and sustainable economic growth, sustainable consumption and production (SCP) and the sustainable use of oceans and marine resources, respectively.

### **Relationship between tourism and economic development**

Bearing in mind the above accomplishments, outlined trends, estimates and forecasts about a global tourism, the logical question of relationship and connection on tourism and economic development (or a national economy) arises. It has long been recognized that tourism can have an impact on economic activity (Dwyer et al., 2004). The experiences are different. In some countries, the tourism development is a result of the overall economic development (e.g. US and Germany), while there are many examples of countries where tourism was the initiator or the generator of overall economic development, for example. Spain,

Seychelles, Taiwan or the Canary Islands, in which the competent authorities are trying to find an adequate answer to the question of how to continue "to maintain their presence on the international markets with prices that are compatible with growth and income?" (Parrilla et al., 2007).

The future will show if the economic growth theory, emphasizing the importance of destinations' knowledge, innovativeness and natural capital, can offer the desired exit. Numerous studies have been carried out on this subject. However, researchers have reached mixed and sometimes conflicting results despite the common choice of time series techniques as a research methodology (Chao, 2013, p. 227). In a multi-country study, Chen and Chiou-Wei (2009) show that the tourism-led economic growth hypothesis was supported for Taiwan with a reciprocal causal relationship found for South Korea. Ongan and Demiroz (2005) suggest bi-directional causality between international tourism and economic growth in Turkey for the period of 1980–2004 using Granger causality test results. One of the last conducted research (that could be very interesting from the perspective of Serbia) refers to research causal linkages between the tourism spending and economic growth with particular attention to domestic tourism spending (Chao, 2013, p. 227).

The research encompasses annual data from 10 transition countries (Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Poland, Romania, Slovakia and Slovenia) over the period of 1988–2011. Empirical results indicate that for 3 of these 10 countries (Bulgaria, Romania and Slovenia), the neutrality hypothesis is in the nature of a causal direction between tourism spending and economic growth (Chao, 2013, p.231). Results also support evidence on the growth hypothesis for Cyprus, Latvia and Slovakia, a reverse relationship was found for the Czech Republic and Poland, while a feedback hypothesis held for Estonia and Hungary. The study applies the bootstrap panel Granger causality approach (Chao, 2013, p. 231).

Very interesting is revealed and the application of capital-output coefficient analysis to prove that tourism as an economic sector can be a generator of overall economic development. According to Mihalič (2015) capital-output ratio represents the ratio between the capital input and the output produced over a particular period of time and, therefore, an increase in the rate at which capital produces a unit of output (i.e. a lower capital-output ratio will enhance the economic growth rate). Author

argues that, after a certain level of development, the country tourism competitiveness, depends on many (economic development related) factors: country total and tourism related fixed capital, level of economic development, economic structure and tourism consumption (Mihalič, 2015). According to the same author (2015), capital-output analysis divides tourism development into three phases according to tourism's contribution to growth of the local destination economy. During the first development phase, tourism development is spontaneous and unsupported by either a tourism development policy or intensive capital investment. In this phase, the average capital-output ratio in the tourism sector is low, almost zero and much lower than the average for the economy as a whole. Tourism contribute to economic growth in the region, but tourism generated income in this phase is not key source of financing. In the second phase, tourism development is promoted and supported by the public sector with investment in tourism infra- and supra-structure. Consequently, the capital-output ratio within the tourism sector increases substantially and might exceed the overall economy's average capital-output ratio. In this phase, the average national economic growth rate is slowing down.

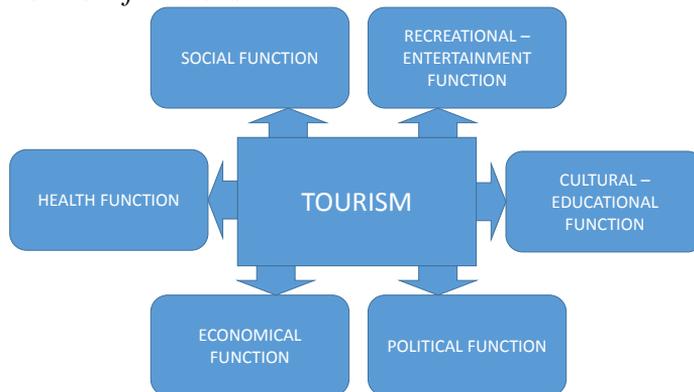
When the average tourism capital-output ratio started to fall, tourism development came into third phase. This phase is characterized by public and private sector investments, innovations, diversification and improvements in the quality and structure of tourism products which resulted in higher levels of tourists spending. This is a stage of maturity where tourism-led economic growth theory may find its place if the tourism coefficient falls below that for the economy (Mihalič, 2015). In other words, capital-output ratio is low and in order to increase income generated by tourism sector low level of additional capital investment is required.

Summing up the results of those studies, we conclude that the links between economic development and tourism exist, they are two-way and the nature of their relationship has not been elucidated (Petković et al., 2011, p. 90), which leaves room for further research of this current topics. Due to the potential economic benefits that tourism can bring to the national economy, such as increases in foreign exchange earnings, income, employment and taxes, many governments have engaged in tourism development for the purpose of promoting economic growth (Sahli & Nowak, 2007).

## Economic and Non-economic Functions of Tourism

Furthermore, in the literature, many authors agree with the division of the basic functions of tourism: economic (primary) and non-economic (consequential) functions. Figure 2 shows all the functions of tourism.

**Figure 2:** *Tourism functions*



**Source:** *Dobre, 2005*

Economic functions of tourism are (Dobre, 2005, p. 34):

- a) conversion function – tourism converts the non-economic (e.g., untapped natural resources into a tourist attraction that brings income) in the potential economic resources);
- b) inductive function - triggers the production to meet the needs of tourism (e.g. production of organic food for the tourists needs);
- c) the multiplicative function - tourism runs nearly all branches of the national economy and creates multipliers of GDP growth, employment and investment;
- d) the accelerating function - tourism accelerates regional and local development faster than any other industries;
- e) export function - tourism encourages foreign currency inflow and improves the country`s balance of payments;
- f) the function of stimulating the development of underdeveloped areas - tourism can initiate the development of undeveloped areas that do not have the capacity nor the resources for industrial development;
- g) employment function - tourism is labor intensive, but more time and knowledge-based industry, which requires trained personnel and high performance, expert and managerial skills.

## **Global Economic Contribution of Tourism Sector in 2015**

Tourism, as an important economic activity, has direct economic impact, as well as significant indirect and induced impacts on the global economy. The direct contribution of tourism to the global GDP in 2014 was USD 2,364.8 billion (3.1% of GDP). According to the WTTC (2015) preliminary results, this contribution rise by 3.7% to USD 2,451 billion in 2015. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commute services). But it also includes, for example, the activities of the restaurant and leisure industries directly supported. The direct contribution of tourism to GDP is expected to grow by 3.9% p/a to USD 3,593 billion (3.3% of GDP) by 2025. The total contribution of tourism to GDP (including wider effects from investment, the supply chain and induced income impacts, according to the preliminary results, was USD 7,864 billion (9.9% of GDP) in 2015, which represents growth by 3.7% compare to 2014. It is forecasted to rise by 3.8% per annum to USD 11,382 billion by 2025 (10.5% of GDP).

Leisure travel spending (inbound and domestic) generated 76.6% of direct tourism contribution to GDP in 2014 (USD 3,850 billion) compared with 23.4% for business travel spending (USD 1,176 billion). Business travel spending is expected to grow by 4.0% in 2015 to USD 1,222 billion, and rise by 3.2% p/a to USD 1,679 billion in 2025. Leisure travel spending is expected to grow by 3.3% in 2015 to USD 3,978 billion, and rise by 4.1%p/a to USD 5,929 billion in 2025. Furthermore, WTTC (2015) reports that domestic travel spending generated 72.5% of direct tourism GDP in 2014 compared with 27.5% for visitor exports (foreign visitor spending or international tourism receipts). Domestic travel spending is expected to grow by 3.7% in 2015 to USD 3,777 billion, and rise by 3.8% pa to USD 5,465 billion in 2025. Visitor exports are expected to grow by 2.8% in 2015 to USD 1,423 billion, and rise by 4.2% pa to USD 2,140 billion in 2025. Money spent by foreign visitors to a country (or visitor exports) is a key component of the direct contribution of tourism. In 2014, the world generated USD 1,384 billion in visitor exports. In 2015, this is estimated to grow by 2.8%. By 2025, international tourist arrivals are forecast to total 1,796,210,000 generating expenditure of USD 2,140 billion, an increase of 4.2% per annum.

Capital investments include spending by all industries directly involved in tourism and also include spending by other industries on specific tourism

assets such as new visitor accommodation and passenger transport equipment, as well as restaurants and leisure facilities for specific tourism use. Tourism sector have attracted capital investment amounted to USD 814.4 billion in 2014. According to preliminary results for 2015, capital investment accounted for USD 853.5 billion (rise by 4.8%) and it is expected to rise by 4.6% per annum over the next ten years to USD1,336 billion in 2025. On the other side, it is expected that tourism's share of total national investment will rise from 4.4% in 2015 to 4.9% in 2025.

Directly, tourism generated 107,519,000 jobs worldwide (3.6% of total employment), or 2.0% more than in 2014. This data includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. WTTC (2015) forecasts that by 2025, tourism sector will account for 130,694,000 jobs directly, an increase of 2.0% per annum over the next ten years.

### **Tourism Effects on Serbian Economy: Current Status and Perspectives**

Traditionally, Serbia hasn't been a tourist-oriented country but a country where the agriculture and industry were the main economic activities. During the 90's of the last century, the tourist offer of Serbia has been additionally exposed to negative impacts both in terms of structure and in terms of quality. In the same period, Republic of Serbia was registered a decline in tourism demand, especially in foreign tourists (according to data of the SORS, in 1993, the Republic of Serbia was visited by only 70,143 foreign tourists, while foreign currency inflow amounted to 22.8 million USD). With this starting point, tourism industry, in the recent history of the country, hasn't had an adequate role in economic policy and development for many years. Tourism Development Strategy ("Off. Gazette of the RS", No 91/06) determined the strategic development goals for Serbian tourism, as well as measures for their implementation. Expected global results of the Strategy's implementation were as following: rise of Serbian tourism competitiveness, increase of foreign exchange earnings, rise of domestic tourism turnover, increase of international tourists' number, as well as increase of employment through tourism in order to transform Serbia into a competitive tourist destination (Lovreta et al., 2015, p. 124).

Ten years later, we can say that the realization of the Strategy of tourism development gave limited results. The transition process, incomplete (or badly implemented) process of privatization of tourism and accommodation/catering capacities, and related concerns, the global financial crisis, the incompleteness of basic infrastructure projects (roads, railways, water supply, sewerage and infrastructure along Corridor 7, and others), dysfunction of small local airports, inadequate management of destinations, insufficient investment in marketing and promotion, but also the inadequate treatment of tourism industry when it comes to economic policy, certainly contributed to the fact that Serbia has failed to establish a system of experiences and final product positioned and ready for the global market (Lovreta et al.,2015, p. 126) as it was envisaged by the Strategy.

Consequently, it is not fully established recognizable tourist image of Serbia as an attractive, safe, new, and undiscovered tourist destination (Lovreta et al., 2015, p. 126).

**Table 1:** *Comparison of the Tourism Strategy Development 2005-2015 Projections and Actual Results*

|                                     | <b>Initial data 2005</b> | <b>2015</b> | <b>Difference</b> | <b>Index 2006/2015</b> | <b>% growth</b> |
|-------------------------------------|--------------------------|-------------|-------------------|------------------------|-----------------|
| Number of arrivals                  | 1.645.485                | 2.437.165   | 791.680           | 148                    | 48              |
| Number of overnights                | 5.609.437                | 6.651.852   | 1.042.415         | 119                    | 19              |
| <b>Moderate growth projections</b>  |                          |             |                   |                        |                 |
| Number of arrivals                  | 5.504.300                | 2.437.165   | -3.067.135        | 44                     | -56             |
| Number of overnights                | 15.000.000               | 6.651.852   | -8.348.148        | 44                     | -56             |
| <b>Ambitious growth projections</b> |                          |             |                   |                        |                 |
| Number of arrivals                  | 6.607.500                | 2.437.165   | -4.170.335        | 37                     | -63             |
| Number of overnights                | 17.636.000               | 6.651.852   | -10.984.148       | 38                     | -62             |

**Source:** *MTTT, 2015*

*Note: Since 2007, tourists from Montenegro are accounted as foreign tourists.*

**Table 2: Tourists Arrivals 2007-2015 in 000**

| <b>Year</b>  | <b>Total</b> | <b>Index</b> | <b>Domestic</b> | <b>Index</b> | <b>Foreign</b> | <b>Index</b> |
|--------------|--------------|--------------|-----------------|--------------|----------------|--------------|
| <b>2007.</b> | 2.306        | 115          | 1.610           | 105          | 696            | 148          |
| <b>2008.</b> | 2.266        | 98           | 1.619           | 101          | 646            | 93           |
| <b>2009.</b> | 2.021        | 89           | 1.376           | 85           | 645            | 100          |
| <b>2010.</b> | 2.000        | 99           | 1.318           | 96           | 683            | 106          |
| <b>2011.</b> | 2.068        | 103          | 1.304           | 99           | 764            | 112          |
| <b>2012.</b> | 2.079        | 100          | 1.270           | 97           | 810            | 106          |
| <b>2013.</b> | 2.192        | 105          | 1.271           | 100          | 922            | 114          |
| <b>2014.</b> | 2.192        | 100          | 1.160           | 92           | 1.029          | 112          |
| <b>2015.</b> | 2.437        | 111          | 1.305           | 112          | 1.132          | 110          |

**Source:** *SORS, 2016*

On the other hand, in the same period there was an increase in the total number of tourist arrivals, reducing of the overnight stays, and changes in the structure of demand of tourist product of Serbia: in 2015, foreign tourists in the total arrivals have had their share amounting to 46.5%, compared to 2007 when foreign tourists accounted for 30.2%. Consequently, there was a significant increase in foreign exchange earnings from tourism, but not at the rate (the amount) which was projected in the Strategy of development of tourism.

**Table 3: Tourists Overnights 2007-2015 in 000**

| <b>Year</b>  | <b>Total</b> | <b>Index</b> | <b>Domestic</b> | <b>Index</b> | <b>Foreign</b> | <b>Index</b> |
|--------------|--------------|--------------|-----------------|--------------|----------------|--------------|
| <b>2007.</b> | 7.329        | 111          | 5.853           | 105          | 1.476          | 145          |
| <b>2008.</b> | 7.334        | 100          | 5.935           | 101          | 1.398          | 95           |
| <b>2009.</b> | 6.776        | 92           | 5.307           | 89           | 1.469          | 105          |
| <b>2010.</b> | 6.413        | 95           | 4.961           | 94           | 1.452          | 99           |
| <b>2011.</b> | 6.645        | 104          | 5.002           | 101          | 1.643          | 113          |
| <b>2012.</b> | 6.485        | 98           | 4.688           | 94           | 1.796          | 109          |
| <b>2013.</b> | 6.567        | 101          | 4.579           | 98           | 1.988          | 111          |
| <b>2014.</b> | 6.086        | 92           | 3.925           | 86           | 2.161          | 109          |
| <b>2015.</b> | 6.652        | 109          | 4.242           | 108          | 2.410          | 112          |

**Source:** *SORS, 2016*

**Table 4:** *Foreign Currency Inflow from Tourism 2007-2015*

| <b>Year</b> | <b>EUR<br/>(in million)</b> | <b>Index</b> | <b>USD<br/>(in million)</b> | <b>Index</b> |
|-------------|-----------------------------|--------------|-----------------------------|--------------|
| 2007.       | 630                         | /            | 531                         | 130          |
| 2008.       | 640                         | 101          | 944                         | 109          |
| 2009.       | 617                         | 97           | 865                         | 92           |
| 2010.       | 605                         | 98           | 798                         | 92           |
| 2011.       | 710                         | 117          | 992                         | 124          |
| 2012.       | 708                         | 100          | 906                         | 91           |
| 2013.       | 792                         | 110          | 1.053                       | 116          |
| 2014.       | 863                         | 109          | 1.139                       | 108          |
| 2015.       | 945                         | 109          | 1.048                       | 92           |

**Source:** NBS, 2016

*Note: during the reporting period there were significantly changes in the relative values between currencies: USD and EUR.*

Furthermore, the Report of WEF indicates that tourism and catering industry are good to invest in Serbia (WEF, 2012). Given the current state of the Serbian tourism industry, investments are necessary in order to provide the appropriate service (Pindžo & Barjaktarović, 2013, p. 183), which will meet more demanding market need. Survey done by Barjaktarović et al. (2016) showed that Serbian companies in hotel industry use predominantly internal source of financing. They use external sources of financing when internal source are dissipated. Furthermore, analysis showed that banks' credit is the most important external source of financing. It is in line with survey done by Barjaktarović & Ječmenica (2011), and Račić et al. (2011). Accordingly, Barjaktarović D. and Barjaktarović L. (2010) suggested particular subsidized credit lines (by state's banks) for further development of SME hotel companies in Serbia. Moreover, Barjaktarović D. & Barjaktarović L. (2009), proposed adequate specialized project financing for further development of Belgrade's hotel offer. Finally, Barjaktarović & Mašić (2014) concluded that foreign investments via REIT and cross-border loans are crucial for further growth of tourism in Republic of Serbia.

Serbian hotel market has been progressing significantly over the past couple of years, under going dynamic quality restructuring and volume growth. Belgrade remains in the center of attention for international hotel management companies (Barjaktarović D. & Barjaktarović L, 2010), followed by Novi Sad, the capital city of the province of Vojvodina. Major recent additions to the supply include: Crowne Plaza Belgrade;

Metropol Palace, a Luxury Collection Hotel by Starwood; Falkensteiner, Radisson Blu Old Mill and Courtyard by Marriott in Belgrade (Horwath HTL, 2015). The ways of financing and encouraging quality of accommodation capacities in Serbia are possible by using: 1) line of credit provided by the Government of the Republic of Serbia through the Development Fund and the competent Ministry, and 2) project finance domestic and foreign banks i.e. cross-border / credits. (Pindžo & Barjatarović, 2013, p. 190). Since 2007, the state is recognizing the importance of tourism development, particularly in terms of creating new jobs and balanced regional development, by developmental, privileged "soft" credit lines (the total value of 1.450 million RSD), significantly influenced in the change of the structure of accommodation capacities, specially hotels, which resulted in a change in the structure of the tourism offer of the Republic of Serbia (Pindžo & Barjaktarović, 2013, p. 184). Primarily, increasing the number of foreign tourists, foreign currency inflow from tourism, as well as the total number and total value of investments in tourism and in related activities (12% of total investments in Serbia), as fact that more than 48,000 people, have a job in tourism sector in Serbia (directly and indirectly), and that this branch is the "invisible" exports in the amount of 7.3% of total exports, shows a huge impact, but even more the potential of this industry when it comes to economic development of country.

Adopted Amendments to the Law on Tourism in 2015 and defined the main strategic directions for future tourism development are the result of permanent communication with the tourism industry on the one hand and the involvement of a large number of stakeholders. The focus is on Serbia as a tourist destination, the fight against the gray economy, joining the work of the tourist inspection with those at the local level, complying with European Union's regulations with regard to the consumer protection, increasing the safety of passengers. Also, the key changes relate to the introduction of destination management organizations that, according to the modern tourist business model, may include a public-private partnership. During 2015, for the first time, the pilot project for encouraging domestic tourism traffic through a voucher scheme. For more than three months, the Serbian tourism is, only thanks to this project, numbered around 118,625 overnight stays more. In 2016 it is expected that about 46,000 people (voucher users) will realize the minimum 250,000 nights additionally. In 2016, for the first time, the necessary conditions for improvement of the organized foreign tourist traffic were created, introducing the new system of incentives, that great

number of countries, in this stage of tourism development, had already been introduced.

Despite the fact, that according to official data, the tourism industry contributes between 1% and 1.5% to the country's gross domestic product, while according to the research which applied WTTC methodology, total contribution of tourism sector accounted for around 5,4% in 2014.

**Table 5:** *Indicators of Economic Effects of Tourism in Serbia 2013-2015 (estimation according to the WTTC methodology)*

|   | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|---|-------------|-------------|-------------|
| Total contribution of tourism in GDP  | 4.91        | 5.4-5.7     | 6.00        |
| Total share of paid taxes of tourism legal entities in total budget of RS           | 2.32        | 2.52        | 3.12        |
| The budget RS allocation for tourism development (% of total budget)                | 0.49        | 0.14        | 0.27        |
| The budget RS allocation for tourism development (% of total tourism sector income) | 21.24       | 6.36        | 8.37        |
| Minimum necessary allocations   | 0.48 – 1%   |             |             |
| Officially recorded income from tourism (estimation)                                | 38.25       |             |             |
| Estimated gray economy  | 61.75       |             |             |

**Source:** *Denda, 2016.*

The preliminary research data presented in previous table indicate much higher contribution of tourism sector to overall economic growth in Serbia than it is presented by officially published data due to the methodology and (under-utilization of all relevant) source of data. Furthermore, it could be concluded that contribution of tourism sector is higher than the direct state's investments in its development. Keeping all the above in mind, it can be concluded that a strong, mutual, two-way relationship between economic development (growth) and tourism development in Serbia exist. In this phase of transition, and reform of the economy, taking account of the need to overcome the time lag in these processes, it is difficult to accurately determine who will have a dominant influence: economic development on tourism or tourism will assume the role of one of the generators of economic and social development of Serbia. It could be said that there is an emphasized need that these processes are underway almost immediately. In the future, the public

sector will play a crucial role in the development of tourism in Serbia, taking into account the fulfillment of the (previously mentioned) preconditions especially in the field of the completion of major infrastructure projects (roads, railways, airports, marinas, docks, signaling, etc.) and finalization of privatization processes, that is important for the overall economic development, but also the development of tourism. On the other hand, tourism, as a mainly labor-intensive, and to a lesser extent, capital-intensive, global phenomenon, is the right way to economic recovery, primarily to enable Serbia to create new jobs (employment of youth, women, and those who have lost jobs in the process of privatization), balanced and sustainable regional development, increase foreign exchange earnings. We should not forget the fact that tourism is probably one of the best channels of political marketing, which will enable Serbia to improve its image on the global level.

The business climate in the country is significantly improving, according to the ease of doing business index published by the WB, which compares business regulation in different countries. Serbia achieved remarkable progress, rising to 59<sup>th</sup> in the 2016 overall ease of doing business ranking with respect to the previously published ranking 91<sup>st</sup> out of 189 economies (WB, 2015). This favorable business climate will be additional a strong boost to further tourism development. Furthermore, to enable tourism business going forward, Serbia has to define and introduce professional destination management, including stronger tourism marketing and promotion towards international sources of demand, to develop planning documents (spatial, regulatory master plans) and new concession and PPP business models with a stimulating fiscal policy (redefinition and reduction of different taxes in determined period), the applicate reduced rates of VAT (10%) for other services (primarily catering), to establish a new regulatory framework for the use of modern management models in real estate - application of the model sale-leaseback etc. Serbia needs further visa regime liberalization and the introduction of seasonal visas, the introduction of new direct flights of the national airline company, check low-cost airlines to alternative airports, renovation and modernization of the existing conference facilities as well as the expansion of international hotel chains outside Belgrade.

## Conclusion

Tourism has an undoubted impact on macroeconomic aggregates and causing an increase in macro-economic stability of each country and, at the same time, allows the acceleration of regional and local development, employment growth in underdeveloped areas and attractive tourist destinations. This is precisely the opportunity for Serbia as a tourist destination, especially for those tourist destinations in Serbia which have comparative advantages, and that the global tourism industry is recognized as a promising tourist destination. In order to strengthen competitiveness, facilitate investments and build a new image, the Serbian tourism industry needs to be placed on the economic agenda as one of key priorities, backed by a clear vision and strong leadership. Only this way can Serbian tourism become a true driving force of the economic growth.

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# IMPACT OF TOURISM ON MACROECONOMIC STABILITY AND ECONOMIC DEVELOPMENT OF THE REPUBLIC OF SERBIA

*Nemanja Pantić*<sup>1</sup>

## **Abstract**

*Nowadays, tourism can be considered a global economic phenomenon, as well as industry sector that contributes to economic growth and development of the world economy. Through its economic function it affects nearly all branches of the national economy and thus creates multipliers of GDP growth, employment and investments, enables the acceleration of local, regional and overall economic growth and development. All this information indicates that tourism has an explicit impact on macroeconomic aggregates and increases macroeconomic stability of each country and at the same time allows the development of the country and the increase in employment in underdeveloped areas and attractive tourist destinations.*

**Keywords:** *tourism, economic growth, economic development, macroeconomic stability*

## **Introduction**

Tourism has long been a global social and economic phenomenon, and therefore must be accepted as an effective instrument for improving the economic situation in the country because all benefit from its long-term development. The tourism industry itself is one of the most developed industries whose development is not important only in itself, but it is also important due to the fact that it promotes and influences the development of other economic activities. Consequently it affects the macroeconomic stability and has an impact on numerous macroeconomic aggregates. From the facts above stated, it is clear that tourism enables an acceleration of regional and national development and employment

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<sup>1</sup> Nemanja Pantić, Assistant, Faculty of Hotel Management and Tourism in Vrnjačka Banja – University of Kragujevac, Vojvodanska bb, 36210 Vrnjačka Banja, Serbia, e-mail: nemanja.pantic@kg.ac.rs

growth in underdeveloped areas. Regardless of the period of economic crisis that has affected territorially more or less almost all countries of the world, as well as various economic activities including tourism, it is clear that in the following period this economic activity will become one of the leading economic sectors. The very development of tourism began with the development of the slavery society when the motive and the extent of travel was significantly different and smaller than in the modern form, and its development can be identified with the economic development of a country. Several factors can influence one destination to be attractive to tourists as well. The tourism potential itself does not guarantee the development of that area. What is necessary for the development of any activity from the regional point of view are the investments as the main driver of converting resources into something that will be able to meet the diverse needs of potential tourists. In this paper attention will be paid to the tourism potential of the Republic of Serbia, investment activities, as well as the impact on macroeconomic stability and growth of macroeconomic aggregates.

### **Tourism in Serbia**

Tourism in Serbia mainly imposes as a phenomenon with underutilized potential. There are several reasons due to which this statement can be considered justified. Tourism, at least until recently, was not a serious issue of the republic's development policy on the one hand, nor were tourism potentials well valued (Unković & Zečević, 2012). If the situation in countries with similar tourist potentials were taken into consideration, the conclusion could be reached that due to adequate policy development and investment activities they have managed to become recognizable destinations even at the global level (Đorđević, 2009). The Republic of Serbia has only comparative advantages in tourism for the following reasons:

1. Nearness to new and traditional tourist markets;
2. Diverse structure of tourism offer;
3. Long and recognizable history;
4. Preservation of natural resources;
5. Great human resources potential.

The tourism potential in itself represents nothing until the comparative advantages have not been transformed into competitive ones. On the other hand, it is necessary to change the attitudes of the tourism policies actors towards these activities, as well as raise awareness of the importance of

its development and the development of tourism products which, at least until now, have not been adequately developed and recognizable in the world market. One of the reasons of more developed tourism in the neighbouring countries also lies in the fact of delayed process of economic restructuring and privatization process. As a consequence, there were no significant investments in our country for years. There was no lack of investments only in those destinations with strong but underdeveloped potential, but also in those that had already been recognized and whose lack of investments in infrastructure was left to decay and thus reduced the attractiveness. All these facts seem discouraging in terms of the development of the industry. However, despite all the shortcomings and failures, the Republic of Serbia still has a nice opportunity for further development of tourism for the following reasons (Ubavić, 2015):

1. *The global turning point in tourism.* The development of society implies the development of consciousness. There are more and more of those tourists who are adventurous and attracted by new and smaller destinations. The issue of conservatism and tradicionalist views on many things is long gone. People are increasingly ready to accept new experiences and new things so that smaller destinations can be very attractive if the services are offered in a professional manner;
2. *The potential of tourism products.* One of the biggest opportunities are the products related to the use of nature and eco-tourism, health, rural and cultural tourism, river cruising, activities of special interest, as well as business tourism. Serbia has a developed river potential. In addition to Danube, as the largest river in Serbia, it has a lot of eye-catching and attractive rivers whose coastal arrangements and accessibility to roads open up wide possibilities for the development of this type of tourism. Unfortunately, the issue that Serbia has had problem with for years is the rivers flooding especially in the rainy seasons, which creates additional costs for coastal households. A well-planned defense strategy and adequate investment activity would solve many problems in this regard and open the possibility to develop this kind of tourism. Unspoiled nature, the fertile land and possibility of cultivating the land at higher altitudes enable the production of healthy food in untouched parts of nature and thus labour for those layers of the population that will generally tend to leave these regions. As an inevitable result of all this, class division among the urban population arises. Therefore, an adequate policy development of rural

areas opens up the great opportunities for various aspects of the overall development of the society.

3. *The general growth of the market.* Countries that are already touristically attractive still have an upward trend due to the increasing diversity of tourist offer. On the other hand, the growth has been recorded in some, until recently, not so attractive destinations and therefore new markets are opened up. For this reason, the tourist market should be viewed like any other market and like any other competition in which in this case the competition is for tourists and profit as the ultimate goal of every economic activity. It is also necessary to take into account the different circumstances the neighbouring countries have experienced, especially in the fields of privatization, investments and new development, as well as the role of government in fostering the development.

In defining the strategic goals of Serbian tourism development it is necessary to take into account both the strategic advantages and strategic disadvantages that a country namely the competent institutions must eliminate in order to achieve success in domestic and international markets (Gligorić et al., 2012).

As a major strategic potential for the development of tourism of the Republic of Serbia the following can be considered (Ubavić, 2015):

- Positive attitude towards tourism;
- The favourable geographical position;
- Untouched nature;
- The rich sources of underground and overhad waters;
- The rich archeological heritage.

Namely, the awareness and the need to travel are beyond the real possibilities of Serbian citizens. It is generally known that the Serbian population is open and extremely interested in tourist trips. The comparison with countries at the same stage of development can draw the conclusion that we are a nation that has an adventurous spirit and a nation that has a very positive attitude to tourism. It certainly gives a great advantage to Serbia in addition to those above mentioned comparative ones. This generates the possibility to create, with adequate policies of development of this activity, a base and ability for the development of other economic activities which are directly or indirectly related to tourism (Jović, 2012). As a country located at the crossroads of many routes, it is clear that the favourable geographic position is a great

advantage. That favorable geographical position is one of the reasons that regardless of the size of the national territory area, on many occasions, Serbia has been unavoidable actor in many historical upheavals that in a small number of cases circumvented the Serbian state border. With Kopaonik as the highest mountain, it does not belong to the group of leading countries in terms of altitude of mountains. Regardless of it, this mountain belongs to one of Europe's leading ski resorts. There are many mountains with similar potentials whose nature is intact and for whose commercialization and placing on the tourist map it is necessary to invest significant funds as it is already stated problem. The potential is necessary but not sufficient condition for the development of any activities or economic sectors including tourism in this case. With the Danube as the largest river that flows through Serbia and other major waterways, there are, especially in untouched parts of the nature, many mountain streams that open up the possibility for those lovers and adrenaline junkies to satisfy their needs. Springs of drinking water in many mountainous areas are numerous, some even with healing effects, which it has not been paid special attention to in the past. There is not even a unique map of these waters and words should not be wasted on the access roads bearing in mind the road infrastructure in the entire country.

In addition to the substantial potential that Serbia has, we need to bear in mind the strategic disadvantages that need special attention. The following can be stated as the greatest strategic disadvantages:

- Serbia is unrecognizable on the tourism market;
- The lack of vision for the development of tourism in Serbia;
- Insufficiently established regulation in most tourist destinations;
- The lack of system of tourism experiences and value chain in tourism offer;
- Underdeveloped road network;
- The lack of managers with international experience.

Each potential in itself does not mean anything unless is properly shaped. Despite enviable, in above mentioned potential, Serbia is not recognized in the tourism market which is particularly nowadays a necessary condition and instrument in attracting tourists. Neither domestic tourists are sufficiently informed on what potential Serbia has in spite of modern internet technology and the benefits this type of information can provide. In the future this should be given much greater significance. This is certainly the first, and perhaps the easiest step in the chain of actions that

must be taken. The more important one is the existence of a clear vision that must be a guidepost in a series of activities. Road infrastructure even on vital sections is unsatisfactory, obsolete and damaged by time. Access roads to a number of destinations are not done which is certainly an impediment to development not only of this place but also a range of other activities that could benefit from increased tourist visits. Essential for all these activities are a large amount of investments and human personnel especially those with experience in which Serbia lags behind the leading European countries.

### **The impact of tourism on employment, GDP and investment activity**

The importance of tourism for the economy is multiple. In addition to domestic, the issue of foreign tourist visits particularly must be taken into account. Serbian tourists staying at a resort spend the money they earned working in their country and it has a great effect on the development of supporting economic activity. Results of the work, either of material or immaterial nature, then we talk about service activities that are used to meet the needs of tourists. One tourist in a tourist resort has needs for many things. These needs are various. Apart from the need to spend the night and have regular meals, tourists have a need to know the cultural and historical heritage of these places, to visit neighbouring cities, to buy souvenirs, to carry out and meet a range of his diverse needs. All of these generate the development of many activities and run a number of positive economic results. Higher production as a result has a higher employment or lower unemployment, higher standard, positive influence on the balance of payments and as a result of increased gross domestic product (Pantić & Leković, 2013). Thus, even when we are talking about the domestic tourists the effects for the economy are numerous, regardless of the fact that in this case the money only circulates through the state. There is no extra money coming in, but only money in a series of transactions have a positive impact on the development of many supporting activities. All this must be taken into account and encourage domestic tourists to visit their country for many reasons.

On the other hand, as already has been said Serbia has considerable tourism potential and low recognizability in the international market. Spreading of awareness and attraction of foreign tourists should be the basis of tourism development policy in Serbia. The reasons for this are numerous. The money received from foreign tourists on the basis of sales of tourist services, circulates within the specific economy of the country

and make 13-14 transactions before disappearing through the import of products and services from that country. In one year the number of transactions is between 5 and 6. In all these transactions additional effects for the economy of specific countries occur (Unković & Zečević, 2012). The number of transactions is conditioned by many things and above all by the level of economic development of a country. The more developed one country is, the coefficient of multiplication is higher. The value of the coefficient is between 3.2 and 4.3 depending on the level of development. In developed countries it is higher, while in the underdeveloped the coefficient is lower. For most countries of the Far East and the Pacific the coefficient is 3.2, while in developed countries in Europe is 4.3. Otherwise the value of the coefficient is calculated according to the following formula (Unković & Zečević, 2012):

$$K=1/1-(C/Y)$$

K- Coefficient of multiplication

C- Change in consumption

Y- Change in income

When we talk about the changes in the consumption we think of those changes in consumption resulting from foreign currency inflow of foreign tourists visiting our country (Petrović et al., 2012). The same story is in regard to changes in income. All the previously stated facts will be a subject of analysis in the rest of the paper.

**Table 1:** *Domestic, foreign and total number of tourist arrivals*

| <b>Tourist arrivals</b> |                 |                |              |
|-------------------------|-----------------|----------------|--------------|
| <b>Year</b>             | <b>Domestic</b> | <b>Foreign</b> | <b>Total</b> |
| 2000                    | 2.001.128       | 165.226        | 2.166.354    |
| 2005                    | 1.536.321       | 453.158        | 1.989.367    |
| 2006                    | 1.420.929       | 468.842        | 1.889.771    |
| 2007                    | 1.610.513       | 696.045        | 2.306.558    |
| 2008                    | 1.619.672       | 646.494        | 2.266.166    |
| 2009                    | 1.373.444       | 645.022        | 2.018.466    |
| 2010                    | 1.317.916       | 682.681        | 2.000.597    |
| 2011                    | 1.304.443       | 764.167        | 2.068.610    |
| 2012                    | 1.269.676       | 809.967        | 2.079.643    |
| 2013                    | 1.270.667       | 921.768        | 2.192.435    |
| 2014                    | 1.163.536       | 1.028.732      | 2.192.268    |
| 2015                    | 1.168.542       | 1.084.104      | 2.252.646    |

**Source:** *Statistical Office of the Republic of Serbia*

In Table 1 you can see the data on tourist arrivals both foreign and domestic ones in the past 10 years. Based on these data, unambiguous conclusions can be made. In fact, if you take into account the year 2000, we can see that there were 2,001,128 domestic tourists and 165,226 foreign tourists. It is clear that in the early 21st century domestic tourists in Serbia were dominant and it can be seen that for one foreign tourist 12 domestic tourists were coming. This ratio of domestic and foreign tourists shows not very developed tourism regardless of the country it is related to. Such a big difference can result from a number of reasons. Namely, a large number of domestic tourists in comparison to foreign tourists means the widespread poverty of domestic population that is only able to visit local destinations and undeveloped and unrecognizable tourist offer, which could attract foreign tourists to visit local tourist sites. Five years later, exactly in 2005, a dominant participation of domestic tourists is still noticeable but also a trend that is beginning to change gradually. It is noticeable that there are 464,807 less domestic tourists and 287,932 more foreign tourists. Generally speaking, there are less tourists in 2005 than in 2000 and for the 176,987. Inadequate tourism policy has led to the fact that tourism in this period was in an exceptional crisis, despite the large increase in foreign tourist arrivals, whose reasons are found in the reasons that are in solid ties with the policy that can be completed and was one of the major factors contributing to foreign visits.

All are well aware of the political turmoil that was at the beginning of the 21st century, when Serbia became much more open and attractive to foreigners. Due to that, it would be the wrong conclusion if these reasons were looked for in an adequate tourism policy which did not exist. The downward trend of domestic tourist visits was observed even in 2006 when the number of them decreased by more than 100,000 tourists, while a small increase in foreign visits, a little more than 15,000, was observed. Therefore, in this year also the decline in the total number of tourist visits from 1.989,367 to 1.889,771 is noticeable. After two years in which a drop in domestic tourists was observed, not until 2007 an increase from 1.420,929 to 1.610.513 was observed, as well as the growth of foreign tourists from 468,842 to 696,045. This is the first year in which an increase in the total number of tourists, domestic as well as foreign, is observed.

What certainly interfered with the economic development in general is a major global economic crisis that left its mark on tourism as well so that as early as in 2008 decline in the number of foreign tourists is noticeable

to almost 50,000, while an increase in domestic tourists is still observed even though that number is negligible small and amounts to 9.159. At the same time it is the last year in which an increase in the number of domestic tourists compared to the previous year is observed.

By 2015, there is observed a continuing decline in the number of domestic tourists when compared to 2014 the number is final, honestly very little, increased from 1.163.536 to 1.168.542 as negligible, and not enough to bring any positive conclusions. At the same time, if the number of foreign tourists is viewed alongside, except for a slight decline in 2008 and 2009, a steady increase in the number of foreign tourists is noted, which is certainly a positive factor.

If we compare the data from 2000 and 2015, it would lead us to very interesting conclusions. Namely, the domestic tourism is in great crisis if we look at the number of tourists because it is almost halved, from 2.001.128 to 1.168.542. The reasons for this may be numerous both from economic and social sides. On the other hand, you can notice a very large increase in the number of foreign tourists in the same period. Observed in figures from 165.226, which was recorded in 2000, it amounted to 1.084.104.

The above cited fact that in 2000 one foreign tourist was coming to 12 domestic ones was changed so much after 15 years so that it can already be concluded that the number of these tourists is quite equalized thanks to a big rise in foreign and decrease in the number of domestic tourists.

Generally viewed, the number of tourists has almost remained unchanged or only marginally changed because in 2015 compared to 2000, the number of tourists is just 86.292 which is certainly not encouraging data. The only positive conclusion from all this is that there has been a growth in the number of foreign tourists as the economy has a multiplier effect as was discussed in the previous part of the work.

It is also necessary to include the number of overnight stays of tourists both foreign and domestic in the analysis. The increasing number of overnight stays gives more room for spending of funds that have effects on the economy of the country. The following table illustrates the number of overnight stays of foreign and domestic tourists.

**Table 2:** *Number of tourist overnights*

| <b>Tourist overnights</b> |                 |                |              |
|---------------------------|-----------------|----------------|--------------|
| <b>Year</b>               | <b>Domestic</b> | <b>Foreign</b> | <b>Total</b> |
| 2000                      | 7.257.041       | 431.093        | 7.688.134    |
| 2005                      | 5.507.138       | 992.087        | 6.499.241    |
| 2006                      | 5.391.913       | 1.015.312      | 6.407.225    |
| 2007                      | 5.853.017       | 1.457.675      | 7.328.692    |
| 2008                      | 5.935.219       | 1.398.887      | 7.334.106    |
| 2009                      | 5.292.613       | 1.469.102      | 6.761.715    |
| 2010                      | 4.961.359       | 1.452.156      | 6.413.515    |
| 2011                      | 5.001.684       | 1.643.054      | 6.644.738    |
| 2012                      | 4.688.485       | 1.796.217      | 6.484.702    |
| 2013                      | 4.579.067       | 1.988.393      | 6.567.460    |
| 2014                      | 3.925.221       | 2.161.054      | 6.086.275    |
| 2015                      | 3.834.913       | 2.234.681      | 6.069.594    |

**Source:** *Statistical Office of the Republic of Serbia*

It can be seen from Table 2 that in 2000 the number of overnight stays of domestic tourists was dominant in relation to the number of foreign tourists. Even 17 times more overnight stays of domestic tourists than foreigners. Following the trend of these categories in the period 2000-2015 a constant number of overnight stays of domestic is observed, as well as the growth in the number of foreign tourists. 7.257.041 overnight stays in 2000 reduced to 3.834.913 in 2015. Therefore, it is noticed that the number was almost halved. On the other hand, in 2000 431.093 overnight stays of foreign tourists were recorded while in 2015 that number increased to 2.234.681 which is almost 6 times more. Also, what can worry the Serbian tourism is that in this period the total number of overnight stays was reduced from 7.688.134 to 6.069.594. The reasons need to be seen in many issues, but certainly the most important and influential one is the absence of adequate policies in this field. The only positive thing that can be seen as in terms of tourist arrivals is the growth in the number of foreign overnight stays, as well as the number of tourist arrivals in this category. The situation is quite worrying, because for a period of 15 years it can be seen an extremely small, almost negligible increase in the number of tourists and a drop in the number of overnight stays. The only thing that has changed is the fact that the structure of tourists is changing in favour of foreign ones which certainly can only have positive effects on the economy of a country but, on the other hand, regarding this situation as successful would lead to the even bigger problem. The inflow of funds of the foreign tourists is far more important than of domestic for in them practically there are no inflows but only

money that has already been earned in the country is circulating within its borders, while the money of foreign tourists has multiplication effect on the economy of a country. The following table shows the foreign currency inflow of foreign tourists.

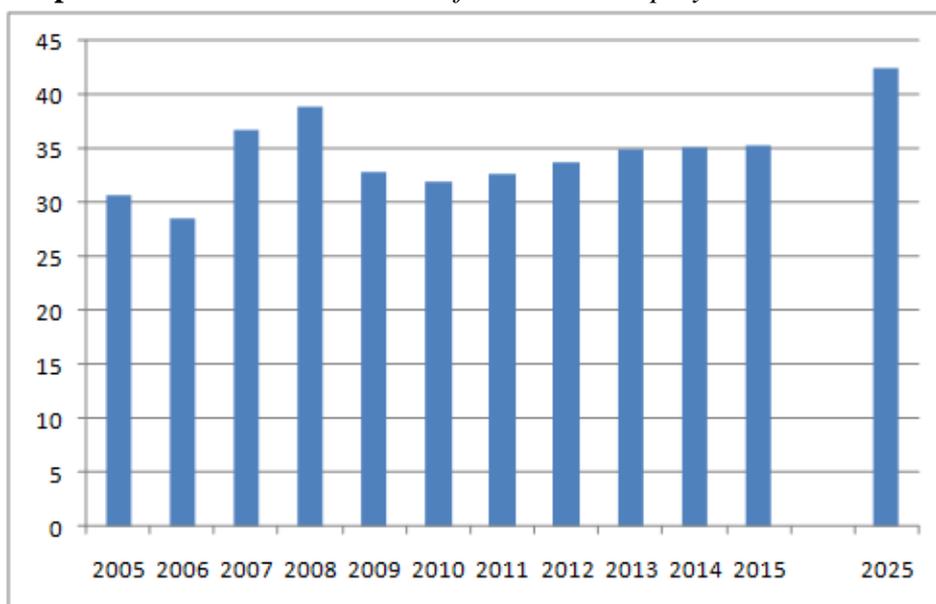
**Table 3:** *Foreign exchange inflow in Serbia 2006-2015 in billion \$*

| Year | 2006 | 2007  | 2008 | 2009  | 2010  | 2011  | 2012  | 2013  | 2014 | 2015 |
|------|------|-------|------|-------|-------|-------|-------|-------|------|------|
| \$   | 290  | 617,2 | 845  | 617,2 | 604,9 | 710,1 | 707,8 | 900,2 | 1050 | 1096 |
| Ind. | 0,94 | 2,13  | 1,37 | 0,73  | 0,98  | 1,17  | 1,00  | 1,27  | 1,17 | 1,09 |

**Source:** Ćerović et al., 2015

Based on the data in the table, it can be seen a decline of foreign exchange earnings recorded in 2006, 2009 and 2012 and that in the remaining years this inflow was increasing. The biggest drop was recorded in 2009 and the reason should be sought in the global economic crisis. It took five years between 2008 and 2013 to exceed the value of the foreign currency inflow from the beginning of this five-year period. Tourism as an activity can significantly increase employment and contribute to solving the problem of unemployment in the Republic of Serbia. (Dimitrovski & Milutinović, 2014).

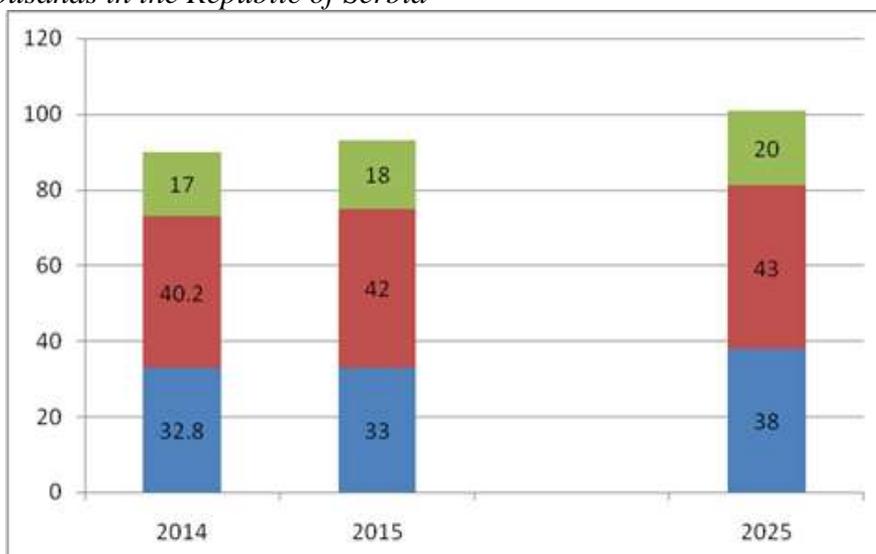
**Graph 1:** *The direct contribution of tourism to employment in thousands*



**Source:** WTTC

In activities that are directly or indirectly related to tourism a certain number of people is employed which is in some, especially indirect activities, difficult to be determined but has to do with tourism. Graph 1 gives an overview of the direct contribution of tourism to employment. It may be noted that the decline in employment was recorded in 2006, 2009 and 2010 and the highest growth is recorded in 2007. The period from 2009-2015 was a period of stagnation in employment with small number in increase of tourist workers. In fact, during this period the number of employees increased by about 3000 which is not data that can be considered as a good result. What is important in the coming period is the policy of targeted development and employment that would be around 43000 in 2025, which when compared to 2015 is 8.000 more jobs. If this period were compared with the previous ten-year period of 2005-2015, when the number of employees increased by 4000, it would be clear that the forecasts are optimistic. With this employment structure Serbia is ranked at 121st on the list of countries and is far below neighbouring countries.(National Bank of Serbia, 2016). By comparison, Croatia is at 15th place, Montenegro at 26th place, while better placed than Macedonia which is ranked in the 174th place. (WTTC, 2016). Graph 2 provides a comparative overview of direct, indirect and induced contributions to tourism in the last two years and the next ten-year projection period.

**Graph 2:** *Total contribution of tourism to the number of employees in thousands in the Republic of Serbia*

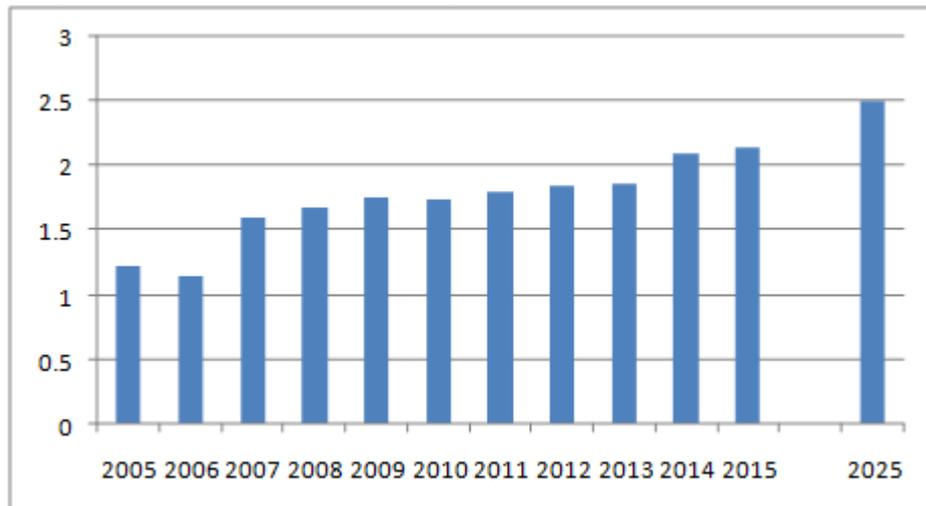


Source: WTTC

The growth of all three categories in 2015 can be noticed compared to 2014 and the planned growth in the next ten years.

Tourism affects the formation of the GDP of the Republic of Serbia. Graph 3 provides an overview of its participation in the last ten years, and projections for the next ten years.

**Graph 3:** *The direct contribution of tourism to GDP*

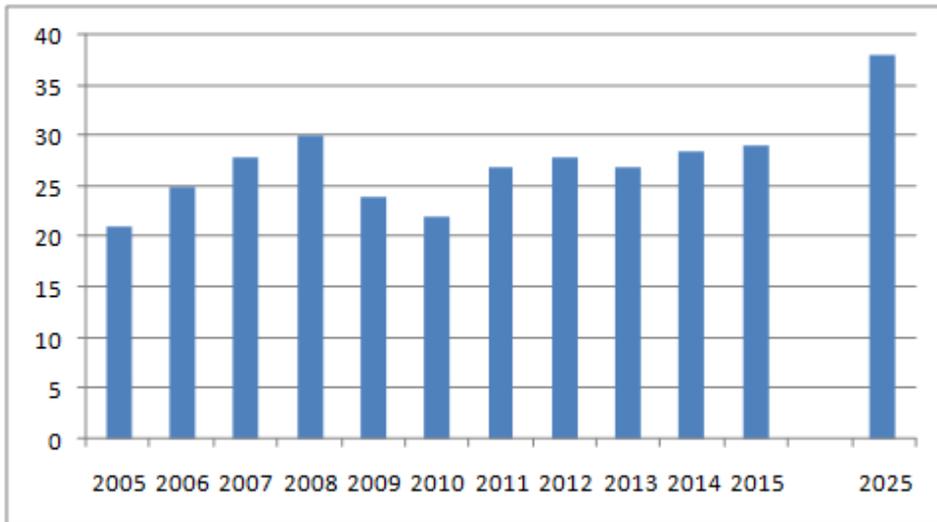


**Source:** *WTTC*

You can see that this contribution varies from 1.2% to 2.1% in this period with strong growth from year to year except in 2006 and 2010, when a slight decline was noticed. If we turn it into real value, it is notable that in 2005 this contribution amounted to about 40 billion dinars, while the value in 2015 was about 80 billion dinars. Planned value in 2025 is slightly more than 130 billion dinars, which is certainly optimistic and positive. These values put Serbia on the 110th place on the list of countries far below the Croatia, which is ranked at the 52nd place and Bulgaria which is in 78th place. Compared with neighbouring countries Republic of Serbia is ahead of Montenegro which is ranked on the 133 place and Bosnia and Herzegovina which is ranked on the 134th place.

Graph 4 shows the amount of investments in the billions of dinars in the period 2005-2015, as well as the planned amount for 2025.

**Graph 4:** *Investments in the billions of dollars*



**Source:** *WTTC*

It may be noted that in the period 2005-2008 this value increased from year to year and that the first decline in investment activity was observed in 2009 and appeared as a result of the global economic crisis. The decline continued in 2010 as well, after which the growth was observed in 2011. The period 2011-2015 was characterized by stable, almost unchanged investment activity. For 2025 the planned investment value is much higher than in the previous ten-year period.

### **Conclusion**

Tourism is a modern economic phenomenon which must be approached in a serious way. Bearing in mind that all major economies employ a significant number of workers in the tertiary sector, it is clear how important is the development of this sector. Only with an adequate development strategy, in whose implementation the national authorities with their mechanisms may provide crucial importance, positive results can be expected. The Republic of Serbia has great potential and compared to other countries in the region it has a comparative advantage. Based on the data presented in the paper, it is clear that the investment activity and employment has been increasing in the past ten years, but that growth is not sufficient to be qualified as satisfactory. What is positive is that the designed and planned values are significantly higher in all the above categories and such an optimistic attitude is necessary and only with great

effort and investment will be achieved. As a result, it should lead Serbia on the tourist map of the Balkans, which would mean a much higher inflow of funds in the Republic of Serbia, which is the main objective, as well as dissemination of good standing and changed image of the Republic of Serbia which for reasons of recent historical and political turmoil is not so good. The adventurous spirit of the Serbian tourist is known, as well as the hospitality of the Serbian nation, which will be familiar to all in time to come.

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# THE IMPORTANCE OF OPERATIONS OF TOURISM SME'S FOR REGIONAL DEVELOPMENT OF VOJVODINA

*Nataša Pavlović<sup>1</sup>; Lukrecija Đeri<sup>2</sup>;*

## Abstract

*The importance of entrepreneurs in tourism has always been difficult to define and determine, especially in terms of business economics in the Republic of Serbia. Micro, small and medium enterprises are currently the most important driver of economic trends in every country. Tourism is a fertile ground for the development of entrepreneurship. It is therefore necessary to analyze the characteristics of enterprises, in order to exploit their comparative advantages and achieve more effective results in tourism sector in Vojvodina. The aim of this paper is to examine the specific characteristics of micro, small and medium-sized tourism enterprises, thus confirming their importance for destination's development. In 2014, the questionnaire was conducted on a sample of 345 enterprises. Statistical analysis yielded results that indicate the comparative advantages and specifics of tourism enterprises in Vojvodina. Also, it were analyzed the socio-demographic characteristics of respondents, who manage policy and strategy of the company.*

**Keywords:** *tourism, hospitality, micro, small and medium tourism enterprises*

## Introduction

The concept of entrepreneurs and entrepreneurship in tourism or micro, small and medium-sized tourism enterprises, has always been difficult to define and determine, especially in terms of economic management and the scope of business economics in the Republic of Serbia. This makes it difficult to determine and define which of micro, small and medium sized

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1 Nataša Pavlović, Ph.D., Tourism Organization of Vojvodina, Bulevar Mihajla Pupina 6/IV, 21000 Novi Sad, 063/444-184, nts.pavlovic@gmail.com

2 Lukrecija Đeri, Ph.D., Associate Professor, Faculty of Science, Department for geography, tourism and hotel management, Trg Dositeja Obradovića 3, 21000 Novi Sad, 064/150-13-10, djerilukrecija@gmail.com

enterprises constitute the tourism industry, given that tourism is a very complex activity (Pavlović, 2015).

Small and medium enterprises are currently the most important driver of economic trends in the economy of a country. Since tourism is a fertile ground for the development of small and medium enterprises, it is important to emphasize the synergy between them and to utilize their comparative advantages to achieve more effective results in tourism business.

The main objective of this paper is to examine which specific characteristics of micro, small and medium tourism enterprises differ from large companies, and thus to confirm the importance of small business in relation to large-format business in the tourism industry. Modern business conditions, the unique characteristics of small and medium-sized tourism enterprises, as well as their limitations, are actually the key reason and truly need to develop new and more suitable approaches that will lead to improvement of the competitive position of tourist destinations.

The subjects of research are micro, small and medium-sized tourism enterprises in the region of Vojvodina. We have analyzed the causal link between the characteristics of enterprises and performance of their operations, as well as their impact on the overall development of destination. At the same time, the task was to determine how socio-demographic characteristics of managers, owners and employees affect their growth, development and improvement of market position. In order to obtain the results in this research paper are posted the following hypotheses:

H1: There are differences in business performance between micro, small and medium-sized tourism enterprises in Vojvodina.

H2: Profession of the owners, managers and employees is in line with the needs of the company's activities.

Expected results should provide theoretical and practical contribution to the current process of the involvement and the application of modern business concepts in the operation of SME's. In this way, it will improve its market position and so Vojvodina, as a tourist destination, will become more competitive in the market - domestic and international.

## **Characteristics of tourism development and policy in the region of Vojvodina**

Tourism in Serbia, and also in Vojvodina, can no longer be uncontrolled and unplanned activity. Tourism development is governed by large multinational companies, as well as small, but to change adjustable enterprises that can easily anticipate changes and meet the tourist demand (Pavlović et al., 2010). Regarding the fact that tourism development requires natural resources, sustained environment, cultural and historic heritage etc., Serbia as a country rich with such factors has a chance to improve its competitive position on the world economic map by developing tourism products. In order to develop tourism products which are to be internationally competitive, a complex management system is needed, as well as policy makers' commitment (Milovanović & Milićević, 2014). Despite noted significant progress in the development of the tourism sector in recent years, Serbia (as well as its regions which include the Vojvodina), yet its offer is based on comparative advantages: possesses diversified structure of the basic attractions, located near the traditional and new tourism markets, has a long history and tradition, preserved natural resources and good communication, but unfortunately the market is not properly positioned.

The Tourism Development Strategy of the Republic of Serbia until 2015, states that Serbia is on its way to define those clusters and the development of economic sectors with a chance of success, where they independently, and with the support of the international community, will have to build as soon as possible and develop a competitive growth strategy. Tourism in this context is imposed as an unavoidable complex where there is untapped growth potential (Ministry of Economy and Regional Development, 2006). As tourism is an important generator of national prosperity the transition from tourist to competitive advantage in Serbia must be integrated into the overall economic reform processes and created through the appropriate tourism policies.

The closed nature of Serbia to the markets, has delayed the process of restructuring and privatization, and there were no significant investments in the development of new forms of tourism. Due to the high centralization, investments in infrastructure and maintenance of inherited tourist destination were lacked, because local communities are not financially able to meet the requirements of maintenance and new development (Ministry of Economy and Regional Development, 2006).

Given of the above, Serbia and its tourist clusters (defined Tourism Development Strategy until 2015, according to which a cluster of Vojvodina belongs to the second development potential), must raise the competitiveness and attractiveness of tourism products and experiences through a respectable innovations, relying to those products and business sectors that have a global perspective. Revitalization of inherited superstructure, while leveraging the pristine attraction and in this way formed tourism products, will lead Serbia on the world tourist market. So, definitely the important role has to play the private sector, and the sector of small and medium-sized tourism enterprises which are the backbone of every economy and society.

### **Position of micro, small and medium-sized tourism enterprises in the scope of tourism business of Vojvodina**

The position of SMEs in the scope of the tourism industry is most easily identified based on their impact on the volume of tourist turnover. In domestic and foreign literature can be found different classifications and organizational forms of tourist services. However, there has been a high degree of consensus on the attitude that catering companies and travel agencies are the most active and most effective carriers of the tourism industry. On this basis, it is clear that in the analysis of development must be taken into account the specificities of all the activities that complement and which directly or indirectly participate in meeting the needs of tourists.

Accommodation and food capacities have the most significant impact on the volume of tourist turnover in a given tourist destination. In the context of the mutual relations of hospitality and tourism industry, it should be noted that a part of the catering industry, primarily in the food sector as a whole does not have the same importance for tourism development, because it provides services to the local population, and certain organized groups of users (nutrition in children's institutions, in schools, in colleges, in boarding schools, hospitals, etc.). In other words, this part of the hospitality is beyond the scope of the tourist industry (Kosar, 2008).

To tourism industry, and enterprises, also belong travel agencies and tour operators who have a mediating role in the realization of tourist turnover, traffic and transportation companies, retail companies, wineries, producers and sellers of souvenirs and the like. Position and categorization of small and medium-sized tourism enterprises is

determined on the basis of activities they perform, and they are recorded in the Register of Tourism, the Business Registers Agency (APR, 2013).

The position of small and medium-sized tourism enterprises in the volume of business tourism industry is determined, above all, by definition of small and medium enterprises and their representation to the activity they perform. Accordingly, the sector of micro, small and medium-sized tourism enterprises are representing legal entities and entrepreneurs, which are classified as follows (Law on Accounting and Auditing, 2013). The micro enterprises shall be classified as legal entities that do not exceed two of the following criteria: 1) The average number of 10 employees; 2) Operating income of EUR 700,000 in RSD counter value; 3) Average value of business assets (calculated as the arithmetic mean value at the beginning and at the end of the financial year) EUR 350,000 in RSD counter value. Small enterprises shall be classified as legal entities that exceed the two criteria referred to in paragraph 2 of this article, but do not exceed two of the following criteria: 1) The average number of 50 employees; 2) Operating income of EUR 8.8 million in RSD counter value; 3) Average value of business assets (calculated as the arithmetic mean value at the beginning and at the end of the financial year) of EUR 4,400,000 in RSD counter value. Medium-sized enterprises shall be classified as legal entities that exceed any two of criteria referred to in paragraph 3 of this article, but do not exceed two of the following criteria: 1) The average number of 250 employees; 2) Operating income of EUR 35 million in RSD counter value; 3) Average value of business assets (calculated as the arithmetic mean value at the beginning and at the end of the financial year) from EUR 17.5 million in RSD counter value. Large enterprises represent legal entities that cross the highest amounts of two criteria. The classification in accordance with the criteria is set out by the legal entity independently. In the spirit of this law, in the sector of micro, small and medium-sized tourism enterprises in Vojvodina also are belonging entrepreneurs. Entrepreneurs are individuals who independently perform economic activities to gain a profit and which are managing their business by the double entry bookkeeping system, if special legislation is not regulated differently (Law on Accounting and Auditing, 2013). The average number of employees is calculated by dividing the total sum of employees at the end of each month, including employees working abroad, divided by the number of months (Penezić, 2009). Activities carried out by entrepreneurs are those that are determined by special rules and regulations on the classification of activities, art and handicrafts, as well as local cottage industry jobs. For

the purposes of research in the paper, the data from the 2013 were used and they are showing distribution of tourism and hospitality enterprises by form of organization and the activity they perform, registered in the Register of Tourism in Business Registers Agency (Table 1).

**Table 1:** *Enterprises by activities from the Register of tourism*

| <b>Activities of legal entities/enterprises</b>                 | <b>Legal entities</b> | <b>Entrepreneurs</b> | <b>Total</b> |
|---|-----------------------|----------------------|--------------|
| Camps, campsites and campgrounds for tourists                   | 4                     | 0                    | 4            |
| Tourist agencies  | 137                   | 94                   | 231          |
| Restaurants and mobile catering facilities                      | 304                   | 2091                 | 2395         |
| Tour operators  | 38                    | 4                    | 42           |
| Companies providing rental and leasing for recreation and sport | 1                     | 1                    | 2            |
| Providers of hunting tourism services                           | 18                    | 2                    | 20           |
| Holiday and short-stay accommodation                            | 15                    | 10                   | 25           |
| Other reservation services                                      | 7                     | 9                    | 16           |
| Other accommodation   | 10                    | 43                   | 53           |
| Passenger transport by inland waterways                         | 7                     | 10                   | 17           |
| Wine makers   | 26                    | 66                   | 92           |
| Hotels and similar accommodation                                | 0                     | 28                   | 28           |
| <b>Total:</b>   | <b>567</b>            | <b>2358</b>          | <b>2925</b>  |

**Source:** *Pavlović (2015, p. 59)*

From data analysis in Table 1, it is noticed that biggest number of registered enterprises in Vojvodina (82%) are representing restaurants and mobile catering facilities. These companies were registered for performing the activity which includes preparing and serving food to guests, whether they are served at the table or for self-serving, whether they eat prepared meals in the objects, or carry them with themselves, or are shipped. Also included is preparation and serving of food for direct consumption from motor and other vehicles (Regulation on Classification of Activities, 2008). They are followed by companies registered to perform activities of travel agencies (8%), wineries and wine producers

who have registered for the activity of wine production from grapes (3%). The remaining 7% of enterprises and entrepreneurs, who are registered in the Register of tourism, perform the following activities: other accommodation (2%), activities of tour operators (1%), hotels and similar accommodation (1%), holiday and short-stay accommodation (1%), providers of hunting tourism services (1%), passenger transport by inland waterways (1%), while other companies registered for reservation services, activity camps, auto-camps and camps for tourists and for renting and leasing of recreational and sports, have a share of less than 1% of the total number of registered enterprises. Regional distribution of companies is essential for determining the concentration of micro, small and medium-sized tourism enterprises by areas in Vojvodina (Table 2).

**Table 2:** *The regional distribution of tourism and hospitality enterprises in Vojvodina*

| Area                       | Legal entities | Entrepreneurs | Total |
|----------------------------|----------------|---------------|-------|
| The area of West Bačka     | 38             | 220           | 258   |
| The area of South Banat    | 51             | 340           | 391   |
| The area of South Bačka    | 291            | 930           | 1221  |
| The area of Northern Banat | 25             | 120           | 145   |
| The area of Northern Bačka | 70             | 179           | 249   |
| The area of Middle Banat   | 24             | 235           | 259   |
| The area of Srem           | 68             | 334           | 402   |
| Total:                     | 567            | 2358          | 2925  |

**Source:** *Pavlović (2015, p. 60)*

On the basis of distribution to areas where they are registered and operate, it could be concluded that the largest concentration of micro, small and medium-sized tourist and hospitality companies and entrepreneurs are in the area of South Bačka, where there is 42% of the registered entities. The surprising fact is that there is a small share of enterprises (9%) in the area of Northern Bačka, where there are extremely significant tourist destination - Subotica and Palić. The area of Srem is on the second place in the region of Vojvodina (18%) according to the number of registered enterprises in the field of tourism and hospitality. It is followed by the area of South Bačka, which has 13% of registered enterprises. The area of Middle Banat, Western and Northern Bačka have the same share of 9%, while the smallest number of companies (5%) is registered in the area of Northern Banat. From the aforementioned analysis can be concluded that the most attractive enterprises, observed from the aspects of activities

they perform, for initiating and developing their own businesses are actually catering companies, restaurants or those that are registered for mobile catering facilities. Also, it is observed that there are a large number of companies engaged in reservation activities in tourism, such as travel agencies, tour operators and companies or entrepreneurs registered for performing other services of reservation. Hotel companies are not represented in the large extent in the analyzed data, but companies that are registered as the other accommodation, are in fourth place according to the frequency. This fact indicates that the private companies and entrepreneurs prefer to perform activities of complementary accommodation. Therefore, from the Register of tourism left behind the information on the final number of companies, especially those that provide accommodation services. However, Statistical Office of the Republic of Serbia keeps records of the accommodation objects, which are included in the analysis, as well as catering companies.

### **Research scope, subjects, and methodology**

For the purposes of this work paper it was used a questionnaire which was implemented in 2014. The target population in the study has consisted of micro, small and medium enterprises in Vojvodina, which are representing entrepreneurs and companies. According to available data of the Business Registers Agency (2013), in Vojvodina during 2013 has been registered total number of 567 legal entities and 2358 entrepreneurs whose business is related to tourism and hospitality. These data were used to create the sample size (Pavlović, 2015).

The study applied disproportionate stratified sample, where tourism enterprises were classified in groups based on activities they perform. Sampling research unit was made of the following participants: the owners, managers (management at all levels) and employees in tourism SMEs in Vojvodina. For the study were collected 345 correctly completed questionnaires. They were used in the statistical programs SPSS 19.0 and Statistica 12 for further data analysis. By descriptive statistics were examined the basic characteristics of the operations of micro, small and medium-sized tourist companies in the region of Vojvodina, as well as socio-demographic characteristics of owners, managers and employees in companies, which will be used for further research.

## **Business characteristics of investigated micro, small and medium-sized tourism enterprises in Vojvodina**

Most of the investigated enterprises (53.3%) is located in the area of South Bačka, and it is followed by the share of 15.7% of enterprises in the area of Srem, the North Bačka area with 7.5% and West Bačka area with 7.2%, while the lowest number of surveyed enterprises was in the area of Northern Banat (5.8%) and Middle Banat (5.5%). This indicates that the tourism and hospitality industry is well developed in the South Bačka area, mainly in the City of Novi Sad. This was founded and shown also in the data from the Business Registers Agency (2013). An interesting fact is that a relatively small number of observed enterprises are settled in the area of Northern Bačka, where are Subotica and Palić, which after Novi Sad, are the most visited tourist destination in the province of Vojvodina, and also belong to the top five destinations in the Republic of Serbia. This information has also been observed in the overall sampling population, on the basis of Register of tourism (APR, 2013). The only deviation that appeared in research regarding the sample size, has occurred in case of the number of investigated companies in the Southern Banat area, where the established overall number of business entities (companies and entrepreneurs) is relatively large, because this area is at the third position in the number of subjects. This fact in research indicates the unwillingness of the representatives of SMEs to respond to the questionnaires or reveal their business data.

The largest number of investigated micro, small and medium-sized enterprises is operating in catering industry, or performs activities of restaurants, mobile catering facilities, serving drinks, etc. These companies make 36.8% of the sample. They are followed by the travel agencies and tour operators, as well as enterprises providing other reservation services and activities associated with them (20.3%). In third place there are hotels and similar accommodation, which constitute 16.7% of the surveyed companies. They are followed by holiday and short-stay and other accommodation, campsites industry (13% of the sample), wine makers and wineries (6.7%) and companies registered for other activities (6.4%). For easier processing of data it was necessary to group companies in smaller number of groups. Descriptive statistic showed that the largest number of small and medium-sized tourism enterprises primarily performs restaurants and mobile food facilities activities. Then follow enterprises who perform activities of travel agencies and related services, which coincides with the data from the sampling population and justifies

the use of disproportionate stratified sampling. In the other enterprises we have grouped these with following activities: activity of arena and stadium; investment and marketing management of tourist destinations; rental and leasing of equipment for sport and recreation; passenger transport by inland waterways; consulting in tourism; manufacture and sale of souvenirs; care and maintenance of the body; hunting, trapping and related service activities; freshwater aquaculture and the wholesale and retail.

How tourism SMEs account economic entities (legal entities and entrepreneurs) that carry out activities in the field of tourism and hospitality, according to the data of descriptive statistics can be seen that 45.5% are legal entities, while 55.5% of the investigated companies make entrepreneurs. At the same time 85.5% of the surveyed SMEs in Vojvodina operate independently, while 14.5% is part of a larger company. Length of business of interviewed companies has been ranged from less than one to 110 years. The average length of operation of enterprises ( $M=10.79$ ) is 11 years old. Most of the surveyed firms (64.3%) operate in a period of one to 10 years.

On the basis of characteristics such as number of employees, business assets and annual business turnover is determined the size classification of each of the tested enterprises and following results were obtained: the highest number of surveyed tourism enterprises in the region of Vojvodina are micro enterprises (69.3%), followed by small (24.3%) and finally medium enterprises (6.4%). In most of the investigated companies (85.8%) owner is fully involved in the management and running of businesses, which points to another parameter in defining entrepreneurship and SME sector, typical for small and medium-sized enterprises.

### **Socio-demographic characteristics of owners, managers and employees of investigated micro, small and medium-sized tourism enterprises in Vojvodina**

Socio-demographic characteristics of owners, managers (top, middle and lower management) and employees, and the description of these characteristics through statistics was necessary to determine do they have influence on the growth and development of enterprises, and therefore to improvement of destination competitiveness. Descriptive profile test showed that 56.8% of total subjects were men and 43.2% women. Most

respondents aged between 31 and 50 years (59.7%). Data related to the position in the company showed that the most of examined were owners of SME's (51.9%), followed by managers (top, middle and lower management makes 39.1%) and finally the remaining 9% of the respondents were employees and other part time employees.

Regarding the educational profile of respondents can be seen that 35.1% of participants completed college, while 32.7% of respondents have completed secondary school. Higher education had 23.2% of respondents, while the smallest is number of those who have completed post-graduate studies, and they make 9% of the sample. Analysis of the profession of respondents showed that the majority of survey participants (50.1%) has acquired education from activities related to tourism (primarily economics and management), 28.4% of respondents were tourism and hospitality professionals, while the remaining 21.5% acquired other professions. This information is obtained when the variables are reduced to a smaller number. Further examination of the educational profile founded that the largest number of respondents (31.9%) have other professions. Taking into account the previously mentioned fact that the participants in this field enter even a profession which belongs to the listed tourism and catering, we can say the following: economic (19.1%) and managerial (21.4%) leads the profession in relation to tourism (16.2%) and catering (11.3%), which is inferred from data analysis. This is supported by the fact that the majority of respondents (62.6%) work in tourism from a few months to ten years, which means that these respondents were doing another business. In tourism and hospitality they were engaged in since it established expansion and benefits that can arise from those activities. Also, it was found that most of the companies were registered to perform other activities, and have been registered under a different business activity code, which didn't have anything in common with tourism and hospitality industry. A number of respondents (22.9%) have between 21 and 30 years of experience in tourism, while the smallest is number of those (12.5%) with over 30 years of professional experience in tourism.

These results can be interpreted in several ways. The fact that the least number of respondents have experience over 30 years indicates that the majority of tourist companies that once operated in Vojvodina, no longer exists and that the tourism and hospitality industry of Vojvodina is destroyed. But encouraging fact is that many micro, small and medium enterprises in Vojvodina are registered for performing of tourism and

hospitality activities and they are doing business for up to ten years. This fact points to the new trends, not only in Vojvodina, but also in Serbia, as well as increasingly investments in tourism were made in the last ten years, considerable attention is paid to the tourism industry.

### **Research results**

Research for this study led in the direction of determining the existence of relationships or differences between variables that represent characteristics of the operations of tourism SMEs in Vojvodina, as well as the characteristics of those who manage or work in companies. In this way, we can determine the basic performance of the surveyed firms and predict the strategies and tactics that can lead to the growth and development of the SME's tourism sector, and thus the competitiveness of the tourist destinations of Vojvodina.

By statistical methods, were analyzed the main specifics, which can be used to further strategic plans and tactics of micro, small and medium-sized tourist and hospitality enterprises in Vojvodina. In the following text will be displayed only those results and tests which showed the statistically significant difference between the examined groups, or variables.

Chi-square test of independence (with continuity correction according to Yates) showed a statistically significant difference between the classification of companies by size and type of organization of the companies surveyed,  $\chi^2(1, n = 345) = 64.47$ ;  $p = 0.00$ ;  $\phi = -0.439$ . The coefficient phi indicates a high connection between the two variables. This means that the proportion of legal entities, which are classified by size on micro, small and medium-sized tourism enterprises, is significantly different from the proportion of entrepreneurs who are classified as micro, small and medium tourism enterprises in Vojvodina. In this case, 31% of legal entities are micro tourism enterprises, while 69% of entrepreneurs are micro enterprises. For small and medium-sized enterprises, this proportion is reversed: 78.3% of small and medium-sized tourism enterprises are registered as companies, while only 27.1% of small and medium-sized enterprises registered as an entrepreneur.

Through Chi-square test was tested whether there is a connection between the size of micro, small and medium-sized tourism enterprises and activities they perform. Since the minimum frequency in all cells was

satisfied, strength of the relationship between the variables were measured by Cramer's V coefficient of multiple categories. This test of independence demonstrated the link between the size of enterprises and activities they perform of a medium strength:  $\chi^2(1, n = 345) = 50.89$ ;  $p = 0.00$ ; Cramer's  $V = 0.38$ . This coefficient for R-1 and C-1 = 1, shows that the impact of firm size on the activities they perform is middle (Gravetter & Wallnau, 2004). Travel agencies, tour operators and other enterprises in business of reservations were 82.9% of micro-enterprises, while only 17.1% are classified as small and medium-sized tourism enterprises. Restaurants and other catering enterprises are also in high percentage (72.4%) of micro-enterprises, while 27.6% were classified as small and medium tourism enterprises. Enterprises for holiday and short-stay (the proportion of 82.2% of micro enterprises and 17.8% of small and medium enterprises) and other companies engaged in tourism and hospitality (75.6% micro and 24.4% small and medium enterprises) have similar indicators according to the size and activities, as previously shown in the surveyed companies. Only the proportions of hotels is different from the other enterprises, as 31% of hotels are micro enterprises, while 69% are classified as small and medium enterprises.

For the purpose of this work paper were analyzed the relations between the location of enterprises (by areas in Vojvodina, where they were registered) and their size, as well as the activities they perform. Chi-square test of independence did not show a significant link between the location and size of the company,  $\chi^2(1, n = 345) = 8.48$ ;  $p = 0.21$ ; Cramer's  $V = 0.16$ . This means that the proportion of micro tourism enterprises that are located in the abovementioned areas in Vojvodina is not significantly different from the proportion of small and medium-sized enterprises in these areas.

The relationship between firm size and length of business operations has been tested using Spearman rho correlation coefficient. Preliminary analyzes were performed to demonstrate satisfaction of the preconditions for the application of correlation (Pallant, 2009). It was measured a small positive correlation between these two variables,  $r = 0.15$ ;  $n = 345$ ;  $p = 0.005$ , where longer working of enterprises causes the bigger size of the surveyed enterprises.

In order to draw conclusions concerning the characteristics of the owners, managers and employees in the surveyed companies (i.e. those who run them) and determine the control levers and guidelines for the future, we

have been tested socio-demographic variables of respondents in relation to variables that reflect the performance of the enterprises. Through Chi-square test was investigated whether there is a link between the profession of respondents and activities that enterprises perform. Strength of the relations between the variables were measured through Cramer's V coefficient of multiple categories. This independence test showed bond of high strength between the profession of respondents and the activities of that enterprises perform:  $\chi^2(12, n = 345) = 91.89$ ;  $p = 0.00$ ; Cramer's  $V = 0.30$ . In travel agencies and other businesses dealing with the services of reservations and booking are employed 22.7% of economists, 15.7% of the managerial profession, 55.4% tourismologists and 11.8% employees with other professions. In restaurants proportion of employees is as follows: 25.8% were economists, 35.1% were managers, 5.4% tourismologists, 64.1% catering technicians and 50.9% are employed in other professions. In companies that provide accommodation services were employed 34.8% of economists, 40.5% of managers, 32.1% of tourismologists, 28.2% of catering technicians and 19.1% others. Other tourist and hospitality enterprises employ 16.7% of economists, 9.5% of managers, 7.1% tourismologists, 7.5% of catering technicians and 18.2% employees of other professions.

## **Conclusions**

Research results of this work paper have shown that there are differences in the operations of micro, small and medium-sized tourism enterprises in Vojvodina. First of all, it is necessary to point out that the largest numbers of enterprises are registered for restaurant and catering services and tourist agencies. So, it can be concluded that the income from tourism in Vojvodina is achieved most of these companies. Regarding the regional distribution, it can be seen that in the number of registered micro, small and medium enterprises the leading areas are South Bačka and the area of Srem. It was explored that the surveyed enterprises, registered for various activities, also vary in size. Also, examined micro and small and medium enterprises differ according to the type of organization. All results indicate that the performances of micro and small and medium-sized tourist and hospitality enterprises in Vojvodina are different. Regarding to this, the first research hypothesis is accepted and it could be concluded that there are differences in business performance between micro, small and medium-sized tourism enterprises in Vojvodina.

Based on the determined differences recommendations are given to help micro, small and medium-sized tourism enterprises in Vojvodina to become and remain competitive in the tourism market. These are related to the recommendations aimed at adjusting enterprise strategy in relation to the type and size of company. The research in this paper gave only initial guidance on the appropriate application of modern marketing and management resources that could improve the competitiveness of Vojvodina as a tourist destination. Tourists consume primary elements (places of activities, tourist ambiances, facilities for entertainment and socio-cultural characteristics) in different combinations, depending on their needs and desires, and to this combination they join secondary elements of the proposal (which is in the most part consisted of tourism and hospitality companies) and additional elements of such supportive services (Milićević & Đorđević, 2016).

Complex tourism structure imposes the necessity of marketing orientation to total relationship marketing. As market becomes more competitive, a greater understanding of total relationship marketing will become more intensive (Pavlović et al., 2015). The total relationship marketing is a complex concept whose adequate application leads to numerous benefits, both among micro, small and medium-sized tourism enterprises in Vojvodina, as well as the destination. This concept refers to the entire operations of tourism enterprises and involves relationships, interactions and networks (Gummesson, 2008) with all stakeholders in the tourism market. The total relationship marketing as a complex concept includes the sustainable development of tourism destination. Sustainable tourism minimizes environmental and cultural damage, optimizes visitor satisfaction, maximizes long-term economic growth, and balances tourism growth potential and the conservation needs of the environment (Pavlović et al., 2015, p. 493).

Consumer behavior research is very important for both the distributors of tourism services and for the tourist destinations since tourism consumers have the option to choose between various tourist destinations. Distributors of tourism services, which in our case are tourism SMEs in Vojvodina, can benefit from the researches of decision-making processes when competing to design more efficient promotional activities directed towards the wishes and preferences of the consumers (Djeri et al., 2015). In their work paper, Đokić et al. (2014) suggested that there is a need for connection between steps in marketing management process: consumers' profile research (i.e. market segmentation research), belonging to strategic

marketing, and creating promotion mix (as marketing mix instrument), that belongs to tactical part of marketing. Their mission must be based on a strategy of customer relationships and quality management. The basic task of management in this case is the creation of strong relationships with guests, continuous monitoring of changes in consumers' demands and the creation of service standards that reflect identified demands by customers, including that physical evidence of service through well-planned and designed service ambience is provided (Blešić et al., 2015, p. 493).

Preferences, expectations from tourist destination and attitudes and opinions of potential tourists about tourist offers represent the most important factors of the estimation of alternatives between different tourist destinations (Djeri et al., 2015, p. 277). At the same time, can not be avoided creating a culture and values of enterprises, on this basis, and it should be worked on their continuous strengthening. To implement these activities, micro, small and medium tourism enterprises in Vojvodina must improve their potential (both human and material), as well as the implementation of program activities and value systems within them. The study found that owners, managers and employees of SMEs have adequate profession depending on which industry the enterprise carries on. Regarding to this, the second research hypothesis is confirmed, and it means that the profession of the owners, managers and employees is in line with the needs of micro, small and medium tourism enterprises. Also it was examined an extremely important role of the managers and owners of investigated enterprises, because of their attitudes, mostly depends on the acceptance of specific strategies and policies of the company. This fact reflects the basic difference between small and large enterprises. Relationships, interactions and networks of those who manage the company with the business environment are the most important influencing factors on performance of enterprises and competitiveness of destinations.

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# IMPACTS OF DEVELOPMENT OF TOURISM ON LOCAL POPULATION OF THE MUNICIPALITY OF SUBOTICA

*Jelena Tepavčević<sup>1</sup>; Nataša Gršić<sup>2</sup>;*

## **Abstract**

*Subotica as the most northern city of the Republic of Serbia and the city that is the main transit point to all travelers, has many attractions that can be included in its tourist offer and, therefore, in tourism development, too. The way in which this will be carried out partly depends on residents of Subotica. The local population plays a significant role in its development. It is important to know the opinion of residents who would directly or indirectly be involved in the development of tourism. The basic method is a review and the use of the existing literature, but the method which is provided for data collection is a method of survey after which the resulting data will be processed in the software package SPSS version 20. Methods of processing data are: descriptive statistical analysis, t-test, analysis of variance ANOVA. The expected results should provide a valid picture of the attitudes of the local population regarding the further development of Subotica as a tourist destination.*

**Keywords:** *Subotica, the local population, attitudes of population*

## **Introduction**

In municipalities across Serbia, tourism development is gaining in importance as a regional economic development strategy. Tourism is perceived as a basic industry that offers employment opportunities, tax revenues and economic diversity of the municipality. Also, tourism is an activity that allows small businesses flourish, especially those in family ownership. The development of tourism increases the positive and negative impacts on the area in which it develops. Tourism changes the environment in which it develops and affects the local population. A

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1 MSc Jelena Tepavčević, Ivana Milutinovića 99, 21460 Vrbas, 062/8445457, e-mail: jelenat91@gmail.com

2 BSc Nataša Gršić, Bolmanska 2/6, 24000 Subotica, 064/1851888, e-mail: natasa.grsic@gmail.com

tourist comes with his culture and wishes to get to know the traditions, language, cultural – historical heritage, while locals live in a space that is designed to satisfy the tourist needs. Different attitudes of the local population in relation to the tourists and their preferences mostly depend on whether the residents depend on revenues generated by tourism. The entire development should respect the principles of sustainable development. Namely, it should ensure that uncontrolled development does not destroy the resources, but preserve it for future generations, with the aim of continuous improvement of quality of life in the tourist destination.

Changes that happen for the local population may be positive (employment possibilities, infrastructure improvement, etc.) or negative (traffic jams, crime, increased property taxes, etc.). A contact of tourists with and local population leads to the formation of different relationships. If tourist destinations want to be competitive, they must ensure local residents adequate quality of life.

The impact of people's thinking about a place or production may change. The environment can be seen as a non-verbal way of communicating with costumers (Miljanić & Tepavčević, 2013).

In the unfolding of life in the tourist destination, the presence of tourists can cause positive impacts to the local population (for example, to be proud of the past, tradition, satisfaction with the progress of the city, etc.) and/or negative ones (for example, the sense of capturing of their own space, intolerance towards tourists in their own environment, traffic jams and noise resulting from the constant tourist flow, etc.). The strength of individual impacts can be varied; it can even be a mixture of positive and negative impacts. The attitudes of residents contribute to the advantages which tourism development brings, such as increasing the income of the population (ensuring economic independence and stability of municipal areas), ensuring the construction of municipal infrastructure, creating a recognizable tourist destination and the branding of indigenous offerings. However, there are also disadvantages brought by the development, such as emigration of population, destruction of natural and cultural resources, destruction of autochthony, lack of full-year employment in a seasonal business destinations, etc.

## **Overview of studies and models for measuring the attitudes of the local population**

Most of the studies about the attitudes of local population are focused on the differences between the the individual categories of local population. These categories are identified by sociodemographic characteristic (Belisie & Hoy, 1980; Liu & Var, 1986; Milman & Pizam, 1988; Pizam, 1978), place of residence or the distance the local community from the tourist areas (Belisie & Hoy, 1980; Sheldon & Var 1984) and economic dependence on tourism (Milman & Pizam, 1988; Pizam, 1978).

Liu & Var (1986) deal with the study of population in Hawaii and research what they would like to change to improve their living environment. The authors conclude that residents would not change standards of life nor reduce environmental impacts, although they care about environment protection. However, Liu & Var do not show any statistical confirmation of this conclusion, which seems to be derived by an average score rankings of attitudes that are grouped as general areas of concern.

It is logical to conclude that those residents who benefit directly from the tourism development probably support such a policy. However, the program of public relationships of most agencies for tourism development provides that there is a significant relationship between the perception of tourism growth and support for its development by those who do not directly benefit from such a growth (Perdue et al., 1990).

Earlier studies of socio-economic factors mention different elements that determine which of them have an influential effect. For example, a survey conducted in Scotland, where Bourgham & Butler (1981) use segmental analysis to identify differences in attitudes towards their contact with tourists, length of stay, age and language. In North Wales, Sheldon & Var (1984) find proofs which point to attitudes of tourism related to cultural influence. The natives are more concerned about the social and cultural impacts of tourism in comparison to other residents.

Variable age structure is also involved in research and attitudes about tourism. The research conducted in Australia by Tomljenović & Faulkner (1999) suggests that older people, as well as younger, are favorably inclined towards the development of tourism, but that older population are less concerned about the negative impacts of tourism development on

environment. Taking gender as the main variable of research conducted in New Zealand, Mason & Cheyne (2000) point out that more women than men are against tourism development. As the reasons, the authors talk about negative implications, such as increasing traffic, noise and crime.

For a longer period of time, economic dependence was in the focus of social researchers and they wanted to discover the attitudes of the population to whose community tourism brought certain benefits. Many residents and communities have developed a mechanism “to adapt to tourism”. The town of Vermont (Vermont Village – USA) can be taken as an example. Namely, its inhabitants invented a fake folklore tradition, created by stereotype for tourists. Residents have supported social gatherings and celebrations during the winter break in which they would also enjoy (Harril, 2004).

Most literature shows that residents can recognize positive and negative aspects of economic dependence of tourism. The study about the residents of the Turkish resort Marmaris by Var et al. (1985) finds that residents consider that tourism increases values of property and housing prices, although they agreed that tourism creates jobs and reduces unemployment. The study of Liu et al. (1987) undertaken in Hawaii, the North Wales and Istanbul, found out that residents are worried about environmental impacts of tourism and environmental degradation, despite economic benefits.

In the study about Cairns, a touristic town in Australia, Ross (1992) finds that positive attitudes are associated with improved free time and economic activities, while the negative ones are associated with increased cost of accommodation.

Gambling is a trend that is fast becoming an important source of income for many communities, in spite of the controversy that it circulates and causes serious social and economic consequences. Pizam & Pokela (1985) conducted a survey in two municipalities in Massachusetts. The results point out that residents of these communities believe that the establishment of casinos can improve living standards, create employment opportunities and increase the possibility of recreation and entertainment. However, other residents feared that casino will create a negative image of the city and increase the percentage of crime.

Perdues, Long & Allen (1990) developed a model that examines the relationship between the perception of residents towards tourism impacts and their support for tourism. It was discovered that when the personal benefits from tourism are controlled, residents with a positive perception of tourism impact support additional tourism development and specific development policy. Also, the model assumes that the restrictive policy's support, special tourism taxes and fees will negatively affect the support for further tourism development. This model consists of 17 questions that measure attitudes and perceptions of residents. To obtain the answers, the authors used the five-point Likert scale. The survey was conducted in May, 1987 in 16 settlements in Colorado as a part of a development project for rural development. The aim of this study was to test the model and examine perceptions of rural residents, but also to examine the relationship between perceived impacts and support of residents for further development of tourism and specific development policy.

### **The methodology and hypothesis of the current research**

The model used in this research is the one used by Perdue et al. (1990), now modified according to the level of development of tourism in Subotica. Some questions have to be reformulated, or customized in the spirit of the Serbian language, but without changing the meaning of the main issues. From the original model, which consists of 17 statements, 11 are taken over, while 7 statements are excluded from the survey because the original questionnaire was designed for the countries with a high level of tourism development. Instead of these 7 statements, 8 new ones are added, adapted to the level of tourism development in Subotica.

The first part of the questionnaire contains sociodemographic questions: gender of respondents, age, education level, occupation and number of years of residence in Subotica, as well as the question of whether they are employed in the tourism industry, because we want to examine whether employees in tourism differently perceive tourism impacts in comparison to residents who are not employed in tourism. The second part of the questionnaire contains 18 dependent variables for which the five-point Likert scale is used (1 – strongly disagree, 2 – partly disagree, 3 – indefinite, 4 – partly agree, 5 – absolutely agree). The last question is a closed type one, and the respondents were able to choose one of the answers concerning Subotica's main potential for tourism development.

The following initial hypotheses are set in the study:

- H1: The positive impacts of tourism on an individual are primarily viewed through an economic dimension, i.e. the development of tourism will bring economic benefit to the city and will impact the unemployment.
- H2: The responses differ significantly according to the gender of the respondents.
- H3: The City Hall, the symbol of the city centre, represents the greatest potential for tourism development in Subotica.
- H4: A lot of tourists in the city would bother the locals, because this would affect their everyday life.

### **Research results**

The survey was conducted during summer, 2014 in the municipality of Subotica. It was conducted electronically - an online questionnaire was created and distributed to the target segments through social networks and forums. Target segments consisted of Subotica residents of all ages, different professions and education levels. A total of 120 valid surveys were collected.

The first part of the research relates to sociodemographic characteristics of local residents. All questions with percentage answers are shown in Table 1. From Table 1, it can be concluded that females dominate the sample, 66.7% of the sample, while the males are represented by 33.3%. The data about the age of the respondents tell us that 53.3% of the respondents that took part in the study were 18 to 30 years of age, because this group most widely uses social networks through which questionnaire was distributed, in comparison to the group of those over 60 years of age, which makes 5% of the participants. The basic assumption is that the members of this age group do not use social networks as often as young people, so that is probably the reason why their percentage in this sample is very small.

The largest number of the respondents, 59.2%, finished secondary school and those with elementary education make 2.5% of the respondents. The number of respondents who finished post-secondary education occupies a significant part of the sample, 34.2%. Analyzing the profession of respondents, it can be noted that the majority of them are either working population or employees. The second and third places are taken by the students and the unemployed, respectively. Pensioners occupy a small

part of the sample, which goes in favour of the above mentioned, that a small number of people over 60 were surveyed because they do not use social networks. Asked how long they lived in Subotica, 32,5% of them answered that they lived there for more than 31 years. 27,5% of the respondents lived there 21-25 years. Other groups in the sample occupy a small part.

**Table 1:** *Sociodemographic characteristics of respondents*

|  | <b>Frequency</b> | <b>Percentage</b> |
|--|------------------|-------------------|
| <b>1. Gender</b>                       |                  |                   |
| Male                                   | 40               | 33,3              |
| Female                                 | 80               | 66,7              |
| <b>2. Age</b>                          |                  |                   |
| 18-30                                  | 64               | 53,3              |
| 34-45                                  | 38               | 31,7              |
| 46-60                                  | 12               | 10,0              |
| Over 60                                | 6                | 5,0               |
| <b>3. Education</b>                    |                  |                   |
| Primary school                         | 3                | 2,5               |
| Secondary school                       | 71               | 59,2              |
| Advanced school/university             | 41               | 34,2              |
| Master                                 | 5                | 4,2               |
| <b>4. Occupation</b>                   |                  |                   |
| Pupil                                  | 2                | 1,7               |
| Student                                | 33               | 27,5              |
| Employed                               | 67               | 55,8              |
| Unemployed                             | 11               | 9,2               |
| Pensioner                              | 7                | 5,8               |
| <b>5. Duration of life in Subotica</b> |                  |                   |
| 0-5 years                              | 7                | 5,8               |
| 6-10 years                             | 4                | 3,3               |
| 11-15 years                            | 6                | 5,0               |
| 16-20 years                            | 12               | 10,0              |
| 21-25 years                            | 33               | 27,5              |
| 26-30 years                            | 19               | 15,8              |
| 31 and more                            | 39               | 32,5              |
| <b>6. Employment in tourism</b>        |                  |                   |
| Yes                                    | 17               | 14,2              |
| No                                     | 103              | 85,8              |

**Source:** *The work of authors based on the analysis in SPSS, v.20*

Employees in the tourism industry are the most familiar with the attractions of Subotica and with the real situation about tourism in Subotica, so they are the most relevant segment to examine. The question “Are you employed in tourism” is added to the questionnaire in order to compare attitudes of respondents employed in tourism and those employed in other industries to determine whether there is a difference in the responses. Most of the respondents replied that they are not employed in the tourism sector, even 85.8%, so further analysis of this question is not done because the answers would not be relevant.

The answers given to the question what they consider as Subotica’s potential in tourism development are shown in Table 2.

**Table 2:** *Subotica’s potentials in tourism development*

| Potentials              | Frequency | Percentage |
|-------------------------|-----------|------------|
| City Hall               | 33        | 27,5       |
| Raichle House           | 2         | 1,7        |
| Sacral objects          | 3         | 2,5        |
| Monuments               | 1         | 0,8        |
| Festivals               | 46        | 38,3       |
| Natural attractions     | 31        | 25,8       |
| Sociable inhabitants    | 1         | 0,8        |
| Gastronomic specialties | 3         | 2,5        |

**Source:** *The work of authors based on the analysis in SPSS, v.20*

According to the survey, festivals are the greatest potential for tourism development in Subotica, and their part in the sample is 38.3%. On the second place is the magnificent the City Hall building, the legacy of Maria Theresia, with 27.5%. Natural attractions are also one of the potentials of Subotica with high percentage of 25.8%, while other potentials occupy only a small part of the sample. From the results, it can be concluded that Hypothesis 3, the City Hall is the greatest potential of Subotica, is not confirmed. The assumption is that the local residents are not informed enough about the importance of tourist attractions in town for tourism development, therefore they do not consider it crucial for tourism development.

### **Results of descriptive statistical analysis**

A total of 18 questions can be divided into four groups, according to four different factors. Factor 1 (F1) *Positive effects of tourism development* is

tested with 6 questions. Factor 2 (F2) *Negative effects of tourism development* is tested with 5 questions; factor 3 (F3) *Support the tourism development* has 4 questions, and *Potentials of Subotica for tourism development* (F4) has 3 questions (Table 3). Factor 1 - *Positive effects of tourism development* has the greatest value of the arithmetic mean (4.2986), while the smallest is given to *Negative effects of tourism development* (2.5333). Top marks were given to the statement “Tourism development would bring economic benefits to Subotica” (4.6333), while the statement “Development of tourism would reduce the quality of outdoor recreation” (2.1417) got the lowest mark.

The lowest value of the standard deviation has the Factor 1 - *Positive effects of tourism* (F1) 0.926681667, and the highest is given to the Factor 2 - *Negative effects of tourism development* (F2), 1.28919. The maximum deviation has a statement “Tourists should pay higher price of tickets to tourist sites in relation to the local population” (1.50768), while the slightest deviation is pointed to the statement “Tourism development would bring economic benefits to Subotica” (.74398).

Within the positive effects of tourism development (F1), “Tourism development would bring economic benefits to Subotica” (4.6333) received the highest rating statement, and “I think I would have benefits of tourism development”, got the lowest mark (3.6250). Overall high score of the factor *Positive effects of tourism development* (4.2986) leads to the conclusion that the local residents would positively receive tourism developments and impacts. Since this research was done on the basis of randomly selected respondents, we cannot find out the opinions of all residents of Subotica.

F2 - *Negative effects of tourism development* has a rating of 2.53334. This factor has 5 questions of which the statement “Tourism development reduces the quality of outdoor recreation opportunities” (2.1417) has the lowest grade; “Tourism development increases traffic problems” (2.7667) has the highest. Within this factor, the statement: “Too many tourists would cause noise and disrupt citizens” is given a low mark (2.3750), that leads to the conclusion that Hypothesis 4, i.e. Too many tourists would disturb the local residents because this would influence their everyday life, is not confirmed.

Within the F3 - *Support the tourism development* statement: “Better tourist propaganda would present Subotica as an interesting tourist place”

is given the highest mark (4.3250), and the statement: “Local government should control development of tourism” got the lowest one (4.1333). This factor has a rating of 3.40625 and the value of standard deviation of 1.2289.

**Table 3:** *Results of descriptive statistics analysis*

| <b>FACTORS AND QUESTIONS</b>  | <b>Arithm. mean</b> | <b>Std. Deviation</b> |
|---|---------------------|-----------------------|
| <b>F1 – POSITIVE EFFECTS OF TOURISM DEVELOPMENT</b>   | 4.2986              | 0.9266816             |
| Tourism development would bring economic benefits to Subotica.                              | 4.6333              | .74398                |
| Tourism development would increase the quality of life.                                     | 4.3250              | .88082                |
| Tourism development would embellish the appearance of the city.                             | 4.5583              | .75366                |
| Built facilities for tourism would be useful to residents of Subotica.                      | 4.3667              | .86901                |
| Tourism development would impact unemployment.  | 4.2833              | 1.02230               |
| I think I would have benefits of tourism development.                                       | 3.6250              | 1.29032               |
| <b>F2 – NEGATIVE EFFECTS OF TOURISM DEVELOPMENT</b>   | 2.53334             | 1.28919               |
| Tourism development can make traffic problems.  | 2.7667              | 1.35803               |
| Tourism development would increase property taxes.  | 2.6333              | 1.13710               |
| Tourism development would increase the amount of crime.                                     | 2.7500              | 1.31091               |
| Tourism development would reduce the quality of outdoor recreation.                         | 2.1417              | 1.30478               |
| Too many tourists would cause noise and disrupt citizens.                                   | 2.3750              | 1.33513               |
| <b>F3 – SUPPORT FOR TOURISM DEVELOPMENT</b>   | 3.40625             | 1.2289                |
| Better tourist propaganda would present Subotica as an interesting tourist place.           | 4.3250              | .88082                |
| Local government should control tourism development.  | 4.1333              | 1.06852               |
| Tourists should pay a special tax on hotel room fees.                                       | 2.4167              | 1.45858               |
| Tourists should pay higher ticket prices to tourist sites compared to the local population. | 2.7500              | 1.50768               |
| <b>F4 – POTENTIALS OF SUBOTICA FOR TOURISM DEVELOPMENT</b>                                  | 3.6611              | 1.1643433             |
| Subotica is an ideal place for tourism development.   | 3.9917              | 1.13386               |
| Subotica has a rich offer of tourist facilities.  | 3.7333              | 1.10563               |
| The future of Subotica in terms of tourism looks bright.                                    | 3.2583              | 1.25354               |

**Source:** *The work of the authors based on the analysis in SPSS, v.20*

For Potentials of Subotica for tourism development (F4) arithmetic mean is 3.6611, and the standard deviation is 1.1643433. The statement with the highest grade is: “Subotica is the ideal place for the development of tourism” (3.9917), and the statement with the lowest grade is: “Future of

Subotica in terms of tourism looks good” (3.2583). According to the results of descriptive statistics analysis, it can be concluded that local population in Subotica has a positive attitude towards the development and impacts of tourism in their city.

### The analysis of the questionnaire reliability

The reliability of the questionnaire was tested by using Cronbach’s alpha coefficient (Table 4). The results indicate that the value of Cronbach’s alpha coefficients exceed the value of 0.7 (Kaiser, 1974) in all factors that are in the domain of high reliability.

**Table 4:** *The analysis of the questionnaire reliability*

| Factors  | Reliability (Cronbach's alpha) |
|--|--------------------------------|
| Positive effects of tourism development        | 0,970                          |
| Negative effects of tourism development        | 0,981                          |
| Support for tourism development                | 0,930                          |
| Potentials of Subotica for tourism development | 0,965                          |

**Source:** *The work of the authors based on the analysis in SPSS, v.20*

### The results of t-test

T-test of independent samples was applied in order to compare arithmetic means of responses between male and female (Table 5).

**Table 5:** *T-test results by gender*

| Factors  | Arithmetic mean |               | T - value | p*   |
|--|-----------------|---------------|-----------|------|
|  | Male (n=40)     | Female (n=80) |           |      |
| Positive effects of tourism development        | 3,2917          | 4,8021        | -15,085   | ,000 |
| Negative effects of tourism development        | 1,1400          | 3,2300        | -14,240   | ,000 |
| Support for tourism development                | 2,1000          | 4,0594        | -15,115   | ,000 |
| Potentials of Subotica for tourism development | 2,3500          | 4,3167        | -15,892   | ,000 |

**Source:** *The work of the authors based on the analysis in SPSS, v.20*

*Note:* \* $p < 0.01$

Based on the analysis of the results, it is concluded that there are significant differences in responses based on gender in all factors at the level of significance of  $p < 0.01$  within factor F1, or Positive effects of tourism development. The difference reflects in that female members gave positive answers to questions concerning the quality of life in the city. Generally, male respondents gave lower marks to all factors, but the lowest mark was given to factor Negative effects of tourism development. This leads to the conclusion that they are probably not aware of negative impacts of tourism development, or they believe there are no negative effects. This analysis confirmed the Hypothesis 2, i.e., The answers of the respondents significantly differ in relation to gender.

### Results of variance ANOVA

Analysis of variance ANOVA, questions whether between dependent variables (questions related to attitudes towards the development of tourism) and independent variables (socio-demographic characteristic of n) there is a statistically significant correlation. Independent variables included in this study are: age, education and occupation. The results of one-way analysis of variance for identified factors indicated that on the level of significance of  $p < 0.01$ , there are significant differences in the responses in relation to the age of the respondents. To get a glimpse of the age between which there are significant differences LSD post-hoc test was applied (Table 6).

**Table 6:** ANOVA analysis of variance by age structures

| Factors   | AGE         |             |               |         | F - value | p     | LSD post-hoc test |
|-----------|-------------|-------------|---------------|---------|-----------|-------|-------------------|
|           | 18-30 years | 31-45 years | 46 - 60 years | Over 60 |           |       |                   |
| <b>F1</b> | 3,7266      | 4,9298      | 5,0000        | 5,0000  | 36,625    | ,000* | 1<2,3,4           |
| <b>F2</b> | 1,5406      | 3,2947      | 4,2167        | 4,9333  | 194,150   | ,000* | 1<2,3,4           |
| <b>F3</b> | 2,4648      | 4,2500      | 4,9583        | 5,0000  | 180,932   | ,000* | 1<2,3,4           |
| <b>F4</b> | 2,8542      | 4,3860      | 5,0000        | 5,0000  | 63,234    | ,000* | 1<2,3,4           |

**Source:** The work of the authors based on the analysis in SPSS, v.20

**Note:** \* $p < 0,01$

Based on the data given in Table 6, one can conclude that the dominant age group, 18 to 30 years of age, gave the lowest score to all factors, but

the factor Positive effects of tourism development was given a relatively high score.

The results of the analysis lead to the conclusion that people, regardless of age, positively accept tourism development. On the other hand, all the groups gave lower marks to the factor Negative effects of tourism development, which leads to the assumption that they are not aware of all the negative impacts and consequences what tourism can have on the population and attractiveness.

Table 7 shows the results of one-way analysis of the variance between the identified factors and the level of education. People with the highest level of education, i.e. those who completed master studies, gave high marks to all factors. People who completed only primary school are scarce in the sample, so their responses cannot be considered relevant.

**Table 7:** *Analysis of variance ANOVA by education level*

| Factors | EDUCATION      |             |         |        | F - value | p*    | LSD post-hoc test |
|---------|----------------|-------------|---------|--------|-----------|-------|-------------------|
|         | Primary school | High school | College | Master |           |       |                   |
| F1      | 1,3333         | 3,9836      | 4,9756  | 5,0000 | 56,069    | ,000* | 1<2,3,4           |
| F2      | 1,0000         | 1,7296      | 3,7415  | 4,9600 | 130,736   | ,000* | 1,2<3,4           |
| F3      | 1,1667         | 2,7183      | 4,5671  | 5,0000 | 116,614   | ,000* | 1,2<3,4           |
| F4      | 1,0000         | 3,1033      | 4,6585  | 5,0000 | 61,804    | ,000* | 1<2,3,4           |

**Source:** *the work of authors based on the analysis in SPSS, v. 20*

*Note:* \* $p < 0.01$

The last variable that was analyzed is a profession of respondents. The results of variance ANOVA by the profession of respondents are presented in Table 8. It can be seen that the unemployed respondents gave the highest marks to Positive effects of tourism and Potentials for tourism development, which leads to the conclusion that they are interested in development and progress of tourism because they see the possibility of employment in it and an improved quality of life. This confirms the Hypothesis 1, Residents perceive the development of tourism primarily through economic benefits, i.e. the unemployed see tourism as a chance for employment.

**Table 8:** Analysis of variance ANOVA by occupation

| Factors | PROFESSION |         |          |            |           | F - value | LSD post-hoc test |
|---------|------------|---------|----------|------------|-----------|-----------|-------------------|
|         | Pupil      | Student | Employed | Unemployed | Pensioner |           |                   |
| F1      | 1,1667     | 3,3081  | 4,6915   | 5,0000     | 5,0000    | 96,608    | 1<2,3,4,5         |
| F2      | 1,000      | 1,0788  | 2,7791   | 4,1818     | 4,8857    | 114,157   | 1,2,3<4,5         |
| F3      | 1,1250     | 2,0909  | 3,7015   | 4,9545     | 5,0000    | 89,444    | 1,2<3,4,5         |
| F4      | 1,0000     | 2,2424  | 4,0796   | 5,000      | 5,000     | 133,911   | 1,2<3,4,5         |

*Source:* The work of the authors based on the analysis in SPSS, v.20

Note: \*p < 0.01

### Summary

Subotica is the northernmost city of the Republic of Serbia and because of its location, it has great potential for tourism development. A large number of natural and anthropogenic tourism attractions is a sufficient basis for the development of tourism. Considering that the development of tourism brings various impacts, both positive and negative in nature, it is essential to inform the local residents about them. Tourism development largely depends on the local population, and the degree in which they accept the development. It is important to examine the attitudes of the population to the impacts of development, as it can be of great help for tourism development planners to identify the real problems and to take appropriate action to resolve them.

The subject of this paper was the attitudes of local residents of Subotica towards impacts of tourism development. The analysis of the results shows that respondents believe that the development of tourism should bring many positive impacts, improve living conditions and bring some economic benefits.

Recently, festivals have become more attractive for tourists and for locals, too. They stimulate the sense of pride in the community and represent an

important potential for tourism development. The results show that local residents of Subotica consider festivals as the greatest potential for tourism development, and it is not unusual because festivals are becoming increasingly popular and have the ability to attract a large number of people to a certain place. The fact that festivals are the most attractive potential in favour of tourism development testifies that tourism industry is changing, and that new ways of satisfying tourists needs should be looked for.

This survey tested the residents of Subotica selected randomly. They showed that they are interested in the idea of tourist offer, but also they are worried about some negative effects that tourism can bring with itself. It goes without saying that the greatest support is given by those who are dependent on tourism and the hotel owners. To work on the development of tourism, it is important to take into account all the direct and indirect aspects that influence tourism development. It means the understanding of the present situation, imagining future, analysis of strategic options, establishing priorities and making responsible decisions.

The general conclusion of this study is that Subotica has a favorable geographical location, significant nature values, rich cultural heritage because of the multi culture present at the area, good offer of tourist attractions, created infrastructure and inhabitants who are ready to support Subotica's tourist offer.

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# INSTITUTIONAL BARRIERS IN ACHIEVING THE STRATEGY FOR SUSTAINABLE TOURISM (CASE: MONTENEGRO)

*Rade Ratković<sup>1</sup>; Milica Šoć Radak<sup>2</sup>;*

## Abstract

*Sustainable tourism is in the basis of modern tourism development strategies. It is acceptable only development which is located at the interception of circles consisted of: environmental sustainability, economic sustainability and social sustainability. Countries in transition and in the immediate post-transition period, as shown in researches, suffer from underdevelopment of institutions or from their dysfunctions. This usually results in a failure to achieve sustainable development strategy. Development in general, and in this context the development of tourism, in addition to valid strategies, it depends on the functionality of the following institutions: free and adequately regulated market, an entrepreneurial structure in tourism and their ability to manage the development of tourism organization at destination level, national tourism and accompanying policy and, in particular urban policy. Institutional barriers, actually their impact on realization of sustainable tourism development strategies, are being investigated in the case of small tourist country such as Montenegro, where tourism is high on economic and social priorities list.*

**Keywords:** *mixed- use resorts, second homes, accommodation industry, sustainable tourism, ecology, development strategy.*

## Introduction

At the present time, the design of development has been raised to the level of a very subtle and complex challenge, which can be successfully carried out only by top professionals, but with full respect for the general public, and especially local property owners. Today, only sustainable

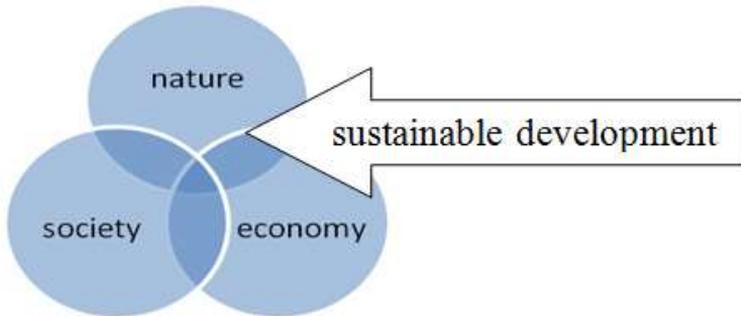
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1 Rade Ratković, Ph.D. Faculty of Business and tourism, Budva, Montenegro, +382 69 050 243, e-mail: dekan@fbt-budva.me

2 Milica Šoć Radak, master student Faculty of Business and tourism, Budva, Montenegro, +382 67 613 448, e-mail: msoc@amanresorts.com

development is acceptable, and each development which is contrary to the criteria of sustainability, represents anti development, and dangerous and far-reaching threat to economy, ecology and society. To illustrate the concept of sustainable development, we will use the following diagram:

**Diagram 1:** *Review of field of sustainable development*



**Source:** *Duletić, 2011, p.6.*

As shown in diagram, the narrow field of sustainable planning represent the points of intersection circles of natural (environmental), social and economic sustainability. Acceptable development is the result of compromise of three key groups: economy, ecology and society, which certainly includes the vital interests of the local population and local owners, who must be treated as an active factor of development rather than development barrier which should be eliminated (selling under pressure, expropriation, displacement ...).

More precised interpretation of sustainability is given in the diagram 2.

**Diagram 2:** *The right of future generations in designing the development*



**Source:** *Müller, 1993, p.13*

„Under sustainable development it is considered an increase in life quality- ie. economic well-being and sense of subjective well- which is achieved by reducing the investment of non-renewable natural resources and by the smaller load of environment and people, with an aim not to limit the options of future generations“ (Hansruedi, 2004, p. 44).

There are various opinions about the technique of measuring development sustainability. The basis of measurement parameters were defined by H.E. Daly, in his book "The economy growth in the end"<sup>3</sup>, and which is based on the relationship between achieved capital results which have been produced by people and natural capital consumption.

Furthermore, he breaks this general formula into four partial indicators: efficiency of results, effectiveness of conservation, growth efficiency, efficiency of ecosystem. The Swiss project MONET (Monitoring der nashhaltigen Entwicklung-Monitoring sustainable development) has developed 164 indicators on a total of 26 topics. The World Tourism Organization (UNWTO) has developed its own system of sustainability indicators in tourism development, which are grouped into the following groups (Duletic, 2011, p. 20-21):

- “economic indicators (showing the economic effects of tourism economy),
- visitor satisfaction indicators (aimed at optimally meet tourist needs),
- cultural indicators (reflecting the degree of nurturing and preserving the cultural identity of the local population),
- social indicators (aiming the recognition of the social integrity of local communities in tourist destination) and
- environmental indicators (reflecting the degree of protection and preservation of the environment)”.

Relevant definitions of sustainable development, as well as the measurement criteria of sustainability of tourism development underline the place and role of local communities in development planning and management. The focus on the local community is contained in the leadership principles of sustainable development.

Entrepreneurs and investors, who follow the principles of sustainable development, are taking over the role of leader in sustainable development.

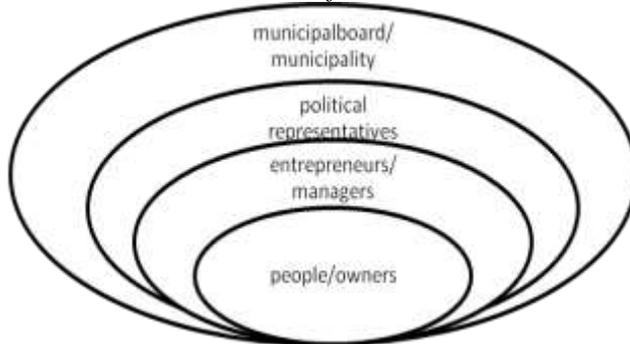
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<sup>3</sup> According to H. Müller, “Održivi razvoj u turizmu“H.R., Bern, 1993.

## System context for sustainable development

The development of tourism touches the various entities (stakeholders) in the local community first, and then spreads to the regional and national level. The place and role of local governments are, usually, systematically defined by the highest legal acts of certain countries (Constitution, the Act on Local Self-Government, statutes of certain state and non-governmental organizations and institutions ...). The municipality is usually the lowest institution where binding acts are adopted. It is necessary that this act is a result of harmonization of various interests that can adhere to a democratic decision-making, as is shown in Diagram 3.

**Diagram 3:** *Harmonization scheme of interests within the municipality*

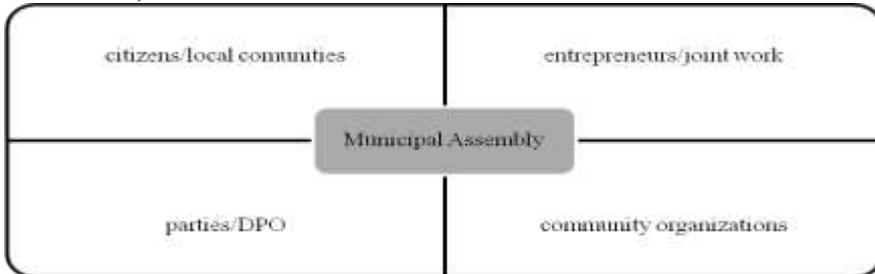


**Source:** *Personal processing*

Here it seems advisable to analyze the comparative position of local governments regarding development issues in the period before and after the transition in Montenegro. The system before the transition was called self-management socialism, whose basic principles and institutions were defined in the Constitution of the Federal Socialist Republic of Yugoslavia (SFRY) from 1974 (Ustav SFRJ, 1974). Basic model for managing state institutions was the delegate system, and the basic model of economic management was the joint work developed on the principles of so-called "planned economy". Over the delegate system, citizens, social and individual entrepreneurs, social and political organizations and local communities were represented in the state's decision-making bodies, such as municipalities, republics and autonomous provinces and federation. Representation was over three council: associated labor council, socio-political, and local communities council (for municipal assemblies) or municipalities council (for the Republic and the Assembly for the province) and republic and provinces councils (the Assembly of

Yugoslavia). The rule was that important decisions are brought by approvals and consensus of all councils of specific assembly. Scheme of decision-making is presented in Diagram 4.

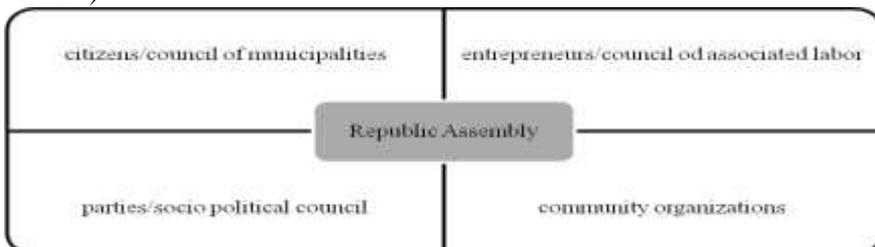
**Diagram 4:** *Harmonization scheme of interests at the local level (before the transition)*



**Source:** *Personal processing*

As the diagram shows, the representation of many interests in the institutional way is ensured. Decisions made by the people joined in the local community, through their delegates, were represented in the local parliament, as well as the interests of the parties, entrepreneurs and social organizations. The impact of all subjects, even if indirect, was guaranteed. In this context, also development interests of the citizens and local businessmen were authentically represented. There was systemic possibility to block decisions that could be detrimental to the interests of citizens, landowners, local businesses ... The system was not allowing their elimination or to be ignored, neither a decision to be brought by the possibilities of their influence. At regional level, the important decisions were made, but there was a mechanism to take into account the interests of local communities, which was represented by municipality, as Constituents of the Republic Parliament, which is shown in diagram 5.

**Diagram 5:** *Harmonization scheme of interests at the state level (pre-transition)*

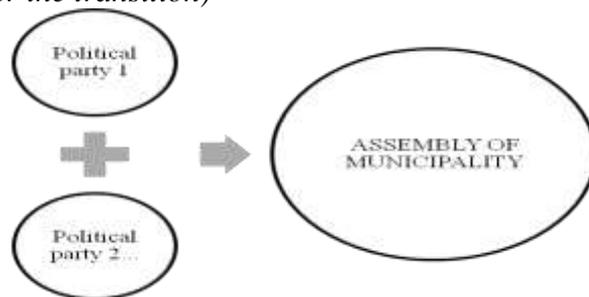


**Source:** *Personal processing*

At the national level, between the others, strategic development document was brought which could not be brought outside the interests of municipalities, whose interests were represented by delegates in the Chamber of Municipalities. The effects of the economy and socio-political organizations were insured through their councils.

In the transition period, which in Montenegro takes almost a quarter century, there has been a radical change in the social and economic system. The main changes are reflected in the processes of political pluralization and economic privatization. Political pluralization is characterized by the formation of a number of political parties that present their programs to voters in the municipal assemblies and the Assembly of the state. The task of the party is not to represent the interests of the citizens who elected them, but to implement their programs to which the citizens gave their support in the elections. If the parties with the most votes do not have a sufficient number of seats for a parliamentary majority, they build coalitions with other parties with those that they have harmonized interests. Assemblies operate according to the logic of parties interests, as illustrated by the diagram 6.

**Diagram 6:** *Harmonization schemes of interests in the municipal assembly (after the transition)*

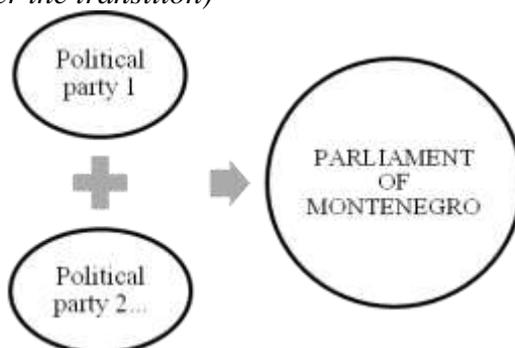


**Source:** *Personal processing*

As it can be seen, the representation of parties' interests, on the basis of their electoral programs, is done only by parliamentary political parties, through its members. They do not represent the interests of their constituents who voted for them, but their programs for which, by voting, they have received voters' support. Attitudes of the citizens regarding the development and sale of private and state property in some localities, because of development programs, are not bound by political representatives-councilors, because it's not in their job description. Therefore, the Municipal Assembly has no mechanisms to protect the

interests of individual landowners, but on the contrary, it is committed to expropriation if it is the content of their programs, or against expropriation, if that's how it is stated in election program, or if that kind of attitude is taken by highest organs of the parties. Also, the articulation of the interests of entrepreneurs has not been provided in the parliament, but each individual has the opportunity to resolve their interests with the executive, while his closeness to the parties in power represents overwhelming support in the realization of their interests, often conflicting general interests of society. This explains plotting mass housing mastodons on the Montenegrin coast (partial interest of entrepreneurs for quick profits with minimal positive impact on the community), rather than a hotel planned by tourism development strategy (which is the general interest of entrepreneurs, workers, government ...) who bring the greatest economic and social impact on the community. The situation is exactly the same at state level, which shows diagram 7.

**Diagram 7:** *Harmonization schemes of interests in Parliament of Montenegro (after the transition)*



**Source:** *Personal processing*

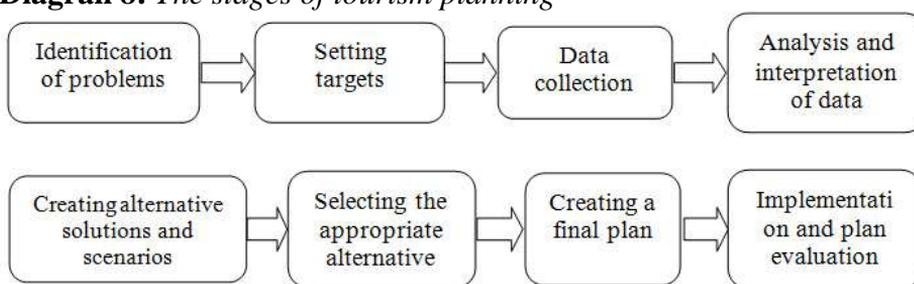
The direct impact on the adoption of important social decisions in the parliament have only political parties. There is no possibility of direct influence by neither economy nor non-governmental sector, or local communities. It remains only the possibility of an appeal or an application to individual parliamentary parties. Institutional possibilities of harmonizing the interests of various stakeholders in the development process within the public decision-making body are extremely minimal and exclusively mediated by the subjects which are not directly responsible to them.

Therefore, some other forms and institutional arrangements for harmonizing the interests of various entities are necessary, especially in the field of development, which determines the fate of not only this generation, but also a series of next generations.

### Management of strategic development

Tourist and spatial planning have a very complex relationship. Access to tourism planning, according to Gunn (2002), dates back to the 60s of XX century, and it consists of the following phases of planning (picture 8):

**Diagram 8:** *The stages of tourism planning*



**Source:** *Bartoluci, 2013, p.123.*

Sustainable development is not only guaranteed on the basis of spontaneous interest in stakeholders cooperation in the sphere of economy, society and ecology. Institutional organization at the national, regional and local level is essential in order to establish certain mechanisms for the management of sustainable development (Pivašević & Hafner, 2013). The dimensions of the sustainable development concept are shown in diagram 9.

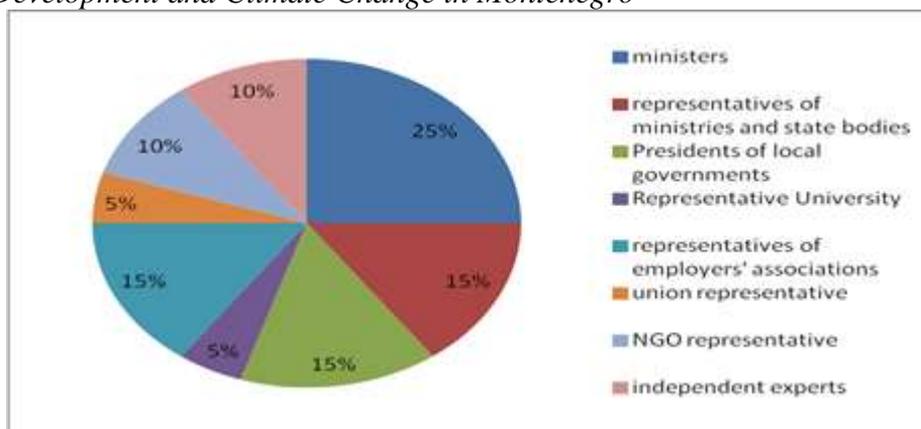
**Diagram 9:** *Dimensions of sustainable tourism concept*



**Source:** *Pivašević & Hafner, 2013, p.123.*

By decision of the Government in Montenegro, the Council for Sustainable Development and Climate Change was formed, which has 18 members, led by the President of the State (Odluka o obrazovanju Nacionalnog Savjeta za održivi razvoj i klimatske promjene, 2013). The structure of the Council is as follows:

**Diagram 10:** *The structure of the National Council for Sustainable Development and Climate Change in Montenegro*



**Source:** *Master plan za turizam CG, 2007, p. 3*

As it can be seen, 55% of the members are from the state structures, and the largest single share is from Ministers of the Government. Independent experts, which are appointed by the ministry, participate only with 10%, as the non-governmental sector, while institutions and organizations controlled by the government participate with 20%, which indicates that about 90% of the members directly or latent, are controlled by the Government. Responsibilities of the Council are mainly advisory and informative in nature, with elements of the general coordination. Certainly it is good that in the pyramid of sustainability development, an element of institutional control and coordination is incorporated, but it would be desirable to have greater participation of independent experts and non-governmental sectors, as well as more control competence of the Council.

Two of the most obvious problems of the domestic institutional organization of the economy and the administration are: development of domestic companies (domestic developer set), local organizations for destination management and outdated land registry.

Model of development management, which indicates a high possibility of sustainable integration of the interests of various stakeholders in the tourism industry, should be based on the principles of public - private partnership. As the development resources (land, buildings, human resources, money, law ...) are distributed among different stakeholders, the real positive way for articulation and integration of their development interests is to create an entity that will institutionalize their equal partnership. Possible model of public - private partnerships for the development of tourism is represented by the diagram 11.

**Diagram 11:** *The scheme of possible models of public - private partnership for the development of tourism*



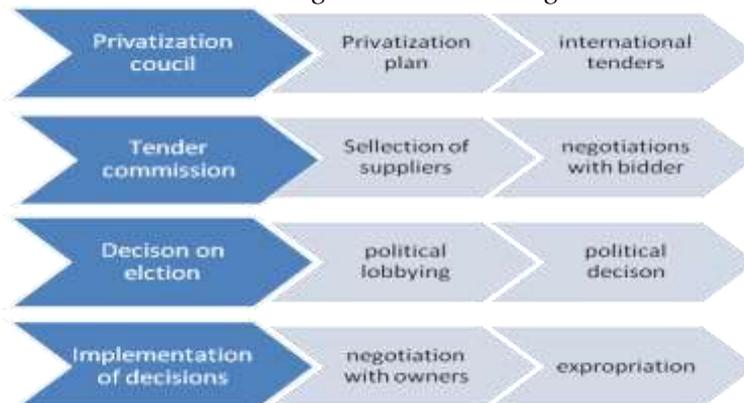
**Source:** *Personal processing*

With the aforementioned model, unlike the current situation in Montenegro, we would have properly organized, legitimate domestic partners, and the local development companies. In the realization of its development intentions they would have more options: organized participation in the credit and capital markets, including new domestic and foreign partners, entering into various modalities of joint ventures with local and foreign partners ... In this way we would clearly surpass the previous way of investment management, which basically takes place according to the following scheme:

This model excluded from process the original landowners, citizens and local entrepreneurs, which affects the way of its social sustainability. Frequent consequences are long court cases and opened and never finished construction sites. According to the publicly posted comments of representatives of foreign investors, some of them are not satisfied with the business environment in Montenegro, but object to the selective

enforcement of the law, the presence of gray market, unfair competition, low efficiency of state administration and local self-governments...

**Diagram 12:** Scheme "attracting investors" through international tenders



**Source:** Personal processing

The system of organizing tourist destination in Montenegro, as well as in most countries in transition, it is not based on the latest international trends in the management of tourist destinations. Destination Management Organization (DMO) today is based on connecting various stakeholders from the public and private sector organizations in specialized destinations based on the principles of public - private partnerships. In Table 1 we give the basic characteristics of the existing classic tourist organizations and type of Destination Management Organization.

**Table 1:** Basic (existing) TO i DMO – basic characteristics

| Name     | Classical TO           |                          | DMO                   |  |
|----------|------------------------|--------------------------|-----------------------|--|
|          | National               | local                    | national              | local  |
| Status   | Government Affiliation | Municipality Affiliation | association PPP       | association PPP local and community                  |
| activity | Promotion              | local promotion and info | promotion/development | promotion, info, community reception and development |
| Market   | Foreign                | foreign and local        | foreign/national      | local and clusters                                   |

**Source:** Personal processing

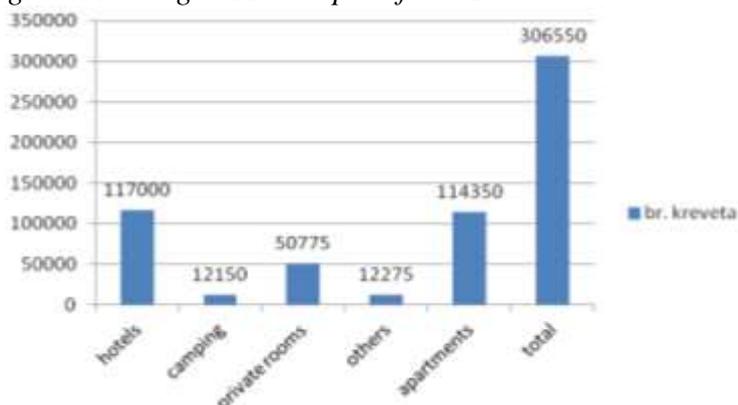
The current Tourism Organization represents, in essence, extended arm of the government at national and local level, so there is no mechanism for

the articulation and integration of interests and roles of local and national stakeholders in the process of development. Destination management organizations, on the contrary, by status is based on the principles of private - public partnerships and, by nature, has the basic mechanisms for articulation and integration of stakeholder interests at various levels in the tourist area of operational and development policy. Along with the problem of lack of local development companies which are based on principles of partnership, standing problem is the lack of cadastral records, which is a particular problem in identifying the legitimacy of the partners in the development process. The litigations for selling someone else's land are very often, because of not updated cadastral records which represents a very fertile ground.

### Results of non-sustainable development

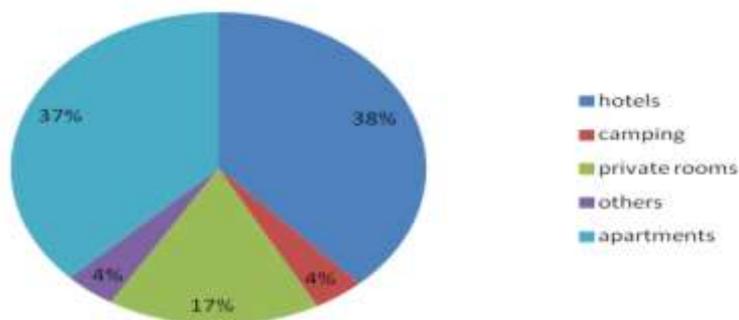
Sustainable development is the goal of any serious development strategy and, also, in the Master Plan for Montenegro Tourism Development between 2001 and 2007 (Master plan razvoja turizma CG do 2020 godine, 2001; Master plan za turizam CG, 2007). This plan is a projection of data development in the tourism accommodation sector in Montenegro, as a key element of the tourist offer. The projection puts the emphasis on the hotels, while for apartments, cottages the stagnation and reduction are predicted. Planned projection is given in Table 2.

**Diagram 13:** *Development projection of accommodation capacities in Montenegro according to Master plan from 2007*



**Source:** *Ratković, 2009.*

**Diagram 14:** *The projection of the structure of accommodation capacities 2020*



**Source:** *Personal processing*

As it can be seen, the planners designed the largest share with 38% of the hotels, while it is envisaged smaller participation of apartments and flats (mostly secondary housing), which are undesirable result of the development of the transition period.

Results of development are not, unfortunately, tracking planning forecasts. After 15 years, the global capacity of the accommodation structure looks like the in Table 3.

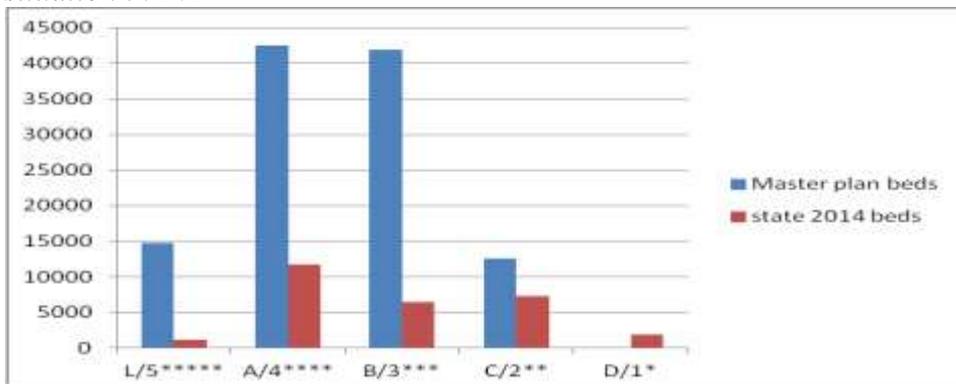
**Table 2:** *Condition of the accommodation capacities in Montenegro 2014*

| Type of accommodation | Number of beds | %     |
|-----------------------|----------------|-------|
| Hotels                | 22,151         | 5.84  |
| Garni hotels          | 1,694          | 0.45  |
| Small hotels          | 3,877          | 1.02  |
| Boutique hotels       | 46             | 0.01  |
| Apart hotels          | 825            | 0.22  |
| Resorts               | 4651           | 1.23  |
| Other accommodation   | 4,964          | 1.31  |
| PRIMARY               | 38208          | 10.07 |
| COMPLEMENTARY         | 341139         | 89.93 |
| Second homes*         | 220000         | 57.99 |
| Others                | 121139         | 31.93 |
| Total                 | 379347         | 100   |

**Source:** *"SGCG" 2015 and personal processing\**

The largest abortion occurred in the development of the hotel, which clearly shows the diagram 14.

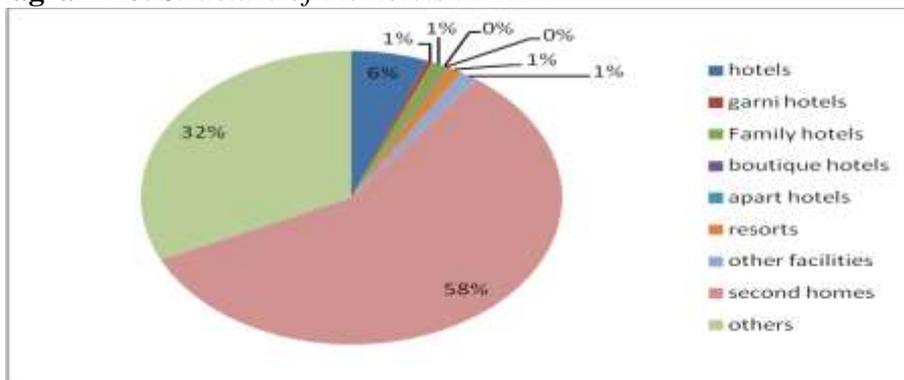
**Diagram 15:** Comparative structures of hotels in the Master Plan and the situation in 2014



**Source:** "SGCG" 2015 and personal processing

The hotels as of the year 2014, have reached only 26% of the plan for the year 2020, together with tourist villages about 34%. In order to catch up with the plan it is necessary to build an additional 83 thousand hotel beds (73 thousand if the resorts are included in hotel group), or 12 to 14 thousand hotel beds per year! Structure of accommodation capacity of 2014 is directly opposed to the planned proportions, which shows a diagram 16.

**Diagram 16:** Structure of the hotels in 2014



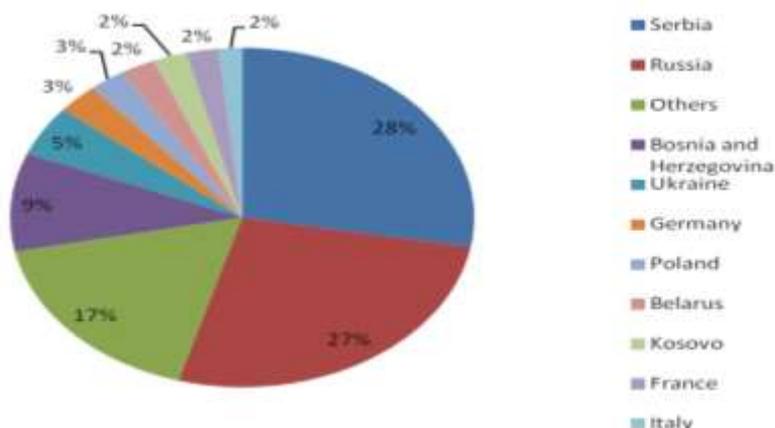
**Source:** "SGCG" 2015 and personal processing

Classic hotels account only 6% of the total housing, and together with garni hotels, boutique hotels, apart hotels and resorts account for about 10% of total capacity. On the other hand, absolutely dominate second homes (58%), which, together with households ("other" 32%) account for 90% of total accommodation capacities in Montenegro. Therefore,

accommodation facilities that provide a minimal impact on the economy and society dominate, which means that the development of tourist accommodation industry was unfolded against the principle of economic viability.

Tourist traffic draws its sources from Serbian and Russian markets, while all western European markets barely reach 10%. The top 10 emitting favorites are shown in Diagram 16.

**Diagram 17:** Sources of tourist traffic in Montenegro 2015



**Source:** "SGCG" 2015 and personal processing

Hotel rates in total turnover account about 22%, while the share of basic accommodation rates around 29%. In contrast to the current state of Master Plan which as a target market for hotels defined the Western European market, the markets of other EU countries and the Russian market. The hotels would accomplish about 55% of tourist traffic, and the degree of their full occupancy would be 194 days (currently 110 days, a total basic accommodation 74 days). Economic indicators were negative for 25 years (rate of loss ranges from 5% to 30%). Based on the analysis of the sustainability of Budva tourism (Jovičić, 2002) in the mid-90s of last century, the majority of sustainability indicators according to EU standards were in the red zone, which is the zone of unsustainability. Further developments went towards further rapid development of the secondary housing, which has further intensified the degree of unsustainability, in the area of Budva and the area of the entire Montenegrin coast.

## Conclusion

Previous analysis has identified a real danger, risk management and sustainable development of tourism in the countries in transition. Montenegro has been taken as an illustrative case.

Transition system was slow, so the institutions for managing sustainable development were ripening slowly. The entire system of making development decisions is under the decisive influence of political parties, which can be a carrier of integration and harmonization reasonable development interests of certain entities from the crowd sphere (citizens, small entrepreneurs, NGOs, large investors and so on) of social life. In this current situation the institutional mechanism is almost non-existent, so it is necessary to fill this institutional gap.

In the absence of institutional capacity, there is no wonder that the influence of privileged large investors in making development decisions and urban planning was crucial. They were not faced with restrictions of development strategies, especially from Master plan of tourism development, which were strongly encouraging sustainable development in all three dimensions.

Investors were not paying attention to the development strategy, and were enabled and stimulated for free development of business real estate, especially housing market, which secured them quick return on investment with a huge margin. By opening the possibility of building skyscrapers, artificially conditions were created for the enormous growth of the price of land, which extremely discouraged the construction of the hotels. Thanks to heavy investment in housing construction state could record significant growth in GDP, which created the illusion of rapid development, even though it did not give any approximate effects to development of sustainable tourism.

As the past quarter of a century has gone with development which has devastated natural resources and significantly jeopardized future tourism development, the problem of urban rehabilitation and creation of conditions for the return has been raise for the planners and the government, to the possible extent, in a zone of sustainable development. It would be a chance that, ex post, starts with an organized implementation of the Tourism Master Plan.

In order to create a real basis for sustainable development, it is necessary to provide appropriate institutional mechanisms and control for state and destination development management, which would allow the development of tourism and the management of its development, in accordance with the principles of environmental, social and economic sustainability.

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# BOSNIA AND HERZEGOVINA AS A SUSTAINABLE TOURISM DESTINATION

*Pero Petrović<sup>1</sup>, Danica Vuković<sup>2</sup>*

## **Abstract:**

*For Bosnia and Herzegovina, a tourist destination that has suffered war developments, uncertainty and sustainable development are features that are permanently modeling processes in the BH tourism development. Bosnia and Herzegovina has existed for two decades as an independent state, but its peoples are still recovering from the war and political conflicts. Nevertheless, tourism in Bosnia and Herzegovina is constantly developing, making an important part of the state economy, thus we can say it is increasingly streaming towards the transformation from the mass into sustainable tourism. The aim of this study is to show how important is the revenue generated by tourism for creating the Gross Domestic Products (GDP) as well as to point out the consequences of mass tourism and the need for sustainable tourism development in Bosnia and Herzegovina. Cross-border cooperation is the first and the most important political task of European Union, which needs to be implemented on regional and local levels. In the policies of European Commission, tourism is presented as a realistic possibility for development of border regions. This paper gives review of the key indicators which give economic basis for development of tourism in Semberija as a border region.*

**Keywords:** *sustainable tourism, income from tourism, GDP, BH*

## **Introduction**

The idea for the sustainable tourism had appeared a lot earlier, before the term *sustainable tourism* became popular. The concept of sustainable tourism, which appeared in the early 90s of the 20<sup>th</sup> century, means tourism based on the objectives and principles of sustainable

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1 Pero Petrović, Ph.D., Institute of International Politics and Economics, Belgrade, 381 63 213 299, pera@diplomacy.bg.ac.rs

2 Danica Vuković, MA, Singidunum University, PhD student, 32 Danijelova Street, Belgrade, Serbia, 387 65 563 596, danica.vukovic.13@singimail.rs

development. The literature often says that any form of tourism permanently contributing to the improvement of the environment (Liburd, 2010), social welfare, economic prosperity (Spindler et al., 2013) and the preservation of both natural and manmade resources, cultural values and identity of the local community (Bramwell & Lane (1993); Smits, (2003); Hall, (2010); Weaver, (2012)) is sustainable. *Sustainable tourism* is defined as tourism which satisfies the needs of present generations, without putting in danger the possibility of future generations to satisfy their needs (Bramwell & Lane, 2011). Sustainable development includes the existence of borders development which are determined by the present state in technology and social organization in connection with the environment (Maksin et al., 2009). It is thought that the economic development, social development and the protection of the environment, in the borders of sustainable development, represent inter-depending and helping components of the sustainable development, which is the suitable frame for the directing the efforts to reaching the higher quality of life for all people (Popesku, 2011).

For Bosnia and Herzegovina, a tourist destination that has suffered war developments, uncertainty and sustainable development are features that are permanently modeling processes in the BH tourism development. The life cycle of the tourist destination of BH, as a whole in the development stage, consists of several smaller destinations that are different by level of development, competitiveness, market trends, the influence of tourists, planning, etc. Special value of tourism in BH is reflected in contributing to balanced regional development. Nothing like tourism is able to contribute to accelerating the development of less developed areas. Tourism is an export at home. Goods and services are not exported abroad, but the buyers, respectively the foreign tourists, come to consume them. There lay special value and economic importance of tourism for the development of less developed destinations, i.e. the less developed areas within the destination. There are many fascinating tourist attractions throughout BH eligible for all kinds of tourists. The most interesting and attractive places in Bosnia and Herzegovina represent a remarkable combination of cultural and natural heritage, which cannot be separated, because both the culture and tradition of this country flourished precisely from this untouched nature.

The vision of sustainable development reflects and demands a big shift in numerous visions of the functioning, i.e. interdependence of economic activities and natural surroundings (Črnjar & Črnjar, 2009). However, the

vision of sustainable development puts ahead qualitative development compared to quantitative growth. By applying the idea of the sustainable development tourism should maximize the travel benefits and limit the travel development according to principles and demands of the sustainable tourism (Petrović, 2008). In order to achieve this, it is essential for Bosnia and Herzegovina to use positive experiences from developed tourist countries. The base of sustainable tourism in BH is the position of the region (cluster) and the local framework, respectively integral regional development, and rural within it; tourism products of different value system, their authenticity, can make the basis for competitiveness in the tourism market. The tourism industry is also viewed as the industry that plays a significant role in regional and cross-border cooperation. EU pays special attention to the economic support of international cooperation in the field of tourism, through initiatives financially supported by the Structural Funds, within and beyond its borders, as well as in border areas of the future members of the European Union. Measures of its policy supporting the development of tourism based on integrated cultural, ecological and agricultural products, develop new tourism products, as well as their joint promotion. The European Union encourages the development of tourism based on the cross-border regional identity and the natural and cultural resources of the cross-border region, as well as the protection and conservation of natural resources cross-border region. Tourism creates jobs and generates income to citizens of the border regions. Infrastructure built for tourism purposes contributes to local development, and jobs are opening in areas where industry and agriculture are stagnant or in decline. Tourism promotes intercultural dialogue, through contact between various social, economic and cultural groups.

### **Problem**

The subjects of research of this paper are the impact of tourism revenue to GDP and sustainable tourism in BH.

*As a social and economic phenomenon exposed to constant and strong changes, tourism is the catalyst of the economic vitality and has the positive impact on economic development and the development of travel destination, in this paper Bosnia and Herzegovina. Uncontrolled growth of tourism has made a lot of pressure on the environment and tourism resources. The concept of sustainable tourism development is faced with challenges whose overcoming is of particular importance for the*

*protection of natural and cultural heritage, as resources which are necessary for the long-term development and competitiveness of travel destinations.*

### **Development of tourism and its impact on GDP in BH**

Tourism has recorded a favorable development trend in the previous decades (Čerović et al., 2015) especially in the region of Balkans. During the war time in Bosnia and Herzegovina, many branches of industry in BH, including tourism, suffered considerable damage, which still affects their normal functioning. Damage made on tourism is probably the greatest, considering the fact that tourism mostly depends on the stability and safety, which make the image of one country. However, in the after-war period, BH experiences the significant growth in travel area. Although the number of tourists who visit BH is relatively small compared to number of tourist who visit the main Europe destinations, a significant growth has been noticed in the last few years. Spending of foreign tourists in BH on products and services, pumps new money in the domestic economy which results in increasing the level of complete domestic expenditure. Thus, spending that foreign tourists make here is important business activity for sellers and service providers who work outside the traditional touristic domain.

According the data of World Tourism Organization (*UNWTO, 2015*), indicators of developing tourism in BH in the last ten years followed the growth of tourism in Croatia and it is much bigger than the one in Slovenia. This trend can be explained by increased stability of the country and the region all together. Still, the reasons for this should be also seen in enormous touristic potential of BH. Thanks to their natural beauties, ecological and climatic variety, very rich cultural-historical heritage and the vicinity of the biggest international markets, BH has the important touristic potential which represents the actual developing potential of BH (Gligić, 2010).

Bosnia and Herzegovina has an exceptional geo-traffic position, which further positively affects the conditions for development of transit tourism. It is located in one of the three main transport routes in Europe, and can count on a substantial number of transit tourists from Eastern and Central Europe who go to the Adriatic coast. Anyway, via the future development of traffic infrastructure and improvement of the tourist offer, BH should focus on extending the stay of transit tourists. A precondition

for the development of transit tourism in Bosnia and Herzegovina is its transitioning between emission centers (region) and destinations, mainly between the countries of Central Europe (Czech Republic, Slovakia, Hungary, Austria) and the Adriatic coast, and a closer regional environment, particularly Serbia, through eastern part of Republika Srpska to Dubrovnik and the Herceg Novi Riviera. The qualities of transit corridors, mobility, security, infrastructure, services, etc., are all important factors of transit tourism development. Given that the current situation in Bosnia and Herzegovina does not meet the required standards, it is necessary to take measures that will encourage the improvement of the quality and volume of tourist offer and enrich the tourism product with the secondary motives (entertainment, leisure time, recreation, gastronomy, services, etc.). Also, Bosnia and Herzegovina is especially interesting destination as a result of geographic location, unique natural beauty, cultural and historical values, and favorable climate. Mountain tourism in Bosnia and Herzegovina has favorable natural conditions for development, such as high, medium high and low mountains, varied climate (climate of high, medium high and low mountains), various forms of surface waters (natural and artificial lakes, rivers, streams, permanent and temporary water sources), various forms of plant and animal communities, the rare plant and animal species, and specific ecosystems (rainforests). Therefore, it is necessary to promote the mountains as a destination for winter and summer tourism and enrich the tourism product with secondary motives, such as sports, leisure time, gastronomy, entertainment and more. Spa tourism in Bosnia and Herzegovina should be given special attention. Given the balneo-resources, tourism infra- and supra-structure, traditions, etc., the spa tourism is one of the generators of the development of the tourism economics of BH. The rate of tourist traffic in spas in BH differs as it is a result of various available accommodation options, as well as the inclusion of other forms of tourism (congress, event, sports, etc.). In order to improve spa tourism in Bosnia and Herzegovina, the spas should be promoted as a tourist attractions for medical, congress and recreational tourism; the tourism product of secondary motives should be enriched and the investments in the expansion of accommodation facilities and tourism product content should be encouraged. It is important to mention the city tourism in Bosnia and Herzegovina, which is based on cultural values and tourism infra-and supra-structure required for achieving the top quality tourism products and the rate of tourist traffic. The city tourism in Republika Srpska is based on relatively short stays, the city center's are of small-scale tourist development and tourist traffic, tourist offer is modest, poor

infrastructural organization. To change these, it is necessary to take measures that will encourage the development of tourism infrastructure and products (events, culture, sports, entertainment, etc.) and the tourism in general. Bosnia and Herzegovina is the area of mixture of different cultures, tradition and architecture which give it the additional value in the sense of creation of specific touristic product.

### **Impact of tourism on GDP in BH**

Tourism has various economic, social, political and other influences and provides itself important position in the overall economic development of many countries (Ćerović et al., 2015). As one of the goals of this study, we have defined the contribution of tourism revenue to GDP in Bosnia and Herzegovina. Methodologies often used in these analyzes are TSA (Tourism Satellite Account) (Jovanovic & Vukasović, 2014), CGE (Calculation of General Equilibrium) (Dupeyras & MacCallum, 2013), Panel Regression (Lee & Chang, 2008), VAR Models (Oh, 2005), etc. We decided to present calculation of the contribution of tourism revenue to GDP in BH through a linear regression analysis. During the research, we faced a problem that is reflected in the fact that BH has no adequate and readily available data. Accordingly, we used available data downloaded from the websites of the Central Bank of Bosnia and Herzegovina and the Agency of Statistics, which show tourism revenue and GDP in Bosnia and Herzegovina from 2004 to 2013.

**Table 1:** *Income made on tourism and GDP in BH*

| <b>Years</b> | <b>Income of tourism in 000 KM</b> | <b>GDP</b> |
|--------------|------------------------------------|------------|
| 2004         | 257                                | 17.946     |
| 2005         | 388                                | 12.157     |
| 2006         | 264                                | 16.272     |
| 2007         | 498                                | 22.065     |
| 2008         | 308                                | 24.984     |
| 2009         | 575                                | 24.307     |
| 2010         | 765                                | 24.879     |
| 2011         | 887                                | 25.772     |
| 2012         | 903                                | 25.734     |
| 2013         | 1.015                              | 26.123     |

**Source:** [http://www.bhas.ba/tematskibilteni/GDP\\_2005-2013\\_001\\_01\\_bh.pdf](http://www.bhas.ba/tematskibilteni/GDP_2005-2013_001_01_bh.pdf)

Results of a linear regress analysis are shown in the following tables:

**Table 2: Variables Entered/Removed<sup>a</sup>**

| Model                               | Variables Entered              | Variables Removed | Method |
|-------------------------------------|--------------------------------|-------------------|--------|
| 1                                   | Income of tourism <sup>b</sup> | .                 | Enter  |
| a. Dependent Variable: GDP          |                                |                   |        |
| b. All requested variables entered. |                                |                   |        |

Table 2 shows what was used for the model, therefore it is informative in its character. All variables are included in regressive model, the method “Enter“.

**Table 3: Model Summary**

| Model                         | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------------------------------|-------------------|----------|-------------------|----------------------------|
| 1                             | ,703 <sup>a</sup> | ,495     | ,432              | 3674,162                   |
| a. Predictors: (Constant), ee |                   |          |                   |                            |

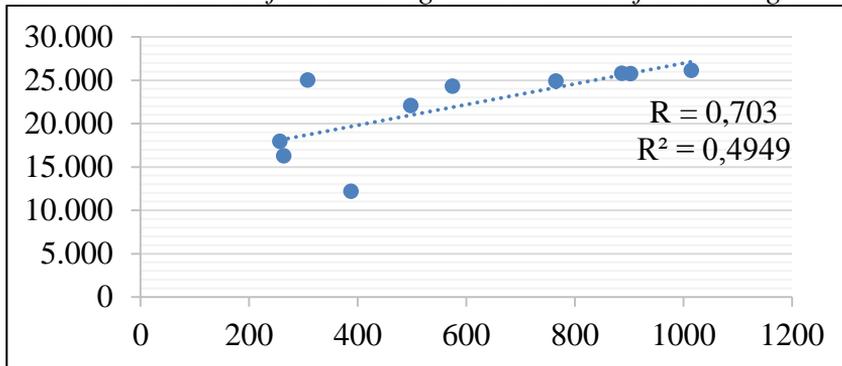
According to the results in Table 3, the correlation coefficient, which is the link between variables, is  $R = 0.703$ . It indicates that there is the significant linear correlation between the income of tourism in BH and GDP. Coefficient of determination (R Square) represents the part of variant of variable GDP and it is explained graded regression, and it is 0.495.

**Table 4: Coefficients<sup>a</sup>**

| Model                      | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|----------------------------|-----------------------------|------------|---------------------------|-------|------|
|                            | B                           | Std. Error | Beta                      |       |      |
| (Constant)                 | 15032,726                   | 2754,140   |                           | 5,458 | ,001 |
| 1 Income of tourism        | 11,930                      | 4,261      | ,703                      | 2,800 | ,023 |
| a. Dependent Variable: GDP |                             |            |                           |       |      |

Based on the results shown in Table 4, we may reach conclusion that the obtained coefficient is statistically significant ( $p = <0.5$ ), i.e. there is a statistically significant linear correlation between the total tourism revenue and economic growth in BH.

**Picture 1:** *Parameters of derived regressive model of linear regression*



The results indicate the existence of connections, and the degree in which variance is explained in GDP variables (economic growth), by means of tourism revenue variable. This confirms the basic hypothesis that *tourism, as a social and economic phenomenon, is exposed to constant and big changes and is a main driver of economic vitality and a positive effect on economic growth and development of tourist attractions in BH.*

### **The consequences of mass tourism development and the occurrence of sustainable tourism**

The interaction between tourism and environment, the pressure on the natural resources and environmental threats of tourism are in the center of attention of many authors and are topics of many scientific papers. For example, *Neto* believes that, even though tourism provides significant economic benefits for many countries, regions and communities, its rapid expansion can be held responsible for adverse environmental impacts (*Neto*, 2003). Spending of natural resources and degradation of environment caused by touristic activities represent serious problems for many regions with developed tourism. He thinks that there are two main areas of harmful influence of tourism on the environment : pressure on the natural resources and damaging of eco-system. Tourism development can make pressure on natural resources if it increases consumption in the area where the resources are already diminished. Stating those examples, we can conclude that the auxiliary hypothesis is justified: *The uncontrollable growth of tourism has led to serious pressure on the environment and tourism resources. The concept of sustainable tourism development is facing challenges whose overcoming is of the crucial importance for the protection of natural and cultural heritage, as*

*resources which are necessary for the long-term development and competitiveness of travel destinations.*

In the period between the 1950s and 1980s, many countries and travel companies directed their attention to the economic aspects of the touristic development, which led to the fact that the issue of influence of the touristic development on the society, environment and tourists has been neglected. Total tourism sustainability is directly connected with the question of making balance between the type and extent of the touristic activities and the capacity of the natural and man-made resources. The size of the actual capacity is the most important one for the question of the protection of environment and sustainable development.

Tourism is the main catalyst of the economic vitality all over the world. It is widely recognized that tourism and associated activities form one of the largest economic sectors, which represent approximately 6% of global exports (Bailey & Richardson, 2010). However, the economic thought of the past, which is based on the optimization of individual work, without taking care of social and ecological consequences, can explain social inequality, degradation of the environment and ecologic inequality which characterize the present world. It is quite clear that the tourism is a sector of huge economic importance, which requires additional efforts for its improvement. Based on studies conducted by the World Economic Forum and the annual Travel and Tourism Competitiveness Report, BH is ranked 105 out of 130 countries, considerably behind the countries in the region. The index does not tell about the tourist attractions and the attractiveness of certain destinations, but measures the factors making a country's potential for development of the tourism sector (tourism infrastructure, human resources, service quality, safety, presentation of tourist offer, etc.). It is obvious that tourism in BH is generally lagging behind tourism in neighboring countries. Special value of tourism in BH is reflected in pastorality, the economics of preserved natural values. Modest investments may increase the material wealth in the way that the investments realize valorization of what is already available (nature, historical monuments, etc.), which gives a remarkable development results.

Mass tourism represents the biggest part of the market, in spite of the development of numerous new forms of sustainable tourism from the 1980s. Traditional destinations are trying to develop new products with the purpose of attracting new parts of the market, better consumers above

all. These new products mainly include alternative forms of tourism in the country, less urban areas, cultural and natural attractions and new services, like congresses, spas, cruises, etc. Protection and nature preservation, stress on the culture and heritage and prolonging of the tourist season are measures conducted for the product quality improvement and are used as strategies for implementing high quality and variety of tourism products. Two objectives which are included in every individual strategy are the need for the protection of the environment and promotion of the local culture and historical heritage. Nature, culture and historical heritage are the resources which can function individually as products which will attract new tourists or affect the improvement of the product on their traditional market.

The tourist offer in BH has been marked by war, aggression, refugees, and transition for last twenty years that led to a general decline in demand for tourist destinations, which had an enviable level of tourist traffic before the war. The comeback of the BH tourism offer to the tourist market was achieved in 2008 in some destinations, while the tourist traffic is very low and unacceptable for the tourist market in other tourist destinations.

Latest tendencies in the tourism development must be seen in the context of globalization of the economy, politics and culture. New tourism demands require adjustment of the travel offer to the demands of the tourism requirements. It is impossible to adjust those opposites, which are at the same time the product of the global society, without the active approach in the change of the present tourism policy. Understanding the relations between global and local is of the utmost importance for tourism in BH, respectively preserving the indigenous contents (history, culture, etc.) and integrating them in an offer that complies with global trends and criteria. Tourism is a very dynamic category and presents movement which is done towards quality places, i.e. destinations. Therefore, it is necessary to take into consideration quality and variety of destinations which are attractive to tourists. Attraction of space is very often the key factor when making decision about travel movements. The existence of natural and anthropogenic attraction has influenced the span of destinations which start attracting tourists. The strongest tourists' motives for traveling to a tourist destinations in BH are: relaxation and recreation in nature, natural beauty, religious motifs, exploring the historical heritage, business motives, conferences and the like.

Elements in the concept of strategic managing the specific destination are definition of type and form of tourist attraction, as well as its quality. The successful development of travel destination represents the existence of a specific tourism product which can be appropriately marketed. Tourist product and its shaping depends on the type of travel destination. On the other hand, contemporary development of tourism forces the constant need for changing, new inventions and creation of new attractions while creating tourism product (Čerović, 2009).

During the first phase, which lasted during the 1960s, tourism was seen as means of national and international development and it was thought that the main developmental potential of tourism lies in its contribution to the economic development. The contribution of the tourism development to the general development was measured, first of all, by economic indicators (income and higher employment rate) as well as multified effects. Also, it was thought that tourism did not endanger environment. The end of the 1960s marks another phase, when the consciousness of a growing conflict between tourism and its natural and socio-cultural environment was being developed, which appeared not only as a result of growing extent of international tourism, but for the fact that tourism developed in the way which suites historical patterns of colonialism and economic dependency. It was thought that travel destinations were becoming dependent on big cities for their capital, technology, knowledge and tourists themselves, as well as that tourism depicts the model of neocolonial dependency and the model of development which stresses the opposites between the developed and underdeveloped countries. The third phase began during the 1980s, when bridging the positions from the previous two phases was tested, so the alternatives to mass tourism were suggested like “*responsible*“, “*mild*“ and “*green*“ tourism. The fourth phase refers to the period where idealism was changed with realism, compared to the effects of tourism development, especially concerning questions of environment preservation and getting to the balanced development (Popesku, 2011).

In order to develop the concept of sustainability on a national level which would start the actual changes on a local level, it is necessary to accept the fact that local destinations belong to different groups. Problems and solutions connected to the tourism development in those destinations can differ from one destination to another. National politics, strategies and goals are very important for making priorities and creation of political frame and infrastructure which will support the sustainable development

on the national level. Besides, the actual changes can be introduced only on the level of the local destination. Catalysts of these changes govern the local destinations. It is necessary that they know they cannot conduct those changes alone, and in order to be successful, they must cooperate with large number of different interest groups, including companies, local managers, communities and visitors (Popesku, 2011).

### **Sustainable management of tourism destination BH**

The point of sustainability is in finding the right measure, i.e. balance between the development of tourism and travel areas, on one side, and protection and preservation of environment, resources and values of the area and local communities on the other (Swarbrooke, 2005).

The identity of the destination must be the basis on which the expectations of potential visitors will be created (Gómez et al., 2014). Also, travel product of destination or the offer in the form of service, must be based on the unique identity of a travel destination (Ekinci et al., 2013), because without it the quality of tourism can be put in question, for the reason that any success in attracting tourists could influence the other destinations to copy their formula of success or some other competitive advantage (Goodall & Ashworth, 2013). The identity of the tourist attractions in BH is characterized by great natural, cultural, historical, human and other resources, that are, on the other hand, burdened by war, as well as ethnic diversity, the instability and dysfunctionality of the state, underrating own possibilities (from geographic and traffic position to diversity in natural and cultural heritage, etc.), including a large backlog given the competition's efficiency.

Travel destination should choose the global strategy of their performance on the market. For a long period of time, marketing activities were those that dominated within the *strategy* of managing a travel destination. Today, the strategic planning is in the center of strategic managing, i.e. planning as a managing process. In that way, planning is shown as the primary element of strategic management, which requires the choice of the most appropriate way in which the travel destination should ensure the competitive position for long term period on the tourism market, which is to provide the perspective of long-term growth and development. That includes the appropriate activities with the purpose of adjusting to the market conditions, in order to fulfill certain goals. Fulfilling the goals of business of the travel destination depends on its ability to satisfy the

needs and wishes of tourists, which requires the knowledge of the market, and proper organization and coordination of activities of all subjects which take part in forming and realization of tourism products. Travel destination must look organized and integrated on the market. The necessity that all subjects of tourism organization work together in a coordinated way on improving and managing business operations of a travel destination, imposes the need for business nets creation and making partnerships aimed at making more efficient strategic goals of the destination growth and its sustainable development (Jegdić, 2012). Long-term development strategy for destinations in BH should include measures and activities to strengthen its identity, highlight its maximum value, promote positive things and other top quality properties in the global public. Engaging interesting partners is one of the principles without whose implementation the high range strategy is not realistically expected. It is not possible to achieve the expected results in the strategy of development of the travel destination without clearly defined mission, realistic and elastic goals and without specifically determined guidelines. The success of management in managing destinations depends on its ability to clearly define the mission, goals and guidelines, and the growth, on which market position and the future of the destination depend. This implies a change in behavior and communications, as well as concrete projects and actions, which will result in a greater respect, an increase in the investments and the number of tourist visits, higher value of the products produced in the country, and the importance in economic and political international community.

For effective development of tourism industry, it is necessary to create an image of tourism as a profitable branch of the economy (Kozak & Martin, 2012), to motivate people become actively involved in tourism, to improve the structure of human resources and raise the level of general knowledge (Sharpley & Telfer, 2014)

The candidate countries for membership in the EU were able to use more of the first funds from the European Structural Funds for investment in tourism, which provided the possibility of reorganization of the state of tourism and cross-border cooperation with the Member States of the EU, in order to further develop tourism and bio agent convergence, which is one of the main objectives of the EU. Cross-border cooperation and the funds increase contributed to the international ties between these countries, the revitalization of tourism infrastructure, increasing capacity and content enrichment services, and investment in human resources,

information systems and marketing. Apart from direct effects on the local level, project as cross-border cooperation in tourism has also had indirect and multiplier effects in other parts of the country. On the other hand, increasing the number of projects in the field of transnational tourism products, inter-regional cooperation, harmonization of standards and other are the ways of improving the quality in tourism.

### **Conclusion**

Bosnia and Herzegovina is the heart shaped land that lies in the heart of southeast Europe. It is here that eastern and western civilizations used to meet, sometimes they would clash, but more often assist and enrich each other throughout long and fascinating history. BH is an ethnic, not a civic state, which makes upgrading European values on such grounds very difficult.

Market maturing of a travel destination is done in ever more competitive and complex environment. All travel destinations, together with those which are in the development phase and those which are willing to keep their advantage over the competition, must be provided with many instruments and functional methods for evaluation of the actual situation and creation of future positions. Comparative advantages of travel destination are important, but are not a sufficient factor of competitiveness. It is essential that destinations create and maintain competitive advantages. In order to be important in a competitive fight, travel destination must have characteristics which will last. Competitive advantage once gained, it is maintained only by searching for new possibilities. BH has a number of comparative advantages in relation to other European countries: 1) unique natural beauty, especially the abundance of water; 2) unique ethnic, cultural and religious differences that overlap; 3) unique historical heritage; 4) unique land of healthy food; 5) unique warmth and hospitality of the Bosnian and Herzegovinian; 6) rich in forests, energy, drinking water and healthy food; 7) oasis of preserved nature; 8) top quality hard-working workforce, willing to learn and work; 9) blend of East and West; 10) land of a thousand lakes, rivers and streams, where water is still drinkable without being treated; 11) tradition of multi-ethnicity and multiculturalism, etc.

However, despite the large number of comparative advantages, tourism in BH is lagging behind the expected tourism. The biggest obstacles to tourism development are: 1) dissatisfaction of all three nations with the

state management, 2)division into entities; 3)irresponsible and incompetent government; 4)lack of tourism related strategy; 5)poor tourism infrastructure; 6)lack of tourism promotion strategy; 7)low general knowledge; 8)administrative fragmentation of the region; 9)political disunity and division of the country according to national base; 10)underestimation of own values, traditions and potential; 11)low valuation of knowledge and local brains, etc.

Tourism is the phenomenon which got global dimensions in the 20th century. Hardly is there a country in the world which does not develop domestic and foreign tourism to a bigger or smaller extent. Its basic characteristic is being massive, i.e. a great number of participants in travelling. International tourism has become the most important part in the total value of import and export of goods and services in the world. Over the longer period of time international tourism has had much more dynamic development compared to the world's economy. Bosnia and Herzegovina is developing foreign and domestic tourism slowly and to a much lesser extent, due to its comparative advantages. To change this, it is necessary to take certain measures and strategies for the development of tourism and present BH as a single tourist destination. Infra and superstructure are, of course, a basic element in tourism development, and the construction, equipping, upgrading and supplementing infra and substructures, as well as infrastructure and utility modernization of border crossings should be a permanent strategic objective.

EU structural policy requires effective institutional framework that would support the successful management and implementation of aid recipient countries, through funds. Utilization of pre-accession EU funds and, indirectly, their impact on regional development of tourism primarily depend on the willingness of the region at the institutional level.

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# ANALYSIS OF MARKETING MIX FOR FRUITS AND VEGETABLES TO IMPROVE TOURIST OFFERS IN B&H

*Dalibor Dončić<sup>1</sup>, Vojislav Trkulja<sup>2</sup>*

## Abstract

*This paper analyzes the marketing mix elements for fresh fruits and vegetables (product, price, distribution, promotion and people) in Bosnia and Herzegovina. Each element of the marketing mix was studied for most important vegetable species (cabbage, onions, peppers, tomatoes) and fruits (apple, pear, plum) on the market in Bosnia and Herzegovina. Also, through the elements of marketing mix presence visibility of fresh fruit and vegetables in the tourist offer of Bosnia and Herzegovina. Tourist offer of a region is now multidimensional, with food and drink, in addition to climate, environment, housing, etc., play a major role in the differentiation and original tourist offer. Local fresh fruits and vegetables are important competitive advantage in the local tourist industry, if the elements of the marketing mix (product, price, distribution, promotion and people) for local fruits and vegetables are in the function of tourism development.*

**Keywords:** *fruits, vegetables, product, price, distribution, promotion.*

## Introduction

The paper sets the research question: Are the elements of the marketing mix (product, price, distribution, promotion and people) for fruits and vegetables in Bosnia and Herzegovina combined in a way to connect the fruits and vegetables to the tourist offer in Bosnia and Herzegovina, which opens an additional question of whether there is a positive synergy between fruit and vegetable producers in Bosnia and Herzegovina and tourism in Bosnia and Herzegovina, resulting in the increase of competitiveness of fruits and vegetables as well as tourist services? The

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1 Dalibor Dončić, Ph.D., Syngenta Agro, Vidovdanska 18, 78400 Gradiška, +387 65 814 709, dalibor.doncic@syngenta.com

2 Vojislav Trkulja, Ph.D., Professor, JU Poljoprivredni institut Republike Srpske, Banja Luka, Knjaza Miloša 17, 78000 Banja Luka, +387 51 303112, vtrkulja@blic.net

natural connection between fruit and vegetable producers and tourism in Bosnia and Herzegovina provides a great opportunity to mitigate price fluctuations and opportunities for fruit and vegetables market in the field of tourism utilization of Bosnia and Herzegovina domestic market.

The research methodology applied in this study was in order to collect a complete information basis for drawing conclusions. Different research methods were used with the aim of better understanding of the marketing mix elements of fruits and vegetables. The intention was to collect as many information in order to better understand the relationship of fruit and vegetable producers to the elements of the marketing mix, or perception, motivation, awareness of the importance of systematic approach, decision-making, attitudes and knowledge about the product, price, distribution, promotion and people or whether the elements of the marketing mix are oriented towards a market segment of tourism in Bosnia and Herzegovina. The study combines different methods and techniques, such as qualitative in-depth interview and focus groups of fruit and vegetable producers in Bosnia and Herzegovina. The survey included different types of fruits and vegetable producers which are selected according to the economic importance for fruit and vegetable producers in Bosnia and Herzegovina. Fruit and vegetable producers a selected by using the random sampling technique and these are advanced producers of fruits and vegetables, permanently oriented to build their business future in the production of fruits and vegetables.

The results of the qualitative research by the in-depth interviews with producers of fruits and vegetables indicate that the impact of marketing mix elements of domestic producers of fruits and vegetables on the tourist offer in Bosnia and Herzegovina is minimal and there is no systematic approach of combining the marketing mix elements, which would open the possibility of creating a competitive advantage in the segment of the local tourist offers.

### **Literature review**

Since 1953, when Professor Neil Borden, in his address to the American Marketing Association (AMA), first used the term "marketing mix" as the distribution effort, combination, design and integration of marketing elements in the program or "mix", that will achieve the company goals based on market forces assessment, and professor McCarthy made a classification of marketing mix on the so-called. "4 P": the product, price,

promotion and distribution (place) on the basis of clear criteria, basic marketing functions and goals whose implementation fulfills the conditions for exchange (Vasiljev, 2005). To date, there is a substantial level of agreement in the scientific literature that management of marketing mix elements or instruments represent a key marketing activity, an important area of decision-making as well as the most important aspect of the marketing concept application (Jobber & Fahy, 2006). Many authors have this classification by adding a "new" instrument in order to achieve optimal combination of marketing mix. Of special interest are research in terms of visionary on the importance of successful marketing and marketing challenges in a changing and dynamic world of globalization and liberalization by American authors (Lyng et al., 1988). Marketing with the marketing mix instruments is one of the key and important factors of success for producer of fruits and vegetables and a particular concern of researchers in the western world (Bills et al., 2000; Hall, 2002).

Marketing in the production of fruits and vegetables as a subject approach in specialization studies of agricultural products marketing, by its origin, is one of the oldest approaches (Sudarević, 1999). The importance of marketing for agricultural products in the process of development and national economy and the agricultural sector is great. Therefore, we have an analysis of marketing in agriculture with special focus on the specifics of agricultural products that condition a special approach to the marketing mix (Sudarević, 1999; Cvijanović, 2000; Božidarević, 2002; Vlahović, 2011). We especially emphasize as significant research on the marketing business orientation of small and medium agro-industrial enterprises as well as affirmation of association and marketing in terms of creating a competitive agricultural sector (Cvijanović et al., 1995, 2002, 2007). The natural connection between agriculture and tourism is high potential for the Republic of Serbia to combine these to develop in mutually interlocking relationships that, on the one hand provide for tourists to see the natural beauties of our country and enjoy them, as well as to consume good food and drinks, on the other hand (Cvijanović, 2012).

The business activities of the fruit and vegetable producers in Bosnia and Herzegovina were generally analyzed in terms of quantitative indicators based on official statistical data from the relevant institutions, such as the "Department of Statistics" and "Foreign Trade Chamber", then as a distribution of agricultural products according to the "Indirect Taxation Authority", which include export and import of goods under customs

procedures (e.g. Čejvanović et al., 2009). Agricultural market and general conditions in agriculture were also studied including the structure of crop production, vegetable production, fruit production, and livestock production with the analysis of the demand for agricultural products (Vukmirović, 2004). Unbalanced supply and demand and varying sales prices of fruits are also important research to better understand the business problems of fruit producers in Bosnia and Herzegovina (Vaško et al., 2010). On the other hand, research elements of the marketing mix, product pricing, distribution, promotion and people, in agricultural production are the main elements in the study of the competitiveness of fruit and vegetable producers in western scientific literature. Review of the literature reveals a lack of qualitative and quantitative research elements of the marketing mix of fruit and vegetables in Bosnia and Herzegovina for better understanding and improvement of regional competitiveness of fruit and vegetables in Bosnia and Herzegovina.

### **Research methodology**

The research methodology was aimed to create complete information basis of the elements of the marketing mix in the fruit and vegetable production in Bosnia and Herzegovina. General question regarding fruit and vegetable producers in Bosnia and Herzegovina is what level of competition they have. The objective set in the study is realized by answering to the question what is the impact marketing mix elements to market tourism offer, and the intention is to identify and understand the most important characteristics of the elements marketing mix for fruits and vegetables, i.e. products, price, distribution, promotion and people, as well as the main reasons and obstacles that affect the process of modernization of the marketing mix elements and their quality combining in order to elevate competitiveness. To achieve the research objective the following groups of research questions are important:

1. What are the main characteristics of the fruit and vegetable products?
2. In discovering and understanding the main characteristics of the fruit and vegetable products the starting point is based on the technological process used by agricultural producers of fruits and vegetables through the types of inputs and sources of supply, the level of technology, product features, product packaging, product quality, marking and products labeling. Research question also reveals whether there is a business activity regarding the characteristics of the product which directly connects the analyzed product with tourist offer as segment of the market.

3. What are the main characteristics of the fruit and vegetable prices?
4. In discovering and understanding the main features of the fruit and vegetable prices the starting point is based on pricing, price fluctuations, the level of costs, the cost of recourses, terms of payment. Research question also reveals whether there is a business activity to the price of fruits and vegetables which directly connects the analyzed product with tourist offer as segment of the market in.
5. What are the main characteristics of the fruit and vegetable distribution?
6. In discovering and understanding the main features of the distribution of fruit and vegetables questions are designed to obtain an informational basis of existing distribution channels, width and length distribution channels, trade speed and level of distribution costs, integration of distribution with other products, joint distribution through association, the types and means of transport. Research question also reveals whether there is a business activity in relation to the characteristics of the distribution, which directly connects the analyzed product with the tourist offer as market segment in Bosnia and Herzegovina.
7. What are the main characteristics of the fruit and vegetable promotion?
8. In discovering and understanding the main features of the fruit and vegetable promotion, the questions were created in a way to obtain the informational basis on personal sales, the presence of propaganda, the presence of publicity, media relations, resources located in the promotion. Research question also reveals whether there is a business activity. Research question also reveals whether there is a business activity in relation to the characteristics of the promotion, which directly connects the analyzed product with the tourist offer as market segment in Bosnia and Herzegovina.
9. What are the main characteristics of the fruit and vegetable producers-people?
10. In discovering and understanding the main features of the people involved in the production of fruits and vegetables, the questions are designed in order to obtain informational base on the history of production, location, natural resources, the level of knowledge of the production technologies, ways to collecting information important for the competitiveness of the producers, financial situation of producers of fruit and vegetable producers. Research question also reveals whether there is a business activity in relation to the characteristics of

the people, which directly connects the analyzed product with the tourist offer as market segment in Bosnia and Herzegovina.

For the purpose of studying marketing mix elements of fruits and vegetables the qualitative research was used. Qualitative research precedes quantitative research in order to first collect sufficient information about the marketing mix elements. Further verification of the information on a representative sample implies further research using quantitative methods. Research results in this paper are based on findings obtained in qualitative research using the technique of in-depth interviews. As the instrument, a structured questionnaire which included a list of questions, mostly open, but also research questions which went deeper into the essence of the problem were used. The participants were interviewed in a form of free conversation between skilled interviewers and selected subjects. The interviews were conducted on farms where fruits and vegetables are produced. In-depth interview was organized in Lijevo polje and Potkozarje as the most important regions for the production of fruits and vegetables in Bosnia and Herzegovina. The study included a total of 20 participants from a population of agricultural producers of fruits and vegetables because the goal of this research is not to be representative of the population, but the key is to obtain as much information on the research problem. Respondents were selected by the random sampling technique. Random sampling technique that is not based on probability was chosen because we believe that the subjects who were included represent the future production of fruits and vegetables in Bosnia and Herzegovina and that they are sufficiently representative of the fruit and vegetable producers that can persist in the upcoming liberalization of the agricultural market in EU. The criteria for selecting respondents, farmers respectively, was the size of the processed land, on 10-20 ha belonging to a medium-sized producers in Bosnia and Herzegovina and represent the most vital part of agricultural producers and the availability of machinery. The criteria were to have modern machinery, irrigation systems, and the willingness to provide quality information about how they run their production.

In general, the questions of the in-depth interview were not difficult for the participants. They understood them well and readily provided detailed answers about the motives, mode of thinking, the method of decision-making, as well as their business activities. Respondents were open and communicative and the sub-questions of the interviewer provided the responses and information about the elements of the marketing mix and

product pricing, distribution, promotion and people. The hardest and most complex part of the interview which took a lot of patience and additional questions was discovering historical perspective of the development of the marketing mix elements. This complex interviewing process was conducted by a qualified surveyor who has been working with the same producers on the development and application of new technologies for the last 15 years.

## **Results and discussion**

Efficient programming of the marketing mix elements in the realization of the objectives set by the fruit and vegetable producers depends on the two dominant factors, as follows: human potential of fruit and vegetable producers and their financial strength (power). In this paper, the research subjects are the marketing mix elements (product, price, distribution, promotion and people) of fruits and vegetables, as well as their relation to the market segment of tourism in Bosnia and Herzegovina. Fruit and vegetable producers are the focus of the research, as well as economic entities and their inherent constraints. The central limitation is human factor. Therefore, it is natural that the four elements of the marketing mix also included the fifth element of the marketing mix a man, in order to achieve the objectives of the research.

The questionnaire with a list of questions which was be used for the in-depth interviews with producers included a series of questions that are related to the elements of the marketing mix:

1. What are the main characteristics of the product (fruit and vegetable)? Answers and observations of the fruit and vegetable producers:
  - Applied technology: Producers of fruits and vegetables use extremely advanced production technology, which is reflected and manifested primarily in vegetable producers in the form of presence of hybrid vegetables, which are present in 90% of occasions. Hybrid vegetables used are from the best known world seed producers: European, American and Asian (Syngenta, Bejo Zaden, Enza Zaden, Nunhems, Close, Taky, Sakata). Introduction of new hybrids of vegetables is quite fast and is done through the authorized companies for distribution of worldwide seed producers. They often organize vegetable field days where farmers can see the results of growing hybrids in the local agro-ecological conditions and choose a hybrid for their production area. Selection of hybrids is based on potential yield,

early maturity, size of fruits, fruit shape, fruit color, resistance to major diseases and pests, the required technology. In addition to using the most modern hybrid vegetables the indicators for a remarkable high technological level is also the use of advanced irrigation system, such as drip as well as the use of materials for mulching. The high technological level is proved by the use of greenhouse production of vegetables with a positive growing trend and offers good quality vegetables with lower use of agrochemicals, especially valued by the consumers. The mechanical equipment is also very good because there are new tractors, 3 to 5 years old, seed harrow, planters for seedlings, irrigation systems.

- Types of inputs: The inputs used are pesticides, fertilizers, and plastic films produced in the renowned Western producers with guarantees of quality used in the EU, as well products from China, India, which are generally of dubious quality with no supporting documentation on product quality, but less expensive, even up to 50 %. There was interesting response from fruit and vegetable producers about the choice of production materials depends on the market situation with the prices of fruits and vegetables. When they sell products at higher prices they also invest more and buy more expensive inputs, and when their products are cheaper they use less expensive inputs of dubious quality. Nonetheless, all respondents agree that without good quality input there is no good quality end product.
- Sources of inputs: Procurement sources of inputs are private companies that have developed over the last 20 years on the market of raw materials in agriculture. Distribution companies are provided with the extension services which is a legal requirement in Bosnia and Herzegovina that provides quality information about application of inputs. The market is well supplied with inputs, but all farmers point out the steady continuous growth in input prices on an annual basis, which is not accompanied by a continuous rise in prices of fruits and vegetables, thus they feel that each year the inputs are more expensive, and product are less expensive and harder to sell.
- Product quality: When answering questions about the quality of products, they primarily focus on size, shape and color of the product, because these are the most important feature for market. There is a very clear awareness of the importance of product quality and there are unanimous that the quality of fruits and vegetables determines the cost and rapidity of sale, as well as continuity in sale, thus the quality is particularly important because it provides a sale when the market is saturated and when prices drop. They use technology and inputs to

achieve good quality product. When asked about additional quality by changing the production system from conventional to organic or integrated production or functional foods, they have little knowledge and correspond that they are not familiar with these possibilities improving product quality.

- Product packaging: The product packaging is classic mesh bags of 5 kg to 20 kg, wooden containers 10 kg to 15 kg, or in bulk depending on the customer demands. A particularly negative way from hygienic aspect is packing products in used containers, cardboard or wood, which is easy for purchase and even up to 50% cheaper comparing to the new packaging. Respondents did not adopt special packaging that would differentiate their products in the market. They generally make an effort while packaging products to be uniform with the size, shape and color. They have no special packaging machines, and it is all carried out by hand in garages and cool storages where the picked fruit and vegetables could wait a buyer a few days.
- Product labeling: When asked about labeling their product, no one had a positive answer. They simply do not label the products. Farmers believe that labeling would increase the price of their product, and that recognition of their product on the market and attracting new customers would not bring them more profit.

During the in-depth interviews it was concluded that there is no business activity regarding the product characteristics (packaging, labeling, varieties, etc.) which is in direct connection to the tourist offer as a market segment.

## 2. What are the main characteristics of fruit and vegetable prices?

Answers and observations of the fruit and vegetable producers:

- Method of pricing: The issue of prices of fruits and vegetables caused most emotion and excitement and producers are unanimous that the prices of fruits and vegetables stagnate or have large fluctuations seasonally at best, but also depending on a year resulting from uncontrolled production without a contract with well-known buyers. Thus, one growing year can bring extra profits, and loss and the inability to return investment in production the next year. As production is becoming more expensive and requires large investments, this uncertainty has been suggested as one of the main problems in the production of fruits and vegetables.
- Prices of production material (raw materials): Unlike the prices of fruits and vegetables significantly fluctuate seasonally and annually, the cost of major production materials, such as hybrids, pesticides and

mineral fertilizers, plastic foils have continuous growth each year which makes production more costly and uncertain.

- Payment terms: Very interesting statement is expressed, and agreed with respondents, that the payment terms of their products depend on the types of buyers. Supermarkets make payment within the period of 60 to 180 days, depending on the individual and personal relationships payment services, while existing trading companies pay within the period of 30 days to 180 days depending on the market situation and the need for certain goods. The most solvent are the retailers who pay immediately after taking over the goods at the green market or the farm where it fruits and vegetables are produced.

Research questions in the context of in-depth interviews showed that there is no business activity regarding the characteristics of the product price (rebates, special prices, payment terms, etc.) which directly connects the analyzed product with tourism offers as the market segment.

3. What are the main characteristics of fruit and vegetable distribution?

Answers and observations of the fruit and vegetable producers:

- Distribution channels: Buyers in distribution channels of fruit and vegetable are supermarkets with 5-10% of purchased product; then the trading companies with 10-20% of purchased products and retailers with 70-85% of purchased products. Farmers do not sell their product directly to the buyer and there is no direct distribution channel because they have no spare time for sale due to the laborious activities regarding the production. When asked about the leading place within the channel and the bargaining power, the producers stated that the power fluctuates depending on demand for certain products and that it shifts between producers, when certain products in deficit, or to retailers when certain products are in the market surplus. Also, there is cooperation within the channel when buyers order specific product and farmers produce a specific product without any written contract. Farmers point out poor cooperation with supermarkets and trading companies as the participants in the distribution channels, and a very good cooperation with retailers. Farmers also mentioned their attempt to establish their own distribution channel through cooperatives for purchase of agricultural products. However, the cooperative collapsed after a couple of years due to mismanagement.
- Size of distribution channel: Regarding the length of the distribution channel a long distribution channel is dominant in 70% of instances as follows: producer – whole sale- retail – consumer; while the short

distribution channel is present in 30% of situations: producer – retail – consumer.

- The connection with the distribution of other products: Joint distribution: Vegetable producers often transport their goods together with their neighbors or friends to the buyers, while fruit producers transport their products individually.
- Types and modes of transport: Most vegetable producers have their own means of transport and readily respond to customer's demands for delivery of products; while most of the fruit producers do not have their own means transport and hire transportation companies or sell their products buyers with transportation.
- Distribution costs: Farmers stated that the highest costs for distribution of product is for green markets, than supermarkets and trading companies, and the least expensive is sale through retailer who mostly collect the goods at the farm.

Research questions in the context of in-depth interviews showed that there is no business activity regarding the characteristics of the product distributions which directly connects the analyzed product with tourism offers as the market segment.

4. What are the main characteristics of fruit and vegetable promotion?  
Answers and observations of the fruit and vegetable producers:

- Personal selling: All farmers are dealing with some type of personal selling, whether passively or actively. The passive type is when farmers work on their own property when buyers are visiting, or actively when farmers go to the cities and inform consumers of agricultural products with samples and inform interested customers about the quality of their products, product packaging, production method, delivery mode and prices. Also, fruit and vegetable producers invite buyers to visit their farms at the time of maturation of fruits and vegetables where they organize joint meetings, review of crops and products, as well as arrange sales which are considered to be a very prosperous relationship with buyers while creating long-term quality relationships.
- Propaganda: Commercial propaganda activities have not been noticed with fruit and vegetable producers.
- Sales promotion: Of all actions available for producers regarding the sales promotions only discounts of prices and postponement of payment deadlines, when the market is oversupplied, are used.

- **Publicity:** There are no activities regarding the publicity carried out by the vegetable producers, while the fruit producers are active regarding the associations for publishing information important for fruit producers. These are often followed by media because food is always attractive subject topic for media.
- **Media:** There are no planned activities with both fruit and vegetable producers regarding media relations, but there is a small difference with fruit producers because their association has certain relations with the media.
- **Promotion investment:** There are no investments in promotion due to lack of finance.

Research questions in the context of in-depth interviews showed that there is certain business activity regarding the characteristics of the product promotions (personal selling, publicity, promotions etc.). However, they are not in directly connecting the analyzed product with tourism offers as the market segment.

5. What are the main characteristics of people involved in fruit and vegetable production? Answers and observations of the fruit and vegetable producers:

- **Production tradition:** Vegetable producers have a long production tradition and in 70% of instances it is passed on for three generations in one household. Fruit producers also have a production tradition, but only for one or two generations, and had a first experience in fruit production Plantaže, a company established 50 years ago.
- **Location and natural recourses:** Vegetable producers from the interview are located in the area of Lijevče polje which is characterized by excellent conditions for vegetable production, including fertile soil and quality water for irrigation. On the other hand, fruit producers are located in the area of Potkozarje, with some limiting factors, such as lower quality of soil and a few quality water sources for irrigation.
- **Knowledge:** Fruit and vegetables producers are well educated and they regularly attend specialized trainings. In addition, they organize field trips to a more advanced production areas once a year and have a good cooperation with experts in the field of work.
- **Information availability:** Producers generally get information through agronomist who work for the large companies (70%), but also through Agricultural (10%), Agricultural Faculty (5%) and the Internet (15%).

- Financial situation: Producers of vegetables are certainly financially more stable than fruit producers in reference to the machinery and taking loans for working capital investment. Fruit producers possess older machinery, credit charge and using short-term loans or credit from suppliers of production material.

Research questions in the context of in-depth interviews showed that there is no business activity present regarding the characteristics of the people included in fruit and vegetable production (education, awareness of the market segment etc.) which directly connect the analyzed product with tourism offers as the market segment.

Limitations of the research related to the sample are typical for all qualitative research. Sample size and selection of the respondents indicate that the results of the research cannot be quantified nor considered representative of the total population of fruit and vegetables producers in Bosnia and Herzegovina. This was not the primary goal of the research, but the goal was to determine whether there are business activities of fruit and vegetable producers to combine elements of the marketing mix in order to conquest or better positioning in the market segment of tourist offer in Bosnia and Herzegovina.

## **Conclusion**

Based on 20 in-depth interviews conducted in Bosnia and Herzegovina using research instrument of structural questionnaire in the population of fruit and vegetable producers in the region Lijevo polje and Potkozarje we can conclude the following:

1. What are the main characteristics of the products (fruits and vegetables)?
  - Applied technology: intensified in all observed segments;
  - The types of inputs: in addition to high-quality used and the inputs of dubious quality;
  - Sources inputs: an increased number of companies for the purchase of production materials (raw materials) which resulted in greater choice;
  - Product quality: significant upgrades in all monitored segments;
  - Product packaging: there is no development in the packaging of the product;
  - Product labeling: there is no development in product labeling.

There is no business activity regarding the characteristics of the product as the marketing mix element which is systemic, planned and designed in a way which directly connects the analyzed product with tourist offers as the market segment.

2. What are the main characteristics of the fruit and vegetable prices?

- Method of pricing: a constant stagnation and decline in prices of fruits and vegetables, large fluctuations both seasonal and annual, as well as the uncertainty that causes such large fluctuations;
- Prices of production material (raw materials): constant growing trend;
- The terms of payment: payment terms are too long and it is constantly getting severer under the influence of the economic crisis, but also due to a weak negotiating position of fruit and vegetable producers.

There is no business activity regarding the characteristics of the price as the marketing mix element which is systemic, planned and designed in a way which directly connects the analyzed product with tourist offers as the market segment.

3. What are the main characteristics of the fruit and vegetable distribution?

- Distribution channels: as a new segment, supermarkets and trading companies appeared, but they have not significantly improved sales and distribution of fruit and vegetables in Bosnia and Herzegovina;
- Length of distribution channels: length of distribution channels is constant and mostly long distribution channels;
- Joint distribution: used constantly without improvement;
- Types and means of transport: without constant improvement;
- Distribution costs: constantly increasing costs of distribution;

There is no business activity regarding the characteristics of the distribution as the marketing mix element which is systemic, planned and designed in a way which directly connects the analyzed product with tourist offers as the market segment.

4. What are the main features of the fruit and vegetable promotion?

- Personal selling: constantly present, but without the development and modernization;
- Propaganda: is present only in traces;
- Improvement of selling: present at the time of oversupplied market;
- Publicity: the association of fruit growers working on publicity and the improvements are noticed, while the activities of fruit producers regarding are poor;

- Media: fruit growers have certain connections with media through associations, ascertained improvements;
- The assets are located in the promotion: present only in trace amounts.

There is no business activity regarding the characteristics of the promotion as the marketing mix element which is systemic, planned and designed in a way which directly connects the analyzed product with tourist offers as the market segment.

5. What are the main characteristics of the people involved in the production of fruits and vegetables?

- Tradition in production: plays a major role in the development;
- Location and naturally occurring resources: play a major role in the development;
- Knowledge: constantly improving and introducing new technologies;
- Information availability: use of the Internet as a medium for gathering information is improving;
- Financial situation: the same, but the vegetable producers of vegetables made a visible progress with the new equipment, facilities, transportation means, while fruit growers are stagnating;

There is no business activity regarding the characteristics of the people as the marketing mix element which is systemic, planned and designed in a way which directly connects the analyzed product with tourist offers as the market segment.

In general, we can conclude that there is no business activity related with the characteristics of the marketing mix elements (product, price, promotion and people) that is systemic, planned and designed in a manner which directly connects the analyzed product with tourist offers as the market segment.

Results of the marketing mix element research can be used in order to increase the competitiveness of fruit and vegetable producers in Bosnia and Herzegovina by improving the elements of the marketing mix for fruits and vegetables, but also improving the skills of combining elements of the marketing mix for fruits and vegetables in accordance with the market segment of tourism in Bosnia and Herzegovina.

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# EFFECTS OF THE GLOBAL ECONOMIC CRISIS ON SERBIAN ECONOMY TOURISM AND ITS OVERCOMING

*Mirjana Ilić<sup>1</sup>; Jasmina Leković<sup>2</sup>;*

## Abstract

*The global economic crisis has had far-reaching consequences on the economy of all countries around the world, slowing economic growth globally due to the falling demand in the developed economies. The fall in the demand for goods and services has reduced trade exchange at the global level which has had a great impact on the Serbian economy. The main negative effects of the global economic crisis on the Serbian economy, among other things, are a decline in industrial production, decline in exports and a reduction in foreign direct investments. The negative impact of the global economic crisis on the tourism industry of Serbia is evident through indicators such as a significant reduction in the actual number of overnight stays and the total number of tourist arrivals since 2009. The aim of this study is to provide concrete proposals for the revitalization of the tourism industry of Serbia, to overcome the long-term negative economic results dating back to the time before the official emergence of the global economic crisis.*

**Keywords:** *The Global Economic Crisis, The Serbian Economy, The Tourism Industry*

## Introduction

The global economic crisis has led to slower economic growth on a global level due to the falling demand in the developed economies. It has undermined, with a different intensity, the economies of all countries regardless of their level of development and economic structure. This crisis is a confirmation of all the failures and shortcomings of economic policy and the entire world economic order.

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1 dr Mirjana Ilić, Lecturer, The College of Tourism, Belgrade, +381 65 266 26 66, mirjanao@visokaturisticka.edu.rs

2 mr Jamina Leković, Lecturer, The College of Tourism, Belgrade, +381 63 807 41 17, jlekovic@visokaturisticka.edu.rs

The global economic crisis from 2007-08 has caused a stormy reaction from analysts and scientists who have created a vast literature analyzing its causes and giving proposals to its overcoming. The main reason for its creation was a lax monetary policy (Carmassi et al., 2009) that allowed and supported the growth of excessive leverage (Debt to Equity - D/E ratio, ie the ratio of debt to shares) as well as maturity transformation of funds. Recent research (Borio & Lowe, 2002; Adalid & Detken, 2007., Alessi & Detken, 2009.; Gerdesmeier et al., 2009) came to the conclusion that almost all major crises occur as a result of leverage growth accompanied by excessive credit expansion and unusual rise in asset prices.

Minsky (2008) has defined the excessive leverage as an indicator of reduced ability to absorb losses resulting from the given promises that it will achieve certain gains in the nominal value without adequate cover. The rapid growth of aggregate leverage, calculated as the ratio of total debt to GDP, is considered a reliable indicator of the financial crisis (Carmassi et al., 2009). This indicator in the US and in Europe, has certainly been present even before 2007-08. The rate of debt growth was faster than the growth of GDP rate, so the global ratio debt/GDP rose to 266% in 2010 (Brzaković, 2013).

Rose and Spiegel believe that the most direct causes of the economic crisis from the financial aspect is the reduction in value of assets due to realized losses through the placement of capital, as well as the transfer of risk between different geographic markets due to their interconnectedness and interdependence. International intersection of assets has increased significantly for years until the onset of the financial crisis in 2008. This crossing of capital are desirable during the quiet period, because this way risk is being shared between different markets around the world. However, during 2008, exposure to countries and transfer of risk between them through the financial channels has further increased due to the keeping of exotic financial instruments that were particularly exposed to capital loss in the face of recession (Rose & Spiegel, 2010). Sbracia & Zaghini (2003) analyzed the role of the banking system in the transfer of financial risks (see also Bruinshoofd et al., 2010).

The presence of risk cannot be neutralized, but individuals as well as the company may undertake activities that will partially control the amount and time of risk realization and the consequent damages. These activities are referred to as risk management and, if successfully implemented, can

reduce the costs of realized losses (Obadović et al., 2011). Risk management represents the core activity for companies operating in the financial market. Completely avoiding risk may result in relatively poor financial returns, which will set back the insurer's competitive position and thus reduce its sales and financial performance. On the other hand excessive risk-taking may contribute to high short-term gains, but also to future financial losses or even insolvency (Obadović et al., 2011). Whether the companies are passively accepting financial risks or trying to achieve a competitive advantage by exposing themselves to financial risks within reasonable limits, these risks should be carefully appraised due to their potential danger of causing losses. (Obadović et al., 2010).

Acharya & Richardson (2009) believe that the reason why the banks contributed to the crisis of the financial system, lies in the two methods through which they managed to circumvent regulatory capital requirements. First, they managed to temporarily qualify the positions of assets (such as securitized mortgages) as off-balance sheet positions, so that they did not have to hold a significant amount of capital as the guaranty substance. Second, capital requirements allowed banks to reduce the amount of the capital that are kept as a guarantee substance for the remaining assets in their balance sheets only if the assets were in the form of AAA-rated tranches of securitized mortgages. Thus, repackaging of mortgages in the mortgage securities values together, regardless of whether they are held as on or off-balance sheet positions, the bank reduced the amount of capital that they had to keep as collateral against their debt and thus have made the conditions for overlapping loans.

As one of the major consequences of the global financial crisis was the decline in cross-border flows of capital, which includes foreign direct investments, purchases and sales of foreign equity and debt securities and cross-border loans and deposits of about 85%, which had a negative impact on the supply of capital. Particularly, a big drop in the equity markets was notable where the market capitalization which covered 79 countries fell from 65 trillion in 2007 to 34 trillion in 2008, or nearly two times (Brzaković, 2013).

### **Impact of the global economic crisis on Serbian economy**

The impact of the global economic crisis on the Serbian economy can be analyzed across multiple parameters. If we look at a foreign trade, according to data from the Statistical Office of the Republic of Serbia in

the period from 2007 – 2015, it can be observed that the greatest foreign trade was recorded in year 2008, when the last quarter began to feel the impact of the global economic crisis. Years 2009 and 2010 recorded a significant decline in both exports and imports, with a tendency of slight growth and recovery in the coming years until 2014 (see Table 1, Figure 1). The fall in exports in 2009 and 2010 is the result of a large decrease in commodity prices on world markets, which have large share in the structure of our exports. As the main cause of decreased imports is the fall in industrial production and domestic consumption in Serbia. The coverage of imports by exports has increased significantly during the period of recovery after the economic crisis, especially in the last three years, ie. 2013, 2014 and 2015.

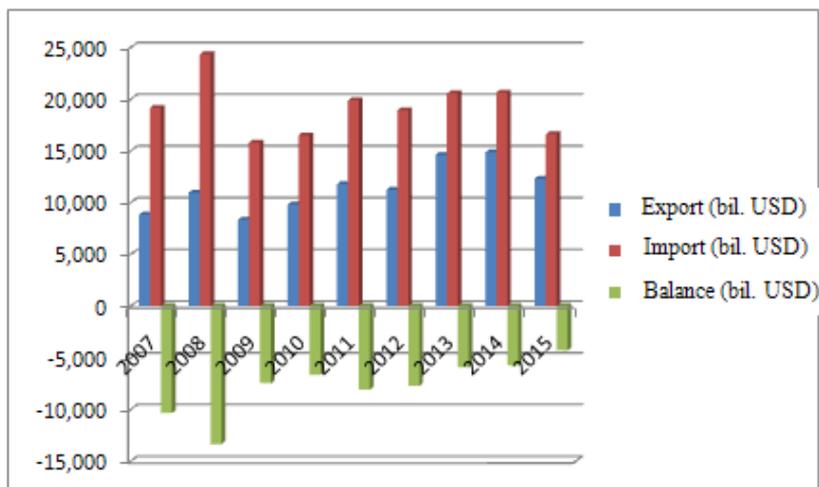
The global economic crisis has had a significant impact on reducing production and investment at the a global level, led to a contraction of GDP in many countries as well as the fall in employment. This has had an impact on the reduction of foreign direct investments in Serbia, which are considered the drivers of economic development of developing countries and countries in transition. According to the research by UNCTAD in 2009 (United Nations Conference on Trade and Development) in 2008, global foreign direct investments inflows declined by 21% to 1.400 billion dollars (see Figure 2).

**Table 1:** *Export and Import of the Republic of Serbia*

|             | <b>Export<br/>(bil.<br/>USD)</b> | <b>Import<br/>(bil.<br/>USD)</b> | <b>Balance<br/>(bil.<br/>USD)</b> | <b>Foreign Trade<br/>(Export<br/>+Import), bil.<br/>USD</b> | <b>Coverage of Export<br/>by Import<br/>(Export/Import) (%)</b> |
|-------------|----------------------------------|----------------------------------|-----------------------------------|---|---|
| <b>2007</b> | 8,823                            | 19,165                           | -10,342                           | 27,988  | 46  |
| <b>2008</b> | 10,974                           | 24,332                           | -13,358                           | 35,306  | 45,1  |
| <b>2009</b> | 8,345                            | 15,808                           | -7,463                            | 24,153  | 52,8  |
| <b>2010</b> | 9,794                            | 16,471                           | -6,677                            | 26,265  | 62  |
| <b>2011</b> | 11,780                           | 19,869                           | -8,082                            | 31,649  | 59,3  |
| <b>2012</b> | 11,229                           | 18,928                           | -7,699                            | 30,157  | 59,3  |
| <b>2013</b> | 14,612                           | 20,553                           | -5,941                            | 35,165  | 71,1  |
| <b>2014</b> | 14,849                           | 20,609                           | -5,760                            | 35,458  | 72,1  |
| <b>2015</b> | 12,309                           | 16,601                           | -4,292                            | 28,910  | 74,1  |

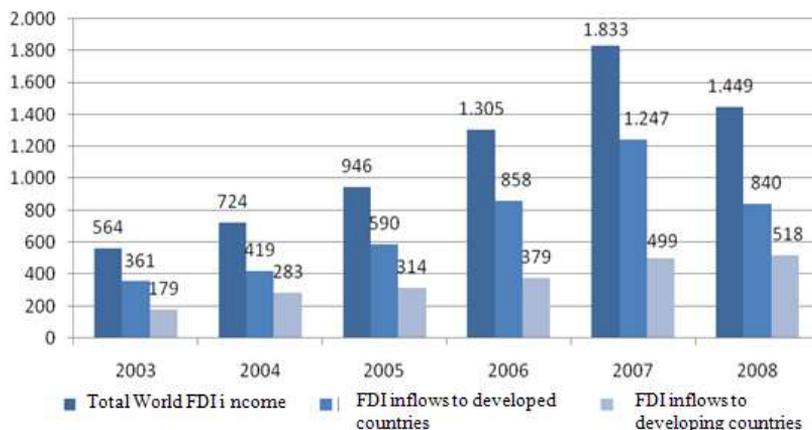
**Source:** *Statistical Office of the Republic of Serbia*

**Figure 1:** Foreign Trade exchange of the Republic of Serbia in the years 2007-2015, (bil. USD)



Source: Statistical Office of the Republic of Serbia

**Figure 2:** The inflow of foreign direct investments in billions of USD



Source: UNCTAD Handbook of Statistics (2009)

According to the National Bank of Serbia, Sector for Economic Analysis and Research (2009), inflow of foreign direct investment has recorded trend of growth in the period from 2000 to mid-2003, when there has been a slowdown in the inflow, until 2005 and 2006, when the growth of foreign direct investment inflows continued. The largest share of total foreign direct investment had income from privatization, while greenfield investments had significantly smaller share. In 2007, a decline in the

inflow of foreign capital has been recorded due to lower revenues from privatization in comparison to 2006. In 2008, despite the global financial crisis, there was a slight increase in the inflow of foreign direct investment compared to 2007. However in the last two quarters of 2008 FDI inflows recorded a slowdown in the third and fourth quarter of 2007 (Statistical Bulletin December NBS, 2008). The decline of FDI inflow in the third and fourth quarter of 2008 was not a direct consequence of the crisis so that they will feel the real effects of the crisis in 2009.

The decrease in world production has led to the fall of employees in all sectors of the economy, so a large number of Serbian citizens employed abroad has left out of work. During 2007 until the end of 2008 the short term reduction in the number of unemployed has been recorded, as of December 2008, the unemployment rate recorded a slight a tendency of growth (see Table 2). Decrease in loans from foreign banks and domestic economy had a negative impact on the Serbian economy, which has become dependent on foreign capital. All this has had a significant impact on reducing the inflow of remittances and foreign exchange in Serbia, reducing overall balance of payments of the country.

**Table 2:** *Employment and Unemployment in the Republic of Serbia in the period from 2005 to 2009*

|   | 2005.     | 2006.     | 2007.     | 2008.     | 2008.     |           | 2009.     |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | Ø         | Ø         | Ø         | Ø         | XI        | XII       | I         |
| <b>Total number of employees</b>        | 2.068.964 | 2.028.854 | 2.002.344 | 1.999.476 | 1.998.312 | 1.990.342 | 1.983.139 |
| <b>Unemployed</b>                       | 888.386   | 913.293   | 850.004   | 755.935   | 718.256   | 727.621   | 736.816   |
| <b>The registered unemployment rate</b> | 30        | 31        | 29,8      | 27,4      | 26,5      | 26,8      | 27,1      |

**Source:** *Serbian economic diagram, Institute for the Development of the Republic of Serbia (2009)*

According to Kovačević (2010), the global economic crisis has brought Serbia certain benefits through the reduction of the price of a large number of imported products, which led to a decrease in the index of average export, even 21.5% in the first seven months compared to the previous year. The global economic crisis has affected the reduction of careless borrowing of companies from abroad, which has significantly reduced the external debt of Serbia.

The economic crisis in Serbia is only partly a result of the global economic crisis (Kovacevic, 2010). Much greater blame should be

attributed to the social crisis and the wrong model of transition and economic policy measures, for the termination of the global economic crisis did not and will not stop the crisis and problems in Serbia.

### **Implications of the global economic crisis for tourism**

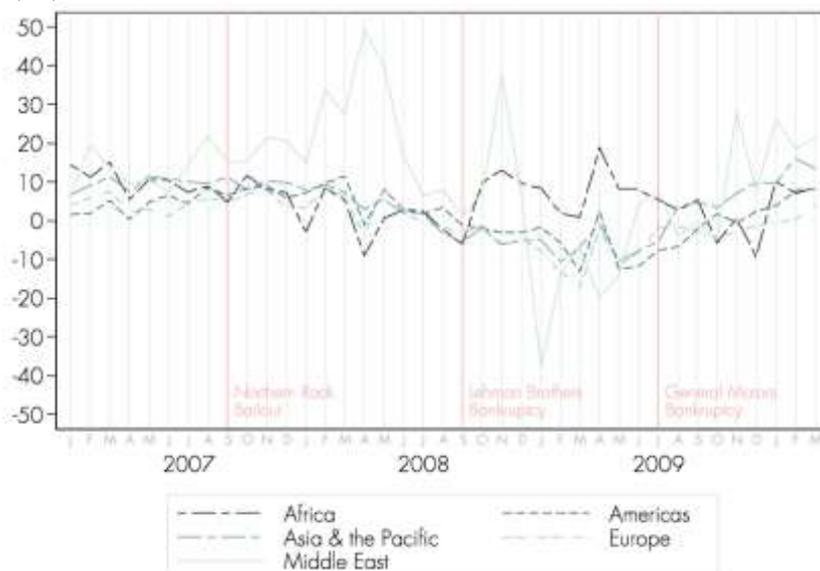
Global tourism has been severely affected by the current financial and economic downturn. According to the United Nations World Tourism Organization (UNWTO) data, international tourism started to decline during the second semester of 2008, becoming one of the latest sectors to feel the effects of the global recession. Moreover, while financial institutions around the world confirm the intensity of the crisis through various indicators, the negative trend in international tourist arrivals intensified during the first semester of 2009 in line with the prevailing financial situation (Papatheodorou et al., 2010).

The 2008–2009 global economic crisis has severely impacted on international tourism, causing a decline of 4% in international tourist arrivals and a decrease of international tourism revenues by 6% in 2009. Since tourism has become a major economic engine at a global level, this deterioration had important impacts on various countries, and in particular in developing countries, where the sector has become an increasingly relevant source of income and employment (WTO, ILO 2013).

Generally, studies examining the impact of downturns on the tourism industry were only partial in their outlook, that is, the crisis studied was of a regional and/or sectoral scope only. In contrast, the current crisis has a global and all-encompassing impact. Added to this are massive changes in consumer behaviour: the explosively growing threat of unemployment, loss of income, uncertainties in assessing the present and future value of assets and the safety of savings, old-age pensions and life insurances will put a long-term damper on consumption and, consequently, on investment (Smeral, 2009).

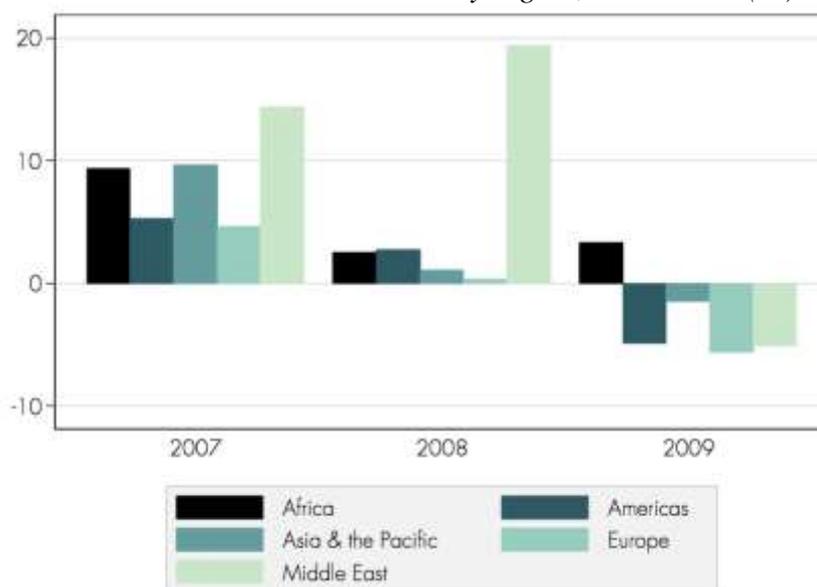
Looking at the regional level in Figure 3, recovery of international tourist arrivals among European countries was on average the most accentuated among World regions. Even though decline rates in the America and Asia and the Pacific were quite similar to those in Europe, recovery in these two regions of the World occurred at a slightly quicker pace, when compared to international arrivals to European countries (WTO, ILO 2013).

**Figure 3:** *International tourist arrivals by region, January 2007–March 2010 (%)*



**Source:** *World Tourism Organization and International Labour Organization, 2013*

**Figure 4:** *International tourist arrivals by region, 2007–2009 (%)*



**Source:** *World Tourism Organization and International Labour Organization, 2013*

As presented in Figure 4, the data provided by regions support the previous assumption that African countries were least affected by a decline in international tourist arrivals as a result of the global economic crisis. Neither in 2008 nor in 2009 did the annual average growth of international tourist arrivals turn negative among countries in this region. Nonetheless, it is important to note that growth rates turned negative in Asian countries to a significantly lesser degree, when compared to the Americas, Europe and the Middle East (WTO, ILO 2013). According to UNWTO data, tourism accounted for 45% of the exports of services of least developed countries (LDCs) in 2009. In the same year, emerging economies received 410 million international tourist arrivals, a 47% share of the global volume, and US\$ 306 billion in international tourism receipts equalling 36% of the global volume (WTO, ILO 2013).

Ongoing reports by the UNWTO conclude that – caused by the deterioration of the overall economic climate and waning consumer confidence – international travel (arrivals) fell substantially in the second half of 2008 (UNWTO 2008). International tourist arrivals have been declining since the summer of 2008: in the second half of that year, the global rate of international tourist arrivals was lower by 1.% on average than the previous year's figure, while the decline was 2.% for Europe (Smeral, 2009). The EU business survey for the hotel and restaurant sector, based on seasonally adjusted monthly balances of positive and negative responses (turnover development during the past 3 months) in percentage of businesses polled, shows a distinctive deterioration for all of the EU member states in the course of 2008 and in early 2009. The EU business survey for the hotel and restaurant industry, based on seasonally adjusted monthly balances of positive and negative responses (turnover development during the past 3 months) in percentage of businesses polled, clearly reflects the negative assessment by the industry in the course of 2008 and 2009 (Smeral, 2010).

For 2010, two economic scenarios are depicted: one, an optimistic prospect of stagnation in tourism imports, and two, a pessimistic picture of persistent decline by 2%. The tourism sector experienced important declines and changes in travel habits, such as the decrease of long-haul travel in favour of short-distance travel, including intra-regional and domestic travel. In 2010, the tourism sector rebounded faster than expected and fully compensated for the losses caused by the economic crisis at global level, posting a growth rate of international tourist arrivals of 7%. The recovery confirms the sector's resilience in the medium and

long term, and its role as a key driver of growth and much needed employment in a changing economic setting (WTO, ILO 2013). On the other hand, there is evidence that generally speaking, domestic and near-foreign destinations (those within a reasonable travel distance from populous source markets) were suffering considerably less than long-distance destinations since, in economically difficult times, tourists prefer holiday places that are easy to reach by car. Staying closer to their homes reduces the surprise factor because tourists can minimize the risk in terms of product prices and quality. Furthermore, tourists apparently economize on the duration of their stay, scale back their expenditure per night, and tend to sacrifice secondary holidays (mini-breaks, city trips) rather than their main holidays (ETC 2009). Tourists also tend to book at the last moment, partly because they are not confident of their future job situation and partly because they hope to profit from last-minute bargains and cheaper deals (Smeral, 2010).

The importance of domestic tourism as a substitute given the constraints on international and longhaul travel and possible reductions in the money people have for spending and perhaps the time that they have for travel if they are working harder to make ends meet. Although domestic tourism does not have the same positive impact on the balance of payments, it is a strategy worthy of consideration. For many tourism destinations, the domestic tourism industry provides larger visitor numbers than do international markets. Unfortunately, destination managers often see domestic tourism as inferior to the more *glamorous* international market. Although it was acknowledged that some destinations had increased their domestic tourism marketing efforts, such *protectionist* measures have no expansive effects in an international macroeconomic perspective. They can, however, serve to enhance the viability of the home tourism products until the global financial crisis (GFC) ends, providing a basis for future recovery (Sheldon & Dwyer, 2010). In general, there is also evidence that the crisis hit business travel harder than leisure travel. Moreover, overnight stays in both luxury and budget accommodations showed lower rates of decline than the average of all accommodations. The International Air Transport Association (IATA) confirmed the slump in international tourism demand by finding an 8% decline in worldwide passenger traffic from January to May 2009. Hotel performance data from January to April 2009 show a similar drop in tourism demand (UNWTO 2009): overall occupancy was down in all world regions. Revenue per available room (RevPAR) fell by double digit rates, especially in Asia and the Pacific (-30.3%) and in Europe (-32.7%).

## Impact of the global economic crisis on tourism in Serbia

As for Serbia, which in 2009 were found among the countries that have not recorded a decline in the number of arrivals of foreign visitors (largely thanks to the maintenance of the Universiade), is facing the challenge of declining domestic demand. Namely, in the first half of this year saw a decline of 7% in the total number of arrivals, with what is far more pronounced decline in domestic tourist traffic (-10%), while the number of foreign tourist arrivals fell by 1% (Unković & Sekulović, 2010).

**Table 3:** *Tourists arrivals and overnight stays - annual data*

|             | Total   | Domestic | Foreign | Total/<br>index | Domestic/<br>index | Foreign/<br>index |
|-------------|---------|----------|---------|-----------------|--------------------|-------------------|
| 2005        | 6499352 | 5295051  | 1204301 | 100             | 100                | 100               |
| 2006        | 6592622 | 5391913  | 1200709 | 101,4           | 101,8              | 99,7              |
| <b>2007</b> | 7328692 | 5853017  | 1475675 | 112,8           | 110,5              | 122,5             |
| <b>2008</b> | 7334106 | 5935219  | 1398887 | 112,8           | 112,1              | 116,2             |
| <b>2009</b> | 6761715 | 5292613  | 1469102 | 104             | 100                | 122               |
| <b>2010</b> | 6413515 | 4961359  | 1452156 | 98,7            | 93,7               | 120,6             |
| 2011        | 6644738 | 5001684  | 1643054 | 102,2           | 94,5               | 136,4             |
| 2012        | 6484702 | 4688485  | 1796217 | 99,8            | 88,5               | 149,2             |
| 2013        | 6567460 | 4579067  | 1988393 | 101             | 86,5               | 165,1             |
| 2014        | 6086275 | 3925221  | 2161054 | 93,6            | 74,1               | 179,4             |
| 2015        | 6651852 | 4242172  | 2409680 | 109,3           | 108,1              | 111,5             |

**Source:** *Statistical Office of the Republic of Serbia*

As shown in the table no. 3 according to the Republic Bureau of Statistics, in 2009 in the Republic of Serbia realized a total of 6,761,715 overnight stays of tourists (8.8% less than in the same period in 2008), of which 5,292,613 were domestic, accounting for 80 % of the total number of guests, and foreign 1,469,102, or 20% of the total number of guests. Given that has not reached the number of tourists who had been in the years before the global economic crisis, we can conclude that its long-term negative effects.

### Measures to overcome a crisis in tourism

Tourism marketing strategies to fend off the impact of the global financial and economic crisis are difficult to develop, especially since the demand level is determined largely by macroeconomic factors (income, price,

exchange rate development, economic policies) and business expectations (which in turn are driven by the current market development and economic policy trends). Nevertheless, it is possible to draw up some rough guidelines (Smeral, 2009):

1. Cutting down on marketing expenditure is counterproductive and will only enhance the crisis.
2. In economically difficult times, potential guests tend to prefer national and foreign destinations that are nearer to their home. With consumers taking a more critical look at the price–performance ratio, it is useful to clearly demonstrate the individual benefit of a product.
3. Although price pressure is about to increase, major discounts should be avoided because this makes it even more difficult to restore the original price level once the recovery has set in.
4. Innovations and new product interpretations always help gain new customers.
5. Phases of very low demand are a good opportunity to carry out internal structural reforms and apply new concepts. Resistance to technological and organisational innovations is easier to overcome.
6. Strengthening staff motivation improves an operation's service quality and increases customer satisfaction, which is a major measure to improve its competitive position.
7. Identifying potential cost savings provides some leeway for demand-creating measures and necessary investments.

While econometric models try to extrapolate future tourism behavior according to patterns exhibited in the past, it could be argued that in a changing world, the usefulness of traditional forecasting models is rather limited. The periods of crises are often characterized by changes in the consumer patterns that are translated into new business paradigms aiming to satisfy new and emerging demands. Thus, in addition to the short-term implications of the current crisis for tourism (discussed in the previous sections of this article), it is important to highlight some long-term repercussions (Papatheodorou et al., 2010).

An initial assessment of the policy response measures implemented by countries worldwide to mitigate the effect of the crisis was made available in September 2009. This initial assessment includes information on around 70 countries. The information has been collected through a questionnaire sent by UNWTO to its Member States, as well as through online sources.

The measures were grouped and coded into eight categories:

1. Fiscal measures
2. Monetary measures
3. Human resources measures/employment measures
4. Marketing and promotion measures
5. Travel facilitation
6. Public/private partnerships (PPPs)
7. Regional cooperation
8. Environmental measures

In March 2009, UNWTO announced a Roadmap for Recovery, which includes 15 recommendations based on three interlocking action areas: resilience, stimulus and green economy (WTO, ILO 2013).

Roadmap for Recovery:

### **I Resilience**

1. Focus on job retention and sector support
2. Understand the market and respond rapidly
3. Boost partnerships and ‘competition’
4. Advance innovation and technology
5. Strengthen regional and interregional support

### **II Stimulus**

1. Create new jobs – particularly in small and medium enterprises (SMEs)
2. Mainstream tourism in stimulus and infrastructure programmes
3. Review tax and visa barriers vis-a-vis growth
4. Improve tourism promotion and capitalise on major events
5. Include tourism in aid for trade and development support

### **III Green Economy**

1. Develop green jobs and skills training
2. Respond effectively to climate change
3. Profile tourism in all green economy strategies
4. Encourage green tourism infrastructure investment
5. Promote a green tourism culture in suppliers, consumers and communities

## **Measures and recommendations for overcoming the consequences of the global economic crisis on tourism in serbia**

When it comes to measures that are in Serbia undertaken in order to combat the negative impact of the global economic crisis on tourism, the

Government of Serbia, at the proposal of the Ministry of Economy and Regional Development, Sector for Tourism, the decree on subsidized consumer loans classified and tourist travel. These loans were approved for travel to Serbia in order to support the development of domestic tourism. Loans were granted at an interest rate of 7.5% per annum and a maturity of three years. In 2010, the budget allocated for tourism amounted to over 4.3 billion, which is twice more funds than was allocated in the previous year (Unković & Sekulović, 2010). In the ordinary course of enterprise financing to encourage the quality of catering services in 2010 announced a competition for resources and for this purpose has been allocated 400 million dinars. That same year, the Government of Serbia formed the National Tourism Development Corporation with the primary mission to support and implement the strategy of tourism development in Serbia. In order to promote Serbia as a tourist destination, the representatives of TOS were visited by partners and presented the potentials of Serbia. Visa liberalization has led to the emergence of several low-cost airlines, which have significantly reduced the cost of the arrival of foreign tourists in our country air transport (Unković & Sekulović, 2010).

To be successful in overcoming the negative effects of the global economic crisis, it is necessary to completely adapt our operations to the new market requirements, namely:

- Improving information system in tourism, in terms of knowledge required demand and competitiveness strategy and promoting a new product which needs to make itself known.
- Improving knowledge (know-how) through improved technology, education and training in tourism, innovation, establishing quality of service, which would be an adaptation of the product in accordance with the expectations of tourists.

Governments in many countries endorse the use of partnership arrangements in planning for tourism development. Because of the insufficiency of knowledge and practice, it is considered that Serbia should re-examine its needs and development goals, take a critical look at world experiences, in line with the definition of comprehensive legal and business framework as well as identification of criteria for implementing various PPP forms (Leković, 2013). As highlighted in the Strategy for Development of Tourism of the Republic of Serbia, Serbia offers possibilities for the development and commercialization of several tourist

products that can be divided into short-term success (*quick win*) and long-term success (*long run*).

**Table 4:** *Short-term success and long-term success*

| <b>Short term products:</b> | <b>Long-term products:</b>          |
|-----------------------------|-------------------------------------|
| - City break;               | - Medical Tourism (Spa & Wellness); |
| - Cruises (Touring);        | - Mountain and Lake Holidays;       |
| - Business tourism + MICE;  | - Nautics;                          |
| - Events;                   | - Rural tourism.                    |
| - Special interests         |                                     |

**Source:** *Strategy for Development of Tourism of the Republic of Serbia*

The importance of these products for the Republic of Serbia as a tourist destination largely stems from the fact that they are on a world scale characterized by a large and steady volume of demand, dynamic rate of growth in demand and large the average consumption per day. In this sense, the interest of the Republic of Serbia to the market of any of these products would be largely positive impact on today's number and structure of arrivals and overnight stays, as well as realized foreign tourist spending in the country.

The advantages of our country, which also can be used are the following number of parameters:

- Vicinity of Serbia emissive tourist markets, especially EU Member States;
- Low prices for visitors from abroad;
- Diversity solid preserved natural and civilization heritage;
- The ability to create favourable tourist arrangements for different categories of tourists (youth, seniors, families, business people, adventurers, etc.).
- Potentials of Belgrade as an attractive cultural and historical destination, the regional center of business people, but also the world's capital of fun.

### **Conclusion**

The tourism industry has experienced many financial crises over the years, yet there remain large knowledge gaps about the financial behavior and strategies of firms under financial stress. The implications for new product development, investment, marketing, and staffing are not well

understood. Likewise, the strategic options to help firms remain viable during economic downturns are not well researched (Sheldon & Dwyer, 2010).

In terms of destination choice, tourists in the years to come will be more likely to travel closer to home. Domestic tourism is expected to boom as a repercussion of global economic recession, and segments such as visiting friends and relatives, repeat visitors, special-interest, and independent travellers are expected to be more resilient. In the meantime, decline in length of stay and international tourism expenditure will be more pronounced than volume (or number of arrivals); value-for-money destinations (e.g., places with favorable exchange rates) are likely to be preferred destinations among the traveling public. In such a context, cooperation between public and private sectors appears critical for the sustaining of international tourism in a region.

Moreover, we ought to expect the negative economic and social consequences of the crisis to be long-lasting, and it will be especially difficult to reduce the high unemployment rates to a socially more acceptable figure. The recovery will be slow, and only moderate growth rates are expected in the medium term, also in tourism. This will affect the behavior of investors and consumers alike. It is more than doubtful whether tourism behavior will be the same after this crisis than it was before (Smeral, 2010).

Placing Serbia as a destination for tourism aspects that are growing - business tourism, cultural tourism and short breaks are likely to represent the largest development opportunities. Also, Serbia should take advantage of its geographical position as a competitive advantage in the context of regional long-term socio-economic development. On the basis of trends in the global tourism market, trends in the use of leisure time (need for shorter, more meaningful holidays and cruises) and changes in demand requirements (socializing, entertainment, leisure, culture, education, etc.) The Republic of Serbia by offering a number of reasons for coming and stay of tourists, the best choice for a second holiday in a year.

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# CRISIS COMMUNICATION IN TOURISM

Vladimir Senić<sup>1</sup>; Veljko Marinković<sup>2</sup>

## Abstract

*Crisis has many forms and can occur anytime and anywhere. Unfortunately, in most cases, even when it becomes apparent that the crisis is happening, a substantial number of managers and decision makers are not yet aware that crisis is taking place and that time is running out for making an adequate response. This is particularly true for the tourism sector that is exposed to a vast number of different risks that should be approached appropriately and professionally. Otherwise, tourist organizations, as well as tourist destinations, will be faced with catastrophic consequences that might be impossible to completely recover from. The first step towards avoiding damaging image and reputation of tourism organizations and destinations is in effective communication with various types of public and stakeholders in the moments of crisis. Those are moments when public relations officers can literally determine the faith of the company or destination. The scope of this paper is to stress the significance of communication in the state of crisis and briefly cover the most efficient strategies for communicating in crisis.*

**Keywords:** *crisis, crisis communication, tourism*

## Introduction

Crisis communication can represent the core of successful crisis management and can play a critical role throughout the entire crisis process. As such, crisis communication is a central, most critical component of the crisis management. Furthermore, it seems that proper and well executed crisis communication can turn crisis management, under some circumstances, into management of opportunities.

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1 Vladimir Senić, Ph.D., Associate Professor, Faculty of Hotel Management and Tourism in Vrnjačka Banja – University of Kragujevac, Vojvođanska bb, 36210 Vrnjačka Banja, telephone: +381 36 515 00 25, e-mail: vsenic@yahoo.com

2 Veljko Marinković, Ph.D., Associate Professor, Faculty of Economics – University of Kragujevac, Đure Pucara 3, 34000 Kragujevac, telephone: +381 34 303 525, e-mail: vmarinkovic@kg.ac.rs

Nevertheless, communicating in the state of crisis carries a certain amount of risk, yet, on the other hand, it seems that having no communication whatsoever when the crisis strikes is even more risky. In fact, when a company decides not to communicate during the crisis, even then a company sends a message that can have severe consequences for the company's future in the eyes of the public and its stakeholders.

Whenever a crisis occurs, all those who are affected directly or indirectly by it look for additional information. Through communicating, information is gathered, processed into knowledge and then shared with others, but it should be kept in mind that every phase of crisis communication has its own demands for creating and sharing knowledge, that is, its own needs for gathering and interpreting information.

Nowadays, tourist destinations and enterprises are exposed to risk more than ever before. On one hand, this is due to rise of factors that can stimulate crisis, while on the other, it is due to the fact that in the last two decades there has been an increase in mass media and social networks. Indeed, these two elements have shifted the way companies need to treat every crisis situation.

While companies were able to afford not to disclose information in earlier times, that seems to be hard to achieve in today's era of Internet society. It is the media that have a particular interest in disclosing crisis in companies and make information about the emerging crisis event available to as wider public as possible.

In the past, only those companies that were dealing with extremely dangerous production processes that can seriously impact human health (refineries, coal plants, chemical industry) were investigated by media.

Today, media's coverage of crisis events spans from corrupt activities to defective produce, as well as, natural disasters, terrorism and many other crisis causes. This is particularly true of tourism that has become in the past couple of decades extremely vulnerable to many risk factors.

### **Tourism and crisis**

Tourism represents one of the most sensitive economic sectors. It is extremely dependant on political, social and economic conditions. Numerous events can lead to discouraging tourists from specific

destinations. Dirty beaches, an epidemic outbreak that can endanger public health or attacks that represent a direct threat on tourist's safety will inevitably lead to decline in interest for a specific tourist destination. In some instances, even the notion that something can go wrong will have enormous negative effects on tourism as a sector (Glaesser, 2003).

Certainly, many of the crisis events that are present in modern tourism have been around for centuries. But, what makes a big difference nowadays is the fact that there is a dramatic increase in the scale of tourism activities and in the human mobility. Thanks to cheaper means of air transportation, many destinations that were distant and difficult to travel to in the past are now much closer and far more reachable.

Tourism as a product is by itself a function of a risk. The risk has an enormous impact on tourist's decision whether to travel or not. If a tourist perceives a destination as unsafe and hazardous, then the destination will suffer greatly, because most of the tourist will avoid such places. Reaction to negative events in tourism is quite different compared to other economic sectors.

Namely, tourism has an above average sensitivity to crisis events, given that tourists have to leave the safety and comfort of their homes to visit a destination. Most tourists are risk-averse and do not seek an adventure that can threaten them in any way.

Tourism has many characteristics that can make crisis more likely, strengthen the impact of crisis events or generate extremely high levels of interest among public and media.

Niininen (2013) stresses the following five factors that contribute to it:

- Tourism represents a large portion of the economy and, as such, it is usually referred to as "the largest sector of the economy in times of peace". Tourism is also referred to as the sector that offers possibilities for sustainable development, in particular for the third-world countries.
- Tourism sector is closely integrated with many other sectors. In other words, if the crisis strikes hospitality sector, it is very likely that many companies that specialize in supplying hospitality sector will be directly impacted by it.
- The main objective of tourism is travelling of people (all individuals with means and motives for travel are potential tourists). Therefore, a

set a psychological and sociological reactions to unexpected events on behalf of the guests of an international hotel is going to be a major challenge even for the most detailed crisis plan, as well as for the veteran public relations managers who have to keep their composure even in the moments of highest tensions.

- Given that the consumption of the tourist product demands that the 'buyer' travels to a particular destination, demand for tourist products and tourist destinations is very sensitive to reports concerning safety and health.
- Many tourists are attracted to destinations that are very vulnerable to natural disasters (such as tropical weather, proximity of ocean/sea or seismic movements) or have a rather low level of developed infrastructure (poor road quality, inadequate communal services or hospital services).

Evidently, tourism can be regarded as a sector that is exposed to risk. The question is not if the crisis will happen, but when it will happen. This is so much true, given that crisis is now considered to be inevitable part of tourism business.

However, this means that tourism sector needs to invest much more time in planning in order to anticipate crisis and to manage it once it happens. The beginning of twenty-first century has seen a number of distinctive events that literally shook the worldwide tourism and had huge impact on its further development.

Terrorist acts in New York on September 11, 2001, followed by the war in Afghanistan, Bali bombing of a tourist district in 2002 (with over 200 dead tourists), SARS epidemic in 2003, war in Iraq, Madrid bombing in 2004, Indian Ocean tsunami in 2004 (with a total of over 230,000 dead), London bombing in 2005, volcanic eruption in Iceland in 2010, Japan tsunami in 2011, Tunis terrorist attack on tourists in 2014, Paris bombing in 2015 serve as reminders how vulnerable tourism sectors is.

Because tourism is a true global sector, even those countries that were not directly affected by the crisis can be easily hit. For instance, terrorist attack on New York in 2001 has had the worst effect on the US travel and tourism sector since the World War II (Wilkerson, 2003). The similar can be said for the global tourism market as well.

## **Defining crisis in tourism**

As a term, tourism is usually interpreted in many positive ways including enjoyment, relaxation, satisfaction, leisure or entertainment. Unfortunately, previously mentioned instances warn us that quite easily all those positive associations can become their opposites in the matter of hours and sometimes even minutes, bringing fear, distress, trauma and panic.

Unfortunately, the issues related to crisis have become the reality for all those who are involved in any kind of tourist activity. Despite all discomfort tied to crisis, it should be accepted that a crisis (whether it was caused by nature or by people) was and will continue to be a part of everyday life impacting directly or indirectly vast range of stakeholders – such as local community, visitors, promoters or investors.

Where tourist destinations – in economic terms – greatly depend on activities linked to tourism, their vulnerability on crisis events considerably increases, under the assumption that they should keep a positive image in terms of attractiveness and safety in order to achieve continuous success. Taking this into consideration, those responsible for decision making should be aware of ever increasing sensitivity of the tourism sector on crisis and make an effort to create mechanisms that will first and foremost avoid crisis from occurring, or if it happens, they should precisely determine the phase of the crisis.

Neither the literature on crisis management in general nor the literature on crisis in tourism offers a universally accepted definition of crisis. In order to understand the nature of crisis in tourism, two issues should be stressed (Sönmez et al., 1999).

First, crisis can seriously impede normal business processes in any tourism-based company or even destination by making harm to the overall reputation of the tourist destination related to safety, attractiveness and comfort thus spreading negative perception among visitors about that particular destination. That will eventually result in lower levels of demand leading to less tourist arrivals and less tourist spending in the local economy.

Second, having in mind the complexity of the tourism system, accidents or crisis in one area can easily spread or be strengthened due to

inappropriate management reaction onto other areas or regions. In a world where technology dominates, a small-scale event in a part of the global system can lead to disproportional outcome somewhere else.

Taking into consideration previously mentioned characteristics of tourism, Glaesser (2006) defines crisis as unwanted, unique and often unexpected and time-limited process with ambivalent development of possibilities. Crisis demands instant decisions and counter actions in order to limit – and when possible avoid – negative consequences on tourist enterprise or tourist destination.

Definition proposed by Glaesser is quite similar to a definition given by the UNWTO (2011), which defines crisis as unwanted, extraordinary, often unexpected and time-limited process that has many developing scenarios.

Further, Beirman (2003) defines destination crisis as a situation that demands radical response by management as a reply to events that are not within the internal control of an organization, and that demands an urgent adaptation of marketing and business practices in order to rebuild the trust of employees, partner companies and tourists into the sustainability of the destination.

Pacific Asia Travel Association (2011), defines crisis as an event or a group of events that can significantly compromise or hamper market reputation of the tourist enterprise or the entire tourist region/destination.

According to Pacific Asia Travel Association (PATA), there are two wide categories of crises that are related to tourism:

- Category 1: crisis events that are outside of management's reach. These events include natural disasters, acts of war and terrorism, political struggle, crime or epidemic outbursts.
- Category 2: crisis events that result from management mistakes or lack of contingent measures that are taken to tackle predictable risks. These events include company's meltdown due to large management mistakes, inadequate strategic management, financial scams, loss of data, destruction of company's site due to floods or fire without adequate protection procedures or insurance coverage, high levels of management and employee turnover.

## Defining crisis communication

In general terms, crisis communication could be defined as gathering, processing and dissemination of information necessary for managing a crisis situation. However, every crisis consists of several phases and each phase of crisis process has its own demands in terms of gathering and interpreting information. In other words, the crisis phase determines the tasks of crisis communication. In a *state prior to crisis (incubation phase)*, crisis communication is focused on gathering information regarding crisis risks, making decisions on how to manage potential crisis situation and training people/staff that will be involved in the process of crisis management.

Training usually involves the members of the crisis team, public relations staff as well as every other individual that is seeking to provide assistance in crisis. During the *phase of crisis (acute phase)*, crisis communication involves gathering data and processing information that the crisis team needs in order to make decisions along with creating and disseminating crisis messages to people who are not within the crisis team. The *phase after the crisis* includes analysis of crisis management activities, communicating necessary changes to individuals and, if needed, assuring the following of crisis messages from the environment (Vos et al., 2011).

Nowadays, it is assumed that crisis communication covers everything – starting from prevention strategies to assessing strategies after the crisis. In different phases of crisis, the main objective of communication is to minimize uncertainty related to reaction, negative implications, perception of public and responsibility for a given situation. In the context of public relations (PR), the concept of crisis communication is traditionally associated to efforts of PR staff to provide answers to questions, concerns and criticism coming from general public or media, and in doing so, limit negative effects of crisis on company. In the state of emergency, crisis communication deals with information on imminent danger and how people can help themselves – by protecting their lives, health or property, for instance. Therefore, crisis communication could be defined as sending and receiving messages that explain a specific event, identifying its possible consequences or outcomes and assuring specific information for reducing damage for affected communities in an honorable, honest, exact and complete manner.

Fearn-Banks (2007) suggests that crisis communication represents a dialogue between an organization and its public before, during and after an incident. In order to reduce negative effects on organization's image, details of strategic and tactic dialogue are carefully shaped. Successful crisis management includes crisis communication that can not only reduce or eliminate crisis, but can bring a reputation to the organization that is even more positive than it used to be prior to crisis.

On the other hand, UNWTO (2011) states that crisis communication is a process which exists only once the crisis emerged that is used for diminishing negative impact on organization and/or those for whom the organization is responsible. Such process requires instantaneous decisions and counter-measures by using all available means of communication in order to direct crisis development into positive direction and to have as much impact on crisis as possible.

Objectives of crisis communication are to utilize communication as an effective vehicle for protecting reputation and credibility of an organization and/or destination through proactively providing exact and timely information to key stakeholders.

For a given national tourist organization (NTO), key objectives of crisis communication could be to (Wilks & Moore, 2003):

- protect reputation and credibility of a country as a tourist destination,
- protect reputation and image of the NTO,
- persuade key stakeholders that the NTO responds to crisis in an appropriate and adequate matter, that is in the best interest of all stakeholders, and
- provide support to crisis management strategy at the NTO level, as well as, on the national level.

According to Dreyer et al. (2001), the objective of crisis communication is in limiting damage, and providing fast and fair information to public. Similar to this view, Germany's Federal Ministry of the Interior (2008) lists objectives of crisis communication as:

- immediate, transparent, competent and trustworthy reporting by media and informing public on causes, impacts and consequences of crisis, and
- strengthening of trust and credibility in order to enable successful crisis management and avoid possible crisis escalation.

## **Stakeholder groups in crisis communication**

Crisis communication aims to have an impact on shaping attitude of media. Yet, in spite of huge importance of media, it is vital to reach other, equally significant, key stakeholder groups. First and foremost, this includes those who are directly or indirectly affected by the crisis. For an instance, in an accident that results in serious damage to a certain area, priority of informing goes to local population and nearby neighborhoods. The idea is to immediately inform all those affected in order to avoid speculation and reduce casualties. Lack of information for those key stakeholder groups that are affected can have disastrous effect on the crisis itself.

Certainly, when defining key stakeholder groups, it is essential to understand type of crisis and its expected impact. The list of key target groups given in the communication plan should include all types of public, *internal* and *external*, with whom an organization needs to communicate during crisis. Such list will vary among different organizations and it should be as inclusive as possible.

According to ASEAN Marketing Task Force (2007), there are four key stakeholder groups, including:

- media – local media, international media, business/financial media, on-line media, off-line media;
- government – consulates, embassies and missions, foreign tourist organizations, foreign government agencies;
- investors – global and regional organizations, such as, IATA, UNWTO, WHO, local and overseas business partners (hotels, facilities of selling food and beverage, wholesalers/retailers, tourist attractions, air-carriers, MICE organizers, etc.);
- public – domestic/local public, current visitors (and potentially their families and relatives), potential visitors.

### **Crisis communication to internal stakeholders**

Crisis communication within an organization is often neglected in acute crisis. However, well informed staff will be more likely to successfully overcome crisis or limit its effects. If staff is well informed, there is almost no room left for speculation and second guessing.

Internal communication involves all types of sending messages among staff members. Employed personnel represent organization's greatest potential. Indeed, very often staff is in direct contact with the outside public. In the eyes of the public, they are the organization's spokespersons, that is, somebody who can create public opinion by delivering information to customers, distributors, media and public in general. Therefore, it is essential that employees are informed about crisis event before external stakeholders (Dreyer, 2001).

Sharing no information with employed staff, or communicating to staff with delay can (and it often does) have severe consequences for an organization. Employees are feeling insecure and may even have a fear of losing their jobs. By not sharing information with employees, this internal stakeholder group can easily become alienated and lacking motivation to take any kind of action. If they don't receive information internally, they will seek information externally. However, such information is often based on rumors and views of those who are not directly involved, potentially creating distrust in times when high level of identification with organization is a must.

### **Crisis communication to external stakeholders**

When speaking of external stakeholder, they could be roughly divided into two categories – those who are considered to be direct or indirect victims of the crisis (individuals and their families) and those who are not directly affected by the crisis, but have an interest in knowing what and why happened (media and general public).

Each stakeholder who is affected (true victim) or that can be potentially affected (potential victim) is considered to be a victim. The damage can be physical, psychological and/or financial. When a crisis results in actual damage, reaction needs to be directed towards the victims. The message in such situation focuses on the victims and explains organization's efforts to assist the victims. For instance, during the Costa Concordia crisis in 2012, Carnival Cruise Lines was heavily criticized in traditional and social media because it was not engaging enough in assisting disaster victims.

The way in which an organization decides to approach affected victims will have a long-lasting effect on its image. Media will be favoring victims and their families because of the dramatic personal testimonies

that always draw attention of the general public. On the other hand, many victims or their family members will be willing to share their story. The first and the right thing to do in such situation is that organization takes care of direct and indirect victims by assisting them and showing as much empathy as possible.

Although, each crisis is different, there are certain services and procedures that need to be carried in relation to *directly affected victims*. Their duration will depend on the type and severity of the crisis. It is highly suggested to take the following steps (UNWTO, 2011):

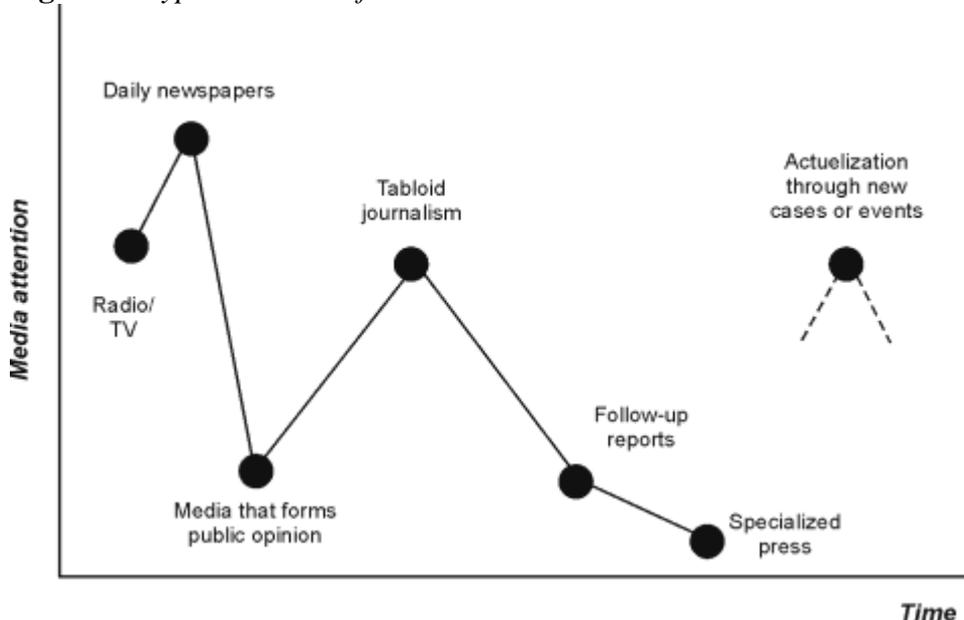
- Appoint an employee who will be in charge of gathering and maintaining data for contact and other relevant information about victims and their families immediately after the occurrence of crisis.
- Define the procedure for giving first aid to victims and their families.
- Appoint an employee that will be serving as a main contact person for the entire company.
- Assure safe place that will be away from media and general public, where victims and their families can gather.
- Assure free means of communication (landlines and mobile lines).
- Provide psychological support to victims and if necessary, provide free short-term psychosocial counseling.
- Cooperation with government in order to avoid travelling issue for those who lost their passports/visas.
- Provide support in terms of transportation of the victims or their remains.
- Company representative needs to have regular briefings and offer all updates to media regarding the state of victims and their families, as well as informing media on what is company doing to assist victims.

Another external stakeholder group that needs to be addressed is *media*. Media is constantly present in our lives and it plays a crucial role in informing general public on any given crisis or incident. Under the general term, it covers printed media (daily newspapers, specialized magazines, etc.), electronic media (radio, television) and “new” media (Internet, videotext, fax, etc.). Certainly, media has undergone huge changes since 2000. Auditorium for printed media and television is getting smaller and older. Many younger individuals are relying on the articles found on the Internet as the prime source of news. On the other hand, media auditoriums are getting more and more fragmented.

Although crisis may be different in their scope, Figure 1 shows a summary of typical course of crisis in the media. In general, it could be stated that the greater the intensity of crisis, the greater the interest of media. Such crises that draw a lot of public attention could be divided into three PR phases. Certainly, this model cannot fully reflect the complexity of crisis, but it allows us to get a better grasp on crisis and offers a useful framework for utilizing PR measures in the state of emergency (Germany's Federal Ministry of the Interior, 2008):

- Within the first phase, there is a sharp increase in media's interest. Reporting includes news and commentaries, as well as speculation and sensationalism. This phase lasts three to seven days.
- The second phase lasts for about two weeks. Media's attention stays on high level and reporting is characterized by reports on the event's background, new developments and comments on crisis aftermath.
- In the third phase, media's attention starts to fade out. Reporting consists of crisis consequences and new details on event's background. In about three weeks from the first report, the topic is not anymore in the news.

**Figure 1:** *Typical course of crisis in media*



**Source:** *Germany's Federal Ministry of the Interior (2008), Krisenkommunikation: Leitfaden für Behörden und Unternehmen, p. 27. Available at: [www.bmi.bund.de](http://www.bmi.bund.de) (access: February 26, 2016).*

If during the crisis a new significant event occurs, journalists and media will be switching to a new topic. Nevertheless, we should bear in mind that media reporting is crucial for the course of crisis. The intensity of media reporting usually depends on the company's policy of sharing information.

If the organization's policy is to be open and transparent to media, then the media's need for information will be satisfied quickly resulting in shorter duration of reporting on crisis. On the other hand, if the company is defensive and is not readily sharing information with media, then the media will be in charge of creating news, which is often not the best choice for a company. Namely, this will result in not so favorable reporting for the company and the duration of reporting on a given crisis will tend to be longer.

Usually, the very first information on a given event or crisis is reported by media. Having this in mind companies and destinations must take a proactive role, leaving no room for interpretation by media. Therefore, cooperation and contacts with media must exist in the early stages of the crisis. Public's perception of the crisis and of the image of the entire company/destination is highly dependent on media reports. Media should be viewed as the vehicle of successful communication of a tourist destination or tourist organization with existing visitors, potential visitors, as well as, local community.

Many key stakeholders often get their first (and last) impressions on a tourist destination based on media reports. With a right approach, media offers a chance for an organization to explain circumstances leading to a crisis. In fact, media can become a great asset for the organization. Pre-requirement for this is nurturing contacts with a number of different journalists in normal times, because trust cannot be gained over night, but rather should be built over a longer period of time.

It is of a crucial significance that those responsible (PR staff, top managers, etc.) appear in media in a timely manner. Their statements should be balanced, clear and above all accurate, and presented in an understandable manner. Constant updating serves as the best barrier to many speculations and misunderstandings.

Organizations should meet all media's reasonable requests, so that facts are disseminated to the general public. In that way,

organization/destination positions itself as an open and responsible entity that works in the best interests of its customers and other stakeholders. The nature and dynamics of reaction to media reports must be directed by the scale of crisis or incident.

Furthermore, it should be borne in mind that media's interest for an event depends on a number of factors, such as (Dreyer et al., 2001): the level of sensationalism, competing news, place and time of the event, journalist personality and the overall philosophy of the news media/broadcast media.

## **Conclusion**

Crisis communication is a central component of the crisis management. Through communicating, information is gathered, analyzed and finally processed into knowledge that is disseminated with others. Each phase of crisis management has its own demands in terms of creating and sharing knowledge. By utilizing three phases of crisis management (phase prior to crisis, phase during the crisis and phase after the crisis) we are capable to identify and then use different types of crisis communication.

One of the main objectives of crisis communication is to shape the attitudes of key stakeholder groups. The list of key stakeholders should involve all audiences, internal and external, with whom the organization needs to communicate during the crisis events. It is of particular importance that organization/destination understands how media shape public opinion. Therefore, immediate proactive reaction is required by organization in the case of the crisis outbreak in order to maintain the control over the information that is sent to general public. In the case that the organization decides to remain silent, rumors and sensationalist reporting will fill in the information gap, creating a potentially devastating situation for the image of organization/destination that will be difficult to improve in the days following the crisis.

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# INTERNATIONAL TOURISM SECURITY THREATS

*Ratko Ljubojević*<sup>1</sup>

## Abstract

*The paper analyses the impact of security threats on the development of international tourism from the theoretical conceptual point of view. We start from the hypothesis that the escalation of security crises in the world endangers seriously the development of international tourism and by the same token the world economy in general. The frequency of armed conflicts, civil and political unrests, terrorist attacks on tourist premises and various forms of criminal in tourist destinations lead to the need of empirical generalizations on the relationship between security threats and tourism on a global scale. The aim of this paper is to investigate how such empirical generalizations could serve as theoretical grounds that could become a basis for the creation of defense policies against tourism security threats in global, regional and national framework.*

**Keywords:** *security threats, international tourism, tourism security, policy of tourism security*

## Introduction

Tourism as an industry holds enormous development potential, especially in the regions whose destinations are attractive for tourists during whole year. In another words, tourism can be strong economic impetus. The tourism industry can make profit in myriad ways by the construction of hotels, tourist facilities, cable cars, gondolas, water parks, city tourist towers. In addition to the tourist capacities, an extremely interesting travel content that is expected from a modern tourist offer is needed.

By building the necessary road and rail infrastructure, airports for small aircrafts, construction of marinas intended for nautical tourism, the states may increase their budgets in different ways. Naturally, to make such

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<sup>1</sup> Assistant professor Ratko Ljubojević, Academy for National Security, SIA of the Republic of Serbia, Kraljice Ane bb, 11000 Belgrade (+381) 63 255 125, e-mail: ratko\_ljubojevic@yahoo.com

investments to pay off quickly, sound organization is needed, primarily from those who work in tourism industry to be able to fill fully those capacities. All these facts are important but not sufficient conditions for quality tourism environment.

The states and their governments are particularly responsible for, namely, they have to be in a condition for creating secure and safe spatial environment that is needed for sustainable development of tourism.

### **International tourism as a part of the concept of sustainable development**

The concept of sustainable development is one of main economic concepts. This concept today has a central place in the consideration of long-term prospects of survival and progress of mankind. That is an essential precondition and final goal of effective organization of overall human activity on the whole planet.

The concept of sustainable development has been institutionalized on the global level. Specifically, the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro, which was held in 1992 adopted the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity (Milanović et al., 2008).

In addition, in Chile, on October 1st, 1999, General Assembly of the World Tourism Organization (WTO) adopted its Global Code of Ethics for Tourism. Article 3 of this important international document has marked tourism as a distinct factor of sustainable development:

*All the stakeholders in tourism development should safeguard the natural environment with a view to achieving sound, continuous and sustainable economic growth geared to satisfying equitably the needs and aspirations of present and future generations (UNWTO, 1999).*

Article 3 of the Statutes of the World Tourism Organization confirmed the objectives of this organization, which has been recognized by the General Assembly of the United Nations in promoting and developing tourism with a view to contributing to economic development, international understanding, peace, prosperity and universal respect for and preservation of human rights and fundamental freedoms for all without distinction as to race, sex, language or religion (UNWTO, 2009).

## **Global crisis as a threat to international tourism**

The crisis is an unexpected undesirable phenomenon that happens to a person, group, organization, a society, ethnicity or members of a particular religion. As such, the crisis can reach global proportions. In this case, the world's most responsible political elite must react immediately in order to observe primarily a crisis and then promptly confront the threats and challenges posed by the crisis (Boin et al., 2005).

Plato, in his definition of state stressed that all the responsibility is on the state or responsible political elite. In fact, Plato says that the state is a perfect human society when it reached the goal of full self-sufficiency. The country has emerged from the necessities of life and the ultimate goal to provide the best life for its citizens. In fact, Plato believes that man can live in prosperity only if the country is well organized (Aristotel, 1960).

However, countries in the modern world are often not strong enough to confront the challenges of the contemporary crisis. In fact, the crisis may be caused by natural factors and those which are the expression of human action or negligence (Rosenthal & Kouzmin, 1993). We can also add economic, social, demographic and war crises and disasters, to which the modern world and major international institutions and organizations do not have adequate response.

According to the Report of United Nations Population Fund from 2011, the world will face a shortage of drinking water already in 2030 (United Nations Population Fund, 2012). Natural resources at the global level are spent faster than they most ominous forecasts could predict. The food needs of the world population, whose number is approaching the figure of eight billion, destroyed 13 million hectares of forests that were converted to farmland. The consequence of deforestation are tectonic ground movements and floods of catastrophic proportions (Simeunović, 2015).

To all this we must add the demographic expansion, especially in the area of Africa, Latin America and some countries in the Asian continent. In fact, in 1950, Africa had only 9% of the world's population, or 244 million people. Today a billion and two hundred million people live in Africa and according to the forecasts of the

United Nations, the African population of the year 2100 will reach the figure of four billion inhabitants (Simeunović, 2015).

With such a large global population growth, most of the states are not able to fulfill the basic social expectations of their citizens. Statesmen, governments and the political elite do not have an answer in terms of employment and achievement of a minimum standard of living in different countries, and even in the regions.

The wars in the Middle East and North Africa, especially those which have culminated in 2011, have significantly escalated in 2014 and 2015. The United Nations indicated in its documents that the growth rate of migration movements on a world scale is far greater than planned. Particularly noticeable migrations are to Europe and North America (UN, 2015). As long as there are wars, migrations will be present. Despite the best intentions of the most responsible political elites, the world organization of the United Nations and the particular engagement of the Security Council as the most responsible international institution, who are constantly advocating peace, hotbeds of war are increasingly flaring. The world actually has no adequate response to the current global crises.

In modern history, brave and bold move was made by the Russian Emperor Nicholas II Romanov when he founded the Permanent Court of Arbitration in The Hague. Predicting war threat and the upcoming political crisis, with the establishment of this international institution he has tried to talk the world's imperial powers to sense. In fact, his ideas were for any international disputes to be resolved by peaceful, diplomatic means, finding the most objective solutions. Such an approach should have provided prosperity and lasting piece for all peoples and nations. In addition to diplomacy as the principal form of resolution of interstate conflicts, Permanent Court of Arbitration has encouraged the creation of a whole system of peaceful settlement of international disputes and limiting the development of existing armaments (Vitorf, 1938). After the Founding Conference, on 29 July 1899, the Convention on the Peaceful Settlement of International Disputes was adopted. However, regardless bold ideas and wise policy, only fifteen years later the largest armed conflict ever called the Great War broke up.

The end of the Great War, or as the world now knows it as *the First World War*, resulted in huge human casualties, material destruction but also territorial rehash. It is then the seed of future political crises and new war hotbeds had been actually planted.

Before the Great War, between Vienna and Istanbul, two empires strached, Austro-Hungarian and Ottoman ones. With geopolitical rehash, after the war ended, just between these two capitals eight new countries had been created. In the north of Europe, Poland was newly restored to its historical territory. In the area of the Baltic Sea three new states were created, Denmark has spread to the territory of Germany and Finland became independent. Headquarters of European political, social, economic and cultural life became the states that have emerged from the war as winners. In the first place those were France, the United Kingdom and the United States. In addition to these countries, Germany, although defeated, continued to impose itself by political solutions (Ljubojević, 2015a).

In order to avoid disagreements between the leading countries of the world, after the Paris Peace Conference in 1919, new international organization: *The League of Nations* was created. The aim of this newly established international organization has primarily been the global disarmament, then creating the lasting peace and prosperity, addressing future international disputes by peaceful means and raising the standards of the population especially in countries that were completely destroyed in war operations (Mitrović, 1974).

Only two decades after the creation of this important international organization, the Second World War started as a result of imperial aspirations. Karl von Clausewitz defined war as the continuation of politics by other means. In fact, the war is a complex political process that is the most complex form of political violence that has been started with non-violent means. In fact, according to Clausewitz, the war starts in the moment when social contradictions become tense to the limit that all other political means become insufficient for their solution. (Simeunović, 1989). On the other hand, Herfried Münkler makes a distinction between state and empire under a different logic behavior. The states are integrated according to their own standpoint bounded within their sharp, clear and conspicuous borders while empires do not know so precisely their border line separation. Imperial borders do not separate equally political units, but they are

an expression of the degree of power and influence, not only in political but also in economic, social, cultural sense (Minkler, 2009).

Some countries got out of the Second World War as winners and others as defeated. However, the real losers were the inhabitants of the whole world. Those who disappeared and got sick were in millions; devastated territories, too. And rich and poor alike were affected. The world was once again searching for some new permanent peaceful solution. A new international organization was founded once again. Namely, after the suspension of the international organization League of Nations in 1945, representatives of fifty one country founded the Organization of the United Nations, again in order to create lasting peace and prosperity. Today, the United Nations has 193 member countries working together in the field of international law, world security, economic development and social equality.

At the Conference in San Francisco on 24 October 1945 a draft of the Charter was adopted, and as such, it came into effect in January 1946. The United Nations Charter is a multilateral treaty but at the same time it is the most important and most powerful international legal document. The principles of the United Nations are defined in Article 1 of the UN Charter (Krivokapić, 2014). The Charter consists of 19 parts, a total of 111 articles within which the objectives of the Organization of the United Nations are presented. The Charter also regulates issues related to membership, responsibilities and powers of the most important organs of the UN.

The issues of peaceful settlement of international disputes, the jurisdiction and activities of the Security Council, as the most important UN body in cases of threats to world peace, breaches of peace and acts of possible aggression acts are defined. An integral part of this Charter is the Statute of the International Court of Justice, as the highest legal body of the UN. The contribution of the International Court of Justice is the development of international law on a completely new grounds, the absolute prohibition of war and the introduction of a completely new system of collective security.

Up to now, the United Nations Charter has been revised three times. However, the emerging crises and threats to world peace imposed to the need to access to new revision of the Charter. The proposals

coming from various sides are different, but the most frequently mentioned provision is one in Title XI, which deals with non-self managed territories. In fact, Articles 53 and 107 speak of the enemy states. In addition, there are proposals to increase the number of Security Council members, particularly the number of permanent members and to provide mechanisms to control the legality of acts of the Security Council (Krivokapić, 2014).

As the youngest international organization, whose greatest achievements are the realization of human rights and human freedoms, the European Union was created. In fact, the forerunner of the European Union is the European Coal and Steel Community, which was later transformed into the European Economic Community and the Maastricht Treaty, signed in 1992 created the European Union in the present context.

At the moment, the European Union has 28 Member States and its legal grounds are based on the equality of the community of member countries, the common foreign and security policy and cooperation of Member States in the field of justice and interior affairs.

The objectives of the creation of the EU are *to safeguard the interests of the Union and common values, the preservation of world peace and contribute to international security, promotion of international cooperation, the development of democracy and the rule of law.*

Namely, article 2 of the Treaty on European Union states that the Union shall encourage a balanced and lasting economic and social growth and a high level of employment, in particular by creating a space without internal borders, strengthening economic and social cohesion, the establishment of economic and monetary union, whose ultimate objective is the single currency (Turčinović, 2012).

In accordance with the provisions of the Treaty on European Union, this international organization confirms its identity on the international scene, especially in the conduct of a unified foreign and security policy and there is also a plan to create the common defense. The Treaty also protects and strengthens the rights and interests of all citizens of the Member States, with the establishment of *the rights of citizens of the European Union.*

The main objective of the Union is to strengthen human rights and freedoms, with the highest level of security and rights. Free movement of people, goods and capital is ensured with the adoption of a number of appropriate measures in the field of external border control, asylum, immigration policies and the fight against criminal (Keković & Kešetović, 2006).

Despite human ideas and good conceptions, the European Union, although the most organized part of the world, is not able to fully confront all the challenges of modern times. Only one of the challenges, *migrant crisis* that began in 2011 and culminated in 2014, showed a level of vulnerability of some EU member states (Симеуновић, 2015). The natural reaction and one of the internal questions of vulnerable EU member states and the EU itself, as a supranational international organization was whether the nation-state and discarded national sovereignty can be restored overnight in the political life of a united Europe. Migrant crisis has shown organizational weaknesses despite all globalist ideas. That was only a trigger to reiteration of national state in the global society, especially in the EU Member States which have pointed out to the necessity for the preservation of proclaimed goals and common interests.

### **Tourism and the security policy of the European Union**

The process of globalization has long ago entered the international flows occupying all social spheres. The most responsible international organizations, leading states in the world, sovereign states as interstices in the spheres of imperial demarcation, especially their political elite have the task to reveal the dangers and possible impending crises in the geopolitical processes. In the modern world, the differences between rich and poor have become disproportionate. However, as consumers of tourism they are both an important part of the tourism industry (Ljubojević, 2015b).

Contrary to this fact, security challenges, threats and risks are completely identical to those that are rich and the poorest strata of the population. The most important task of the international organizations in the last two centuries was the preservation of lasting world peace. The idea of creating a safe and secure space gave birth to the European Union as a supranational creation. It is built on the idea of humanism and with the aim of preserving human rights and

human freedoms. In order to preserve these values, the security aspects of the Union are considered as the pivot of a common policy (Crnobrnja & Trbović, 2009).

The World, Europe, and therefore the Republic of Serbia as part of the old continent must provide an appropriate contribution to the preservation of world peace. There is no doubt that security threats still exist. Security challenges have become part of everyday events. The world economy, climate change, lack of natural resources, terrorism and population explosion are just part of the security threats of the modern world.

European strategists confront the crisis with the help of serious scientific analysis but also institutional solutions. The Lisbon Treaty of 2007 introduced innovations in the area of collective security. The most significant change is reflected in the different conceptual definition of the common security and defense policy which imposed really a higher level of engagement of all Member States of the European Union in the field of their own security capacities. This change has been legally regulated by Article 42 of the Lisbon Treaty and refers to the clause of mutual assistance (Đurđević-Lukić, 2010).

In the aforementioned Treaty it has been explicitly stated that in the event of an attack on one of the Member States, other EU Member States are obliging themselves to give assistance to the country who had been exposed to the aggression. In addition, the aforementioned Treaty sets out in detail the manner of cooperation of Member States in relation to the fight against terrorism (Zito & Schout, 2009). Criteria for the application of clauses on mutual assistance and permanent structural cooperation, are also defined and relate to the military capabilities of all Member States of the European Union (Gueguen, 2009). This type of cooperation is reserved for other countries too, those are future members aspiring to be part of the program of European military partnership (Savković, 2010). In this way, all Member States make available all their combat units ready for immediate military action.

The said novelty means also giving assistance to the European Union Member State in the case of an eventual terrorist attack. The European Security Strategy also points out to common solidarity

which puts the spotlight on what is most important - the preservation of lasting peace and prosperity for all citizens.

### **The Republic of Serbia and security challenges of international tourism**

The Republic of Serbia builds its politico-geographical relationship with the world into the European geopolitical process. This process is affected by external and internal factors, as a rule, intertwined and connected by common interests and goals. The essence and character of the factors of influence may vary in space and time. They are almost impossible to be predicted, thus they go beyond the archaic understanding of the relations between states. Initiators and implementers of the political-geographical processes are often atypical entities that exploit political developments primarily for their own goals (Stepić, 2001).

Despite the fact that tourism in the Republic of Serbia is far behind the developed countries of the European Union, the interest is mutual when we talk about the development of the tourism industry in the Republic of Serbia. Especially interesting are the common interests when it comes to security challenges.

The Republic of Serbia is in the process of joining the European Union and what sets it apart is the fact that it is located on Corridors 10 and 11, which are extremely important European routes. In order to implement the policy of accession, the Government of the Republic of Serbia is actively involved in the realization of the plan of implementation of the Joint Overall Strategy for the Danube Basin.

The Serbian side has formed a working group in 2009 to adopt a document entitled *Position of the Republic of Serbia in Respect to Participation in the Preparation of a Comprehensive EU Strategy for Danube Region* (Working group of the Government of the Republic of Serbia, 2010) The strategy is divided into four main sections, where the first relates to the integration of countries in the Danube Region. The second part refers to the protection of the environment, the third on the policy of sustainable development and the fourth part refers to the economic empowerment and integration of the entire Danube Region.

As the security is one of the unavoidable factors of tourism development, the contribution of the most responsible Serbian political elite should not only be the creation of a common security policy of the EU and the Republic of Serbia. Particular attention should be devoted to raising the level of common security. Security structures of the Republic of Serbia have enough experience, especially from the time of the breakup of the former Yugoslavia. Security threats always exist, but the oncoming crises have to be timely noticed, analytically observed, monitored in security manner and adequately addressed.

In the context of the most important decisions of the leaders of 28 EU Member States, in Brussels, on October 20<sup>th</sup>, 2015, the right of Hungary to erect a wall against Croatia had been confirmed. This act strengthened the idea of fencing the EU Member States.

On the other hand, security structures of the Republic of Serbia had significant results in securing its borders without fencing boundaries. In addition, the Government of the Republic of Serbia addressed special attention to human rights and freedom within the entire duration of the migrant crisis and thus remained an attractive tourist destination.

The territory of the Republic of Serbia is certainly on one of the most attractive routes. There are various paths that intersect, thus, along with well-meaning tourists, terrorist groups with the darkest intentions in the European countries can pass through Serbia. In this sense, institutionalized common security policy of the EU and the Republic of Serbia would significantly reduce security risks, where each of the parties would have clearly defined security tasks. With system solutions and joint actions overlapping jurisdiction would be avoided and human and technical resources could be utilized most effectively.

By achieving the highest level of collective security, the security of the entire region would be increased, which would be a joint contribution but also progress in connecting all the countries in the region (Todić & Grbić, 2014).

When crises are on the horizon, the risks are emerging. The fear arises, insecurity is growing, uncertainty is rising and the demand for

the tourist products decreases. The demand is not declining only in the country where the crisis occurred, but in the entire region. The result is not only the deterioration of the tourist season, better to say that such a condition may have long-term negative impact on the tourism industry of the country as a whole but also on the economy of the entire region. In fact, the high level of security is the main argument for choosing travel destinations and tourist products.

Eventual threats to tourism are not easy to predict. That is the reason why crisis management on all tourist destinations is often a very complex process which calls for the engagement of social organizations and institutions of wide spectrum. In newly created crisis situations the media of mass information are often aggravating the situation. They spread fear and they question permanently those who are responsible estimating their impact (Jerotić, 2000).

Besides keeping up with the pressure of the public, those involved in crisis management have an obligation to communicate with the actors and creators of the threats and crises (Radić, 2010). When solving the crisis, those who are responsible have to create a sense of normal functioning of the community, to reveal systemic mistakes and to improve the existing security systems.

The attacks that can happen in an international hotel could endanger not only a hotel chain but also, for sure, the state and not rarely the whole region. For those reasons, the security systems of the states in the region have to cooperate actively. Their task is not only in the field of security but also in the field of diplomacy and international politics (Milašinović & Milašinović, 2007).

Large international hotels are often hectic as some cities. For that reason they become easy targets. Namely, although they are under high security measures, such hotels are almost impossible to protect. On the other side, the increased security measures have a counterproductive effect on hotel guests and tourist, making them feel uncomfortable.

In the last few years, international hotels in tourist destinations in the countries with the crisis areas have been suffering the most. Besides usual necessary protection of all guests hotel employees undertake preventive security measures where security is treated as a

corporative institutional and legal obligation prescribed by strict rules, along with the traditional security measures, hotel staff implement the most modern technology with the aim of increasing security, in order to respond to the threats and challenges of modern times (Ljubojević, 2015b).

## **Conclusion**

Modern world is exposed to various security threats which affect negatively tourism industry in international dimensions. Now a days, these threats do not recognize any limits. All the people are equally exposed to security risk regardless them being among rich or poor segments of population.

The governments of the states as well as relevant bodies of international organizations have recognized those threats but they still did not develop common standards for their prevention. Taking into account the fact that international tourism is one of the fastest growing industries in the world, employing more and more people and resources, this fact gains especially in its specific weight.

Decisions of potential tourists are very much under the influence of their perception of the past and possible future security risks such as terrorist attacks, natural disasters and global contaminations.

Although most of different crises cannot be predicted, responsible entities can make certain prevention and reaction plans in order to avoid catastrophic events or at least to minimize human and material losses. Such behavior would send positive message to potential tourists who hesitate to travel to certain destinations if they are not well informed about the care of those who are responsible for their safety.

In the period to come, relevant international authorities will have to create a whole set of procedures for the defense from security threats on regional, international and supranational levels. Taking into account the importance of international tourism for country's economic development, the Republic of Serbia has an interest to participate in the task of the standardization of risk management procedures in the case of emerging crisis threats.

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# SPECIFICS OF RISKS AND RISKS MANAGEMENT IN TOURISM

*Dragan Stojanović<sup>1</sup>; Dragana Ilić<sup>2</sup>;*

## **Abstract**

*Risks management and the adoption of techniques of effective risks management can increase the safety and performance of the business operators of the tourism industry. The objective of risks management in tourism is ensuring continuous performing of the activity without any losses that might be caused by the realization of a risk. Risks management in tourism is not possible without knowing the specifics of risks, their interactions and measures that can prevent or mitigate the occurrence of risks. Specific risks in tourism result from the specificity of tourism as a phenomenon, the tourist offer and tourist demand. The aim of this paper is to emphasize the importance of management of risks to which representatives of the tourism industry are exposed. Effective and efficient risk management in the tourism industry is based on adequate identification and risks analysis, planning and implementation process – all aiming at preventing or mitigating the occurrence of risks.*

**Keywords:** *risk, tourism, risks management*

## **Introduction**

Defining a set of basic measures whose common goal is a stable and harmonious development of tourism is one of the most important requests when it comes to mass tourism. Such tourism development should be in the interest of those who travel (tourists), those providing services in tourism and in the interest of the local population at tourist destinations. Tourists are exposed to numerous risks in the course of tourist travel and stay in the tourist destination. The safety and security of tourists on a tourist trip and at a tourist destination is, therefore, an important criterion

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1 Dragan Stojanović, M.Sc., Lecturer, Higher Business School of vocational studies Leskovac, Vlade Jovanovića 8, Leskovac, 016/254961, stojanovic.dragan@vpsle.edu.rs

2 Dragana Ilić, M.Sc., Teaching Assistant, Higher Business School of vocational studies Leskovac, Vlade Jovanovića 8, Leskovac, 016/254961, ilic.dragana@vpsle.edu.rs

for the choice of tourist destinations. In the modern world there is an increasing need to identify risks in tourism and to manage these risks. If we wish to have adequate protection of tourists, we should be familiarized with the specific risks in tourism and learn of the measures for reduction of these risks.

### **Modern trends in tourism**

Tourism is an activity which has, in a relatively short time, become a global phenomenon and the number of its participants makes it one of the most widespread phenomenon on a world scale. A great number of (positive) development trends have made tourism one of the most dynamic and propulsive economic activity, with numerous multi-applicative effects. This in turn makes tourism a strong generator in a broad specter of activities. Development of tourism is becoming a priority in the economic development of many countries that have sufficient resources for the development of this activity (Ilić et al., 2014). Tourism is one of the fastest growing sectors of the economy in the world.

A growing number of destinations around the world invest in the tourism industry. In such destinations tourism becomes a key driver of socio-economic development as it brings own new jobs, increases revenue and leads to infrastructure development. In recent decades tourism has become one of the fastest growing sectors of the economy.

Table 1 shows the number of arrivals of foreign tourists (in millions) by region of the world according to the World Tourism Organization in the period from 1990 to 2014. Based on the data from Table 1, we can see that in the observed period the leading region is Europe. From 1990 to 2005 second place, according to the number of arrivals of foreign tourists goes to the region of America. From 2005, the situation has slightly changed as the Pacific region and that of Asia move up to the second and the region of America moves down to the third place, according to the number of arrivals of foreign tourists.

The number of arrivals of foreign tourists in the observed period is increasing. The total number of arrivals of foreign tourists in the world has, from 435 million in 1990 increased to 1 billion 133 million in 2014.

**Table 1:** Arrivals of foreign tourists (in millions) by region in the period from 1990 to 2014

| Region according to UNWTO | Arrivals of foreign tourists (in millions) |       |       |       |       |       |       |
|---------------------------|--|-------|-------|-------|-------|-------|-------|
|                           | 1990                                       | 1995  | 2000  | 2005  | 2010  | 2013  | 2014  |
| Europe                    | 261.5                                      | 304.7 | 386.4 | 453.0 | 488.9 | 566.4 | 581.8 |
| Asia and the Pacific      | 55.8                                       | 82.1  | 110.3 | 154.0 | 205.4 | 249.8 | 263.3 |
| America                   | 92.8                                       | 109.1 | 128.2 | 133.3 | 150.1 | 167.5 | 181.0 |
| Africa                    | 14.7                                       | 18.7  | 26.2  | 34.8  | 49.5  | 54.4  | 55.7  |
| Middle East               | 9.6  | 12.7  | 22.4  | 33.7  | 54.7  | 48.4  | 51.0  |
| World                     | 435  | 527   | 674   | 809   | 949   | 1,087 | 1,133 |

**Source:** UNWTO Tourism Highlights, 2015 Edition, page 4, <http://www.e-unwto.org/doi/pdf/10.18111/9789284416899>

At the end of XX and beginning of XXI century, numerous changes have occurred in all spheres of life that had a significant impact on the tourism industry. These changes were caused by demographic, political, social, cultural, economic, technological and environmental factors. All of these factors can have a positive or negative impact on tourism - these changes can accelerate or hinder the development of tourism.

At times of growing competition, it is very important to maintain and improve the competitive position on the international tourism market. In order to achieve this it is necessary to constantly monitor the changes that occur in modern conditions when it comes to supply and demand in tourism (Djeri et al., 2015).

Bearing in mind the social, political, economic, environmental and technological factors that have influenced the development of tourism in the past and those factors that are expected to affect the tourism sector in the future, the World Tourism Organization has done long-term forecasts of tourism development (by 2030). Quantitative projections primarily relate to international tourist demand.

According to the World Tourism Organization, the number of international tourist arrivals will increase by an average of 3.3% annually in the period from 2010 to 2030. Over time, the rate of growth will gradually slowdown, from 3.8% at the beginning of the period to 2.9% in 2030. At the projected rate of growth, international tourist arrivals

worldwide are expected to reach 1.4 billion by 2020 and 1.8 billion by the year 2030 (Tourism Highlights Edition, 2015).

### **The importance of the implementation of process of risk management in tourism**

Defining a set of basic measures whose common goal is a stable and harmonious development of tourism is one of the most important requests when it comes to mass tourism. Such tourism development should be in the interest of those who travel (tourists), those providing services in tourism and in the interest of the local population at tourist destinations. An important criterion for the choice of a tourist destination is the safety and security of tourists at a particular tourist destination. The vulnerability of people in traffic, the risk of terrorist attacks during a trip, the safety of tourists in a hotel, on a trip, fire hazard, the risk of food poisoning, infection and etc. influence the choice of a tourist destination, length of the tourists' stay on a destination, re-entry and recommendation to others.

Tourists are exposed to numerous risks in the course of a tourist travel and stay in a tourist destination. In order to adequately protect the tourists, we need to know what are the specific risks in tourism and which measures to take in order to suppress these risks. All subjects in the tourism industry should take specific measures to protect tourists - users of tourist services. One part of the risks will be assumed by insurance companies and they are indispensable factor in overcoming risks (Stojanović et al., 2013).

According to the World Tourism Organization, there are four main sources of risks (Popesku, 2011a):

- The human and institutional environment outside of the tourism sector;
- The tourism sector and related commercial sources;
- Individual sources (personal risk);
- Physical risks from environment (natural, climatic, epidemic)

#### ***The human and institutional environment outside of the tourism sector***

- This type of risk exists when a tourist is a victim of:
  - delinquency (theft, fraud);
  - organized crime;
  - human trafficking;
  - war;

- social conflicts;
- terrorism.

***The tourism sector and supporting activities*** (tourism, transport, sport, and trade) can threaten personal security, physical safety and economic security of visitors, through the:

- Lack of standards for fire protection, construction errors, earthquakes;
- Insufficient level of hygienic and sanitary protection;
- Disrespect of contracts;
- Deceit in commercial transactions;
- Employee strikes.

***Individual travelers (personal risk)*** - Tourists and visitors can threaten personal safety and safety of the host, through the:

- Application of extreme sports, unsafe driving, consuming unsafe food and beverage;
- Poor health;
- Provoking conflicts with the local population, breaking the law;
- Criminal activities;
- Paying visits to dangerous places;
- Loss of documents, money, etc.

***Physical risks from environment*** (natural, climatic, epidemics) are appearing:

- When tourists are not aware of the risks of the natural characteristics of the place;
- When visiting forbidden and dangerous areas;
- When tourists are exposed to the dangers of natural disasters and epidemics

The World Tourism Organization, through programs of sustainable tourism development helps in assessing and mitigating the risks related to tourism. Below are listed some of the most important programs and projects (Resilience of Tourism Development):

***Measures to facilitate international travel.*** World Tourism Organization ensures the safety and efficient movement of travelers. This includes further development of standards, procedures and the exchange of information in order to deter threats, reduce costs and help ensure safe and efficient movement of travelers.

*Supports members in identifying and mitigating global and local risks related to tourism.* World Tourism Organization supports tourism crisis management efforts at national level, focusing on both the establishment of effective crisis management systems and improvement of existing.

*Coordination with the United Nations system.* This coordination should enable and ensure a consistent and common approach.

***Improve capacity of members to develop, plan and implement crisis management systems in the tourism sector.*** A certain number of workshops is designed for the above mentioned purpose:

- Regional Capacity Building workshop;
- Regional Capacity building workshop on Emergency Planning for Tourism;
- Regional workshop on Tourism Risk Analysis, Early Warning and Mapping;
- Regional workshop on Crisis Coordination at the National and International Level;
- Regional workshop on Crisis Center;
- Regional workshop on Crisis Communications;
- Regional workshop on the development of tourism products in difficult conditions.

The following risks are especially important in tourism (Tourism & More – Risk Identity and Management, 2002):

- Physical / security risks in relation to tourists
- Physical/Security risks to the staff
- Risks due to issues of health, for example food and water safety, to staff and clients
- Risks to the environment, for example, will the event or tour damage the local ecology?
- Risks to the local culture, how much of a cultural impact does a large number of visitors have on a local culture?
- Risks to the business reputation of a company.

The risk is a source of potential damage for tourists, travel organizers, tourist companies or a tourist destination. The risk management process refers to planning, organization and implantation of activities that are directed towards effective risk management. It is necessary to align

business activities in line with this strategy using modern technology (Stojanović, 2011).

Risk management should provide (Robertson et al., 2006a):

- Security for visitors, tourists and employees in tourism;
- Safe systems of communication with all persons in the facility and within the destination;
- Security of object, plant and equipment from the effects of disasters;
- The contribution of trained staff;
- Procedures for return to normal business activities.

It is very important to have a standardized approach to risk management. The international community has developed a series of documents that are in some way connected with standardization of approaches to risk management.

Some of the most important standards of risk management are listed below (Avanesov, 2009):

**ISO/IEC – International Organization for Standardization/  
International Electrotechnical Commission**

- ISO/FDIS 31000:2009 Risk management - Principles and guidelines;
- ISO/IEC Guide 73:2002 Risk Management - Vocabulary - Guidelines for use in standards;
- ISO/IEC Guide 51:1999 Safety aspects - Guidelines for their inclusion in standards;
- ISO 14971:2000 Medical devices - Application of risk management to medical devices;
- ISO 17776:2000 Petroleum and natural gas industries - Offshore production installation - Guidelines on tools and techniques for hazard identification and risk assessment;

**CSA - Canadian Standards Association**

- CSA Q 850:1997 Risk Management Guidelines for Decision Makers;

**JSA - Japanese Standards Association**

- JIS Q 2001:2001 Guidelines for development and implementation of risk management system;

**AS/NZS**

- AS/NZS 4360:2004 Risk management;

**BSI - British Standard Institution**

- PAS 56:2003 Guide to Business Continuity;
- BS 31100:2008 Code of practice for risk management;

- BS 6079-3 Project Management - Part 3: Guide to the management of business related project risk;
- PD 6668 Managing Risk for Corporate Governance;

## ÖN

- ONR 49000 Risk management for organizations and systems - Terms and principles;
- ONR 49001 Risk management for organizations and systems - Elements of the risk management systems;
- ONR 49002-1 Risk management for organizations and systems-Part 1: Guidelines for risk management;
- ONR 49002-2 Risk management for organizations and systems-Part 2: Guidelines for the integration of risk management into the general management system;
- ONR 49003 Risk management for organizations and systems - Qualification of the risk manager;
- ONORM S 2300 Risk, security and crisis management - Concepts;
- ONORM S 2310 Risk, security and crisis management - Selection and verification criteria for persons appointed for crisis management.

### **Characteristics of process of risk management in tourism**

There exists a difference between the concepts of danger and risk in tourism. Danger is a source of potential harm for the operators in tourism industry, tourists or for the community. Risk is defined as the possibility of something happening which may affect the achievement of objectives. All risks can, in certain situations, get out of control and turn into a crisis. In order to prevent this we need to manage risks appropriately.

In the modern world there is an increasing need to identify risks in tourism and to manage these risks. Before choosing a destination and going on a trip, tourists frequently ask questions, such as: Is there any risk in taking this journey? How much the risk is acceptable? Can I afford the insurance against the risk? What are the risks on which one is to concentrate?

Risk management is a rational approach to dealing with the risk. Risk management involves determining the level of exposure that is acceptable for tourism and tourists, identifying hazards to the tourist industry and tourists, risk assessment, selection of appropriate strategies,

implementation of these strategies and appropriate response to emergencies.

The main stages of the process of risk management are (Robertson et al., 2006b):

- Establish the context;
- Identify the risks;
- Risk analysis;
- Evaluate risks;
- Treatment of risks.

***Establish the context – The first step in the process of risk management in tourism.*** In this stage one defines the parameters for risk management in the tourism and defines the key elements that will support or hinder the process of risk management in tourism. In the first phase of process of risk management in tourism it is important to choose an agency or organization that will have a leading role in this process. It is particularly important to identify all stakeholders and their problems and to define the criteria by which the risk assessment will be carried out.

***Identify the risks – The second step in the process of risk management in tourism.*** At this stage one identifies the risks in the tourism industry which should be managed. One also identifies sensitivity and resistance to risks. The aim is to reduce the level of sensitivity and to increase the resistance to risks. This is a rather important phase in the process of risk management in tourism. If there is any risk and that very risk is not identified then this risk will not be analyzed and thus not managed although it exists.

***Risk analysis – The third step in the process of risk management in tourism.*** At this stage we analyze the identified risks according to their impact on tourists, tourist destination or entities of tourism industry. The analysis is based on consideration of the probability of events and consequences of the identified risks.

***Evaluate risks – The fourth step in the process of risk management in tourism.*** At this stage of process of risk management in tourism one carries out risk assessments and makes decisions about which risks are acceptable and which are not, which risks need to be managed and in which order.

***Treatment of risks – The fifth phase in the process of risk management in tourism.*** Before making a decision about how to proceed with the risks, it is necessary to identify the options that are available, consider the advantages and disadvantages of each option and choose the best option for a specific situation. Based on this is necessary to define and implement a plan for dealing with risks.

When it comes to the ***plan of risk treatment***, the following steps should be monitored (Robertson et al., 2006c):

- Allocate responsibilities;
- Identify timeliness;
- Decide on methods of implementation;
- Establish expected outcomes;
- Define a budget;
- Identify key performance indicators and milestones;
- Establish monitoring and review processes.

***Communication and consultation*** are essential to risk management in tourism and they must be present at every stage of the process. Two-way process of internal and external communication and consultation must be established and maintained between the decision-makers and all stakeholders. Stakeholders with their opinions, views and suggestions can have a significant contribution in the process of risk management in tourism.

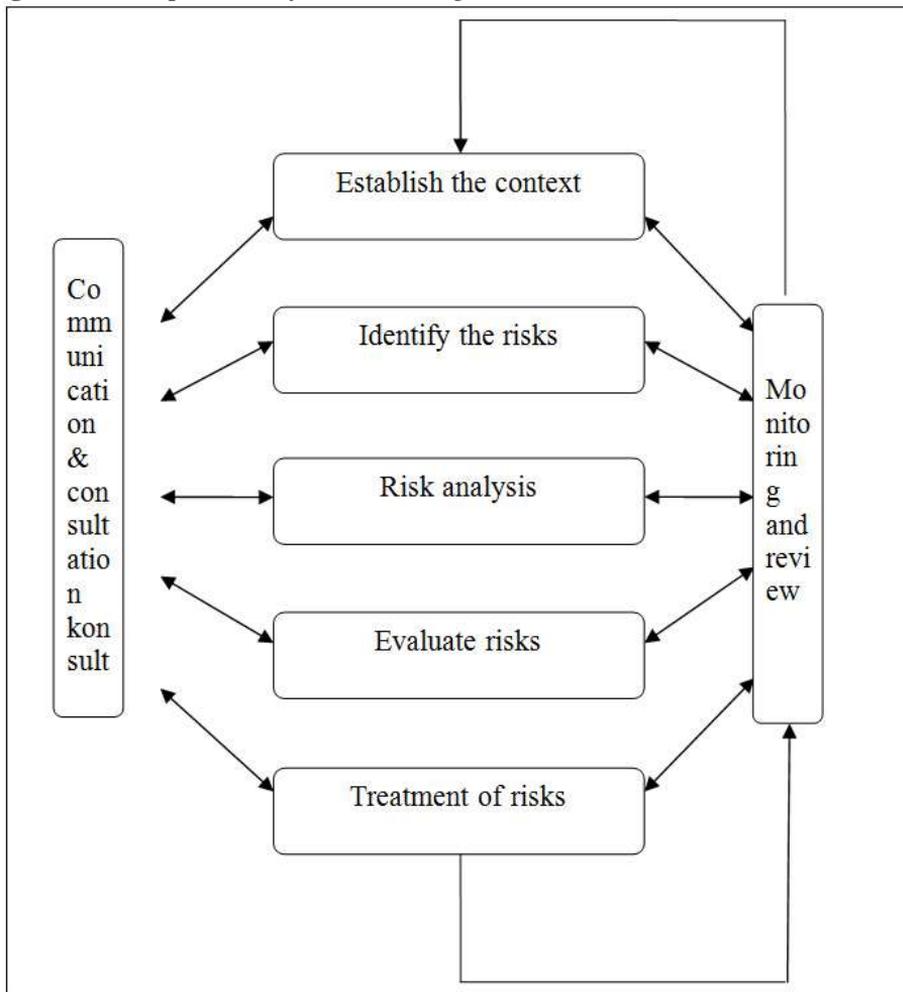
***Monitoring and review*** are essential for a continual progress of the process of risk management in tourism. It is necessary to regularly monitor and review all risks, tourism subjects which are exposed to risks and results in the risk management process.

A successful implementation of the risks management process bring about the following benefits (Ministarstvo turizma Republike Hrvatske, 2014):

- ***Better decision making*** – risk management helps managers to align their decisions with real assessment of planned and unplanned final result;
- ***Improvement of performance*** – acceptance of a model which is based on risk management leads to making better decisions on how to improve the system, allocate resources and achieve a balance between an acceptable level of risk and control costs;

- **Better forecasting and optimization of available resources** – Better prioritization in determining projects and determining the resources for dealing with identified risks;
- **Strengthening confidence in the management system** – risk management is an essential part of the management process and it improves the planning process;
- **The development of a positive organizational culture** – development of a positive organizational culture eliminates an aversion to risk.

**Figure 1:** *The process of risks management in tourism*



**Source:** *Robertson et al. (2006) Tourism Risk Management – An Authoritative Guide to Managing Crises in Tourism, APEC International Centre for Sustainable Tourism*

The following are common ways of dealing with risk (Popesku, 2011b):

- **Risk acceptance** – in cases where the frequency and size of a risk are small, the risk can be accepted. In this case, it is necessary to make a plan for dealing with a particular risk in relation to the consequences of such decisions;
- **Reducing the risk** – the chances for occurrence of consequences can be reduced via modification of risk. The other way to reduce the chances for occurrence of consequences of an event is to modify the way of risk exposure;
- **Transfer of risk** – is used when the consequences of risk are a significant, so that a risk, completely or partially, is transferred onto other (for example, an insurance company);
- **Avoiding a risk** – applies if size and frequency of a risk are high, so that an activity is discontinued or being withdrawn from the market.

When choosing one of these options, one should bear in mind the following criteria (Popesku, 2011c):

- The possibility of implementation of options;
- Profitability;
- The probability of adoption by the government or public authority;
- Acceptance by stakeholders;
- Excessive complexity;
- Ensuring long-term benefits;
- Fast realization of benefits;
- Negative impact on a destination;
- Self-funding, state funding or any other organization funding;
- Will a chosen option create new risks for a destination or an economy?

The methods which are used for identification, assessment and evaluation of reliability of the risks management process are numerous. Some of them are the following (Drljača & Bešker, 2010):

- **Creative techniques method** - Brainstorming, Delphi- technique and Morphology;
- **Analysis of scenarios method** - Analysis of losses, Tree of errors and Analysis of Scenario;
- **Analysis of indicators method** - Reporting on critical events, Risk management based on changes;
- **Analysis of functions method** - FMEA, Analysis of vulnerability, HAZOP, HACCP;

- ***Statistical methods*** - Standard deviation, Confidence interval, Monte Carlo simulation.

No matter how efficient the process of risk management in tourism is, the risks will keep on existing and will affect the entities of the tourism industry. The use of modern information technology, which must provide timely and accurate information in order to ensure adequate risk assessment, is something that arises as a necessity in modern business (Stojanović, 2013). Due to the absence of an adequate concept of risk management, numerous entities of tourism industry in the world have suffered significant losses. A prerequisite for a stable and continuous business in the field of tourism is the management of risks that arise in this area. The problem of risk management exists as a global problem that requires global solutions. An adequate concept of risk management in tourism requires adequate solutions. As risk cannot be avoided, it is necessary to manage it. Risk in tourism should be accepted as a reality and once we do that we can make all the necessary steps in to get to the phase of risk management. Risk management in tourism contributes to sustainable success, based on the principles of quality, sustainable development, development of social responsibility and business ethics. This leads to continuous business success of enterprises and organizations in the field of tourism and satisfaction of tourists.

### **Conclusion**

For destinations around the world tourism is a key element for socio-economic development as it leads to an increase in revenue, new jobs and enterprises, infrastructure development, etc. At the end of XX and beginning of XXI century, numerous changes have occurred in all spheres of life that had a significant impact on the tourism industry. These changes were caused by demographic, political, social, cultural, economic, technological and environmental factors. All of these factors can have a positive or negative impact on tourism. Respectively these changes can accelerate or hinder the development of tourism.

In the modern, ever changing world, all entities in tourism industry face some risk. This requires adequate risks management that should ensure the safety of visitors, tourists and employees in tourism. It is very important to emphasize the importance of safety and security in tourism activities and the importance of preventive work in creating safety and security for all entities in tourism. Bearing in mind the growing need for

safety and security in tourism (due to frequent terrorist attacks and many other risks), it is necessary to work on creating programs for safety and security in tourism. These programs should be composed of proactive and preventive measures whose aim should be to protect all entities in the tourism industry.

Such programs need to be involved in the planning and promotion of tourism as safety and security in tourism contribute to achieving the objectives of tourism and the establishment of international trust, respect and peace.

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# RISK MANAGEMENT IN HOTEL PROCUREMENT AND THE ROLE OF EXTERNAL AUDIT

*Marina Gavrilović<sup>1</sup>; Marija Gavrilović Gočanin<sup>2</sup>*

## Abstract

*Successful management should ensure stable condition of an entity, successful existence on the market and continuous development of business processes. This imposes the necessity that operations and development of the business entity should be managed appropriately. Procurement function in the hotel industry has been increasingly viewed not as an administrative function, but as the creator of profit, with a significant impact on very operations and operating results of the business entity. Because of specificity it represents, being it also an area of the increased risks, it must be managed appropriately. Therefore it is necessary to establish an effective procurement system, which involves the adoption of an appropriate risk management strategy. This means that procurement should be performed in a timely manner, with appropriate quality and in the best conditions. Effective system of risk management includes the active control and supervision of external audit. Seen in such a way, active risk management and external audit contribute to eliminate or minimize the risk, enable bad consequences on one side and enforce the chances of assuring continuous growth and development of the business entity on the other side.*

**Keywords:** *business entity, development, acquisition management, risks, control.*

## Introduction

Hotel industry, as an important service industry within tourism, has an essential role and is a source of important income in the Republic of

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1 Marina Gavrilović, PhD of Economic Sciences, licensed certified auditor, Company for audit and accounting services „AUDITING“ LTD, Goranska 9, Vrnjačka Banja 036/614-771, info@auditingdoo.com

2 Marija Gavrilović Gočanin, dipl. Ecc., licensed certified auditor, Company for audit and accounting services „AUDITING“ LTD, Goranska 9, Vrnjačka Banja 036/614-771, info@auditingdoo.com

Serbia. Special service in the hotel industry is primarily related to customer satisfaction in order to meet modern user demands for accommodation and meals, both domestic and foreign. Management in the hotel industry has to respond to specific users' habits, as well as high culture of accommodation and nutrition, and in this regard provide adequate quality of service. Procurement function has basic importance for the overall business in the hotel industry and a significant impact to the fulfillment of these requirements. These are the reasons why procurement is considered to be not just as an administrative function within the entity, but a profit center. Due to its very nature, procurement function is specific and represents a possible high risk area. These risks must be given adequate attention, which primarily requires the introduction of an effective procurement risk management system. The necessity for implementation of the risk management system in procurement of hotel industry provides basic principles and rules of procurement and in recent years their role has become very pronounced. Commitment to procurement risk management means first of all - the creation of procurement risk management strategy, which reflects the attitude of the management towards the risks they face in the procurement process. Main purpose of this strategy is to minimize risky procurement issues, to reduce it to an acceptable level or to completely eliminate them.

The subject of further attention of this paper is detailed consideration of procedures that should be implemented in the procurement process, which consists of several stages: 1) planning of procurement, 2) identification of potential suppliers, 3) analysis and elimination of competition, 4) evaluation of bids, 5) selection of potential suppliers, 6) decision of preferential supplier and 7) making of an agreement. Procurement risk management can be considered as a process that is characterized by two main activities: 1) Communication and consultation, 2) Supervision and detail review. Procurement risk in the hotel management, which represents a threat to business, needs to be detected on time, analyzed, estimated, ranked according to the intensity and priority, and consequently treated in the corresponding way. Communication and consultation activities are fundamental for managing the risks, and must be considered at each step in the procurement process.

In recent times under the influence of open market, usually unfair market competition, increased corruption and erosion of business ethics make the request for higher control over increasing demands in the risk management process. Lately we have witnessed that independent external

audit emerges and takes control over these processes. The expectations of external audit, in terms of its active support in the process of supporting procurement risk management, are widely given a special emphasis nowadays. External audit spreads out their additional services, which are beyond the International Standards of Auditing, and assists management in the risk process to make decisions within procurement. Audit activities should be aimed at assessing and analyzing risks through control of application, defined policies, procedures and legislation in the entire process of procurement risk management and bidding process. In the end, a system has been implemented to manage the enterprise risks, which includes external audit company as a form of monitoring company, with the ability to initiate accountability of all parties involved in the process of procurement risk management. Due to its topical importance and complexity and, at the same time, being very interesting in both theoretical and practical terms, this topic has become the focus of our attention in this paper.

### **Procurement risk management strategy**

Procurement risk management system shows its effectiveness by using methods which primarily ensure that a business entity has appropriate risk management strategy. It reflects the attitude of business subject toward the risk which may endanger its existence and sustainability. Creation of strategies for managing the purchase risks depends on the size and complexity of operations, and requires a high level of knowledge and experience.

The most often used strategies are: 1) avoidance of a risk, meaning that the risk management uses the strategy to avoid risk, makes a decision to hold on activities that could generate risk; 2) reducing the probability of negative consequences ; 3) reducing the possibility of risk even to show up, with the benefits from prior experience, the expertise of staff and the existence of strong control; 4) transfer of risk, when management decides to transfer the risk on the other side, by ensuring the provision and bound guarantees; and 5) even acceptance of the risk when it assesses that consequences of the risk will not have negative impact on the procurement process.

As part of a risk management strategy in the procurement process, the procurement rules should be defined, which requires a business entity to trace the following rules (O'Regan, 2008):

1. Set a minimum price that will prevent an agreement between suppliers whenever possible.
2. Search for additional suppliers to participate in the procurement process, if it comes to a lack of potential suppliers. Increased participation of suppliers can be stimulated by publishing the implementation proceedings for tender job, bid opening.
3. Determine a reasonable period of time, so that potential suppliers could form their offers.
4. Provide security and reliability in the process of receiving the offer and accompanying documentation which has been sent from potential suppliers, and to estimate the risk of electronic communication.
5. Reduce the tender preparation and participation cost. The cost of participation may distract potential suppliers from participating in tenders, in cases where the formation of deals requires significant costs.
6. Provide a guarantee or deposit from potential suppliers (which will be usually return) when it comes to purchases of larger value. To protect a business entity from the risk of future shortfalls of potential suppliers, warranty is necessary.
7. Define the procedure for the protection of the so-called multiple offers. Risk in the tender procedure may show up when the suppliers bid via different names to leave impression that the competition is strong. These multiple offers leave the false impression of the competition existence, and consequently artificially favor high prices.

The main benefits of implementing a high strategy of procurement risk management within a business entity are numerous. The following stand out as the most important ones:

1. Better understanding of the key risks and implications of risks in the procurement process,
2. Better management of resources,
3. More possibility to achieve the procurement plan,
4. More possibility to achieve the objectives and targets set for procurement,
5. Quicker response to internal and external changes,
6. More comprehensive and concise reporting rules on respect of the established procurement practices and procedures.

The success of risk management is the knowledge to assess how, when, and whether to accept the risk. Risks are reduced through a process of

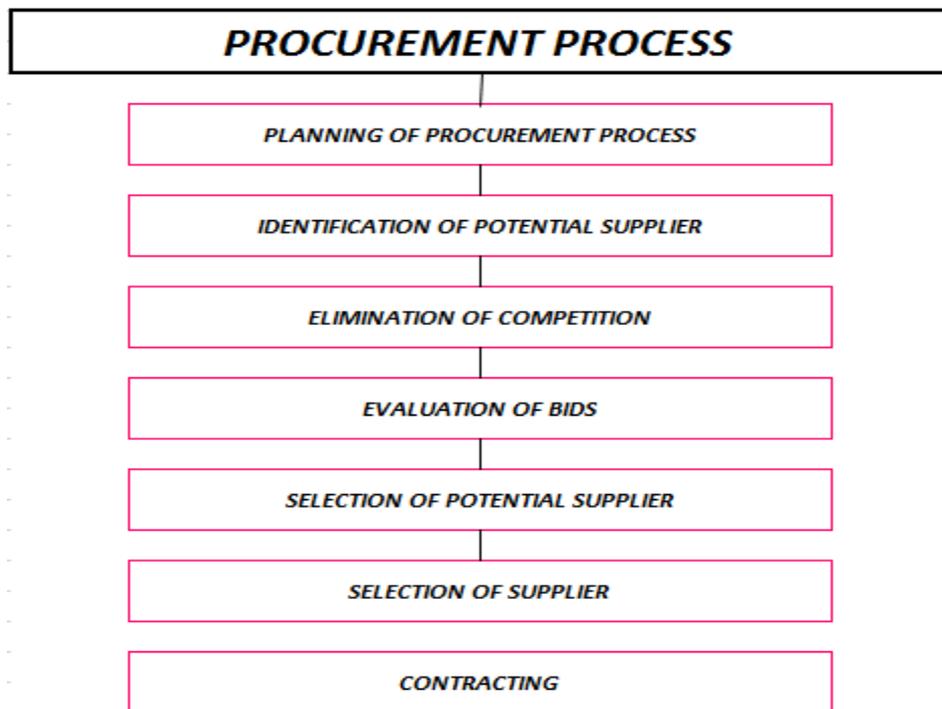
risk management in different ways, but most often with the result of controlling risk consequence.

### **Procurement implementation process and its risks**

The process of procurement of the goods and services is a process that takes several phases: 1) planning of procurement, 2) identification of potential suppliers, 3) analysis and elimination of competition, 4) evaluation of bids, 5) selection of potential suppliers, 6) decision on preferential supplier, and 7) preparation of an agreement.

The procurement process has been displayed below in the following picture:

**Picture 1:** *The procurement process*



**Procurement Planning.** Procurement planning starts with the presentation of procurement strategies and preparation of a detailed plan which defines the procurement activities at the level of the business entity, then necessary time and available funds needed for the

implementation of the plan. Procurement planning is the first significant step in the process of procurement itself, necessary at the very beginning to enable the procurement activities been conducted on time, in accordance with the available funds, and all in order to meet the operational needs of the business entity. Procurement planning is a very important activity of the procurement function, which takes high responsibility. When procurement plans are not adequately set up, then there is a risk that this can negatively affect the operations inside the entity.

The most common risks associated with the procurement plans are (O'Regan, 2008):

- Risks of fraud that can occur due to many years of cooperation between employees in procurement and suppliers (periodic rotation of employees who manage the procurement process should be done, and that represents best control for reducing the risk of fraud).
- Accumulation of obsolete stocks,
- When the share of responsibilities within the purchasing function is not clearly documented and controlled,
- Shortages of materials that are harmful to the business entity and require emergency procurement activities,
- Discrepancy of needs and company liquidity (when the procurement plan does not comply with cash flow).

At the end, all activities in the planning of procurement should be designed to take place in accordance with the procurement strategy.

**Identification of potential suppliers.** In the process of identifying potential suppliers, business subject should primarily provide a database of existing and potential suppliers. The existing suppliers are those with whom we are already operating, while the potential suppliers are all those whose bids were not accepted in the past, as well as suppliers who do business for the first time. Identification of potential suppliers in the procurement process leads to healthy competition, helping businesses to get rid of over-reliance on pre-selected suppliers. Before any potential suppliers are included in the database, the functions of the procurement must provide the information on whether the potential suppliers:

- have technical possibility to deliver the required goods or services,
- have adequate financial stability,
- are able to fulfill the requirements of quality standards and
- are able to fully meet the other necessary procurement requirements.

During the formation of potential suppliers' database, the procurement function should exclude any supplier who does not meet the requested procurement criteria. In addition, it is necessary to check and review current database of existing suppliers, and to eliminate some of the existing suppliers from the database when they do not meet standards or on any other reasonable grounds. The most common reasons for that are: 1) failure to fulfill contract obligations; 2) bribery of certain members of the business entity or other forbidden actions; 3) conviction for crime or punishment; and/or 4) financial risk. Re-activation of the excluded suppliers in the database is allowed when they fulfill certain conditions. The specified person employed in the business entity decides whether the requirements for re-registration in the database are reliable or not. Whole procedure for check up and compliance with the procedure of reactivation of supplier must be fully documented.

The process of identifying potential supplier can be considered as:

1. Direct and
2. Indirect.

1) Direct identification of potential suppliers does not ensure that they will give us the expected benefits, and on the other hand we can face the possibility that among the chosen suppliers we can find the supplier who has been favored in some way.

2) Indirect identification of potential suppliers is conducted by market research to determine what is included in the field of potential suppliers. Market research can be focused on the market business analysis, existing or new technologies, catalogs and information that are usually taken from trade organizations and other institutions for trade and transport.

**Elimination of the competition.** The general principle is that healthy competition provides quality procurement. Despite this general principle, there are legitimate cases in which competition is severely reduced or completely eliminated. This happens in the case of (O'Regan, 2008):

1. The existence of only one appropriate supplier who will provide goods and services, where there is no competitive market.
2. When a new supplier of goods or services harmonizes with the existing supplier of goods and services.
3. When higher management aims to associate with specific suppliers in order to reach strategic goals for the company.

4. In case of urgent need for procurement, which is specifically conditioned, when it is obvious that the lack of procurement might resolve in significant costs or damage to company properties and workforce (inadequate procurement planning and mismanagement procurement process should not be an excuse for purchase at the last minute)
5. When the achievement of objectives requires specific procurement and where the price of the goods is not the most important factor for upmost business income.

**Analysis of procurement offers.** There are two ways to evaluate the bids of suppliers (O'Regan, 2008): 1) Technical evaluation and 2) Economic evaluation.

**Technical evaluation** of bids for the purpose of procurement includes activities aimed at the assessment of the technical characteristics of goods or services which are the subject of procurement. Technical characteristics can range from relatively simple to very complex characteristics, software engineering or other technical characteristics that require expert opinion. For specific types of procurement, technical evaluation usually consists of checking the completeness of the documentation submitted by potential suppliers and direct presentation (or model analysis) of goods or services. Expert assessment team has the task to express an opinion on whether the goods or services offered correspond to the technical characteristics requested by business entity. For these assessments the organization often uses the skilled employee inside the organization, but due to the lack of such personnel, business entity may engage a team of external experts. The most common examples include engineering consulting, property taxes, insurance, and broker services, depending on the characteristics of the object of procurement itself. In some cases it may be decided to carry out a full technical assessment of the entire procurement and in some cases the assessment can be partially arranged (for some types of goods or services). In certain situations, the technical characteristics of the procurement can be difficult to define in advance, which increases the risk that procurement will not meet the needs of the business entity.

**Economic evaluation** of the bids is done on the principle that for the lowest bid price one can get high-quality goods or services. Although the term commercial evaluation is frequently used, our preference is to use the term economic evaluation, because this estimate does not include only

price structure for offered goods, but it includes all the relative costs (price variance due to the exchange rate, fees, exchange of goods for an extra charge, the cost of training employees for the purpose of adequate usage of the goods, spare parts, etc.) In this case, any potential cost should be estimated on the appropriate basis.

**Selection of preferential suppliers.** Procurement function should make the selection of suppliers that meet the criteria for the technical and economic evaluation of bids. Detail search for the most appropriate offer in the context of these suppliers is certainly the most important activity in the procurement process. For instance, if we are in the process of procurement selection of three potential suppliers for the installation of computer hardware sections with different possibilities of customer service, and different guarantees for delivery, where we support one supplier with additional value over another one with subtracted value of the offer, the process of deciding on and accepting certain offers must take into account all of these factors. In any case, the combination of economic and technical evaluation of bids, and all other factors are most important for the best approach of the proper selection of suppliers.

**Selection of suppliers.** The selection having been made and documentation completed, the procurement function is to inform the suppliers excluded from the process due to results of the elections bidder and also define and announce decision about the chosen supplier. All information relating to the disclosure of inappropriate suppliers should not be presented in extensive way. The most practical way is to present the following: 1) names of inappropriate potential suppliers, 2) decision regarding their exclusion, 3) indicate the reason for the exclusion and 4) display the list of deficiencies. In cases when the procurement is of greater value, a business entity can take the position that report (record) should be presented to the excluded bidders as well as company names of all involved and excluded bidders and the reasons of their exclusion.

**Making an Agreement.** After selection of the bidder, a business entity informs selected supplier and prepares an agreement. In that agreement, mutual obligations and rights, as well as possible discrepancies in the case of unexpected event are closely defined. This is an area of high risk for business entity particularly when a contract was made for a foreign bidder, because of possible non-applicability of the contract for both sides (different regulations). With the comprehensive combination of skills and knowledge in defining the provisions of the contract, these risks can be

reduced. In order to minimize the risk, business entity should hire a legal team of experts in order to verify the content of the contract, whether it is according to all relevant legal requirements. Business entity should avoid long-term contracts, contracts which are preferential but difficult to cancel, the one which may push the organization in big problems. Special attention to renewal or non-renewal of supplier contracts could be considered as a punishment or even reward for meeting/failure to comply with agreement obligation.

### Procurement risk management process

Procurement risk management system can be presented as a process characterized by two main activities: 1) Communication and consultation, 2) Supervision and review. The risk management process is displayed as in the following figure (AICST, 2006).

Picture 2:



1) **Communication and consultation** are fundamental activities for procurement risk management. They must be implemented in the whole process of risk management. Communication and consultation is a two-way process that needs to be established between management and all relevant parties in the process of purchasing. Every individual opinion and expertise need to be taken into account in order to better understand and assess the risks and prescribe the measures which need to be taken. All relevant information related to the procurement process need to be identified, processed and communicated in an appropriate form.

2) **Monitoring and review.** By its nature, risk is not a static process, but a variable one and requires constant monitoring of the various procedures

and processes, as well as the effectiveness of measures taken to prevent the occurrence of the result with a negative outcome.

*Framework maintaining.* Business entity should establish a framework that defines the policies, procedures and rules for risk management, as well as criteria for sanctioning those who do not respect all requested. Executive officers as a result of consultation and communication work to gain an understanding of the essence of risk management, its objectives and tasks, as well as the factors that may affect the achievement of the objectives and tasks. Key information, meetings, decisions, results, and other important issues need to be documented.

*Identification of the risk.* Procurement risk management process should be designed in a way that identifies risks which need to be adequately managed. This step includes the analysis of the probability of risk occurrence, possible risk overcoming and the existing control measures. In order to ensure that all relevant risk processes are identified a systematic approach, risk management process needs to be established. The risk itself, by its nature is very variable – monitoring and controlling should be at that level that can easily identify the arousal of new risks.

*Risk Analysis.* The objective of risk analysis is to identify the processes that are most exposed to risk. It will provide assistance to the management to decide what risks to take into account and to formulate appropriate strategy for all necessary measures in order to ensure that the risk does not appear, or in case it does – not to leave negative consequences. Risk analysis implies undertaking activities relating to the analysis of probability of occurrence of the risk, consequences of risks and the existing control measures. Management defines control measures and evaluates their efficiency in order to reduce the probability of both risk occurrence and potential negative consequences. Risk analysis can be identified as 1) Qualitative measures used to describe the size of the existing issues and predictions of the probability that the risk should have a consequence and 2) Quantitative measures used to determine numerical values of the risks and their consequences.

*Risk assessment.* Risk assessment includes the increasing number of facts that combine attitudes about the risks, consequences and control, all linked in the events that we investigate. Management makes the decision about which risks must be controlled and in which order. Previous activity related to the risk analysis provides information for the decisions

which should be made. Decisions about risk treatment and their priorities need to be done with the acquired understanding of the different fields of procurement process, the values and the magnitude of potential negative consequences. In the process of risk assessment the essential role represents consultation and communication at all levels of management and execution of business tasks. Bearing in mind the fact that the circumstances that influence bringing up decisions about the risks can change during the time, it is of great importance to format the documentation on determined bases for risk prioritising, taking into consideration their size and value as well as decisions that some risks are not taken into account, and the reasons for it.

*Risk treatment.* Priorities in the treatment of risk must be in line with expectations, the value and risk assessment. Standard options for the treatment of risk are 1) risk avoidance, 2) reducing probability of occurrence of the negative consequences of changing risks, and 3) changing the exposure to the risk as the result of the risk reduction.

### **Introduction of monitoring in the procurement risk management process**

#### **Role of external audit in the procurement risk management process**

The entire process of managing risks must be under control, especially when it comes to high-value procurement or procurement of great importance. This process must be controlled in order to perform the process for which it is intended. Monitoring is established to reduce the risk to a reasonable limit. Limit of monitoring / supervision depends on the willingness that management accepts. Monitoring should be introduced in the entire procurement process. More often than ever before, procurement risk management process has lately involved the external audit as a form of control, to implement certain activities which are beyond the purpose of International Standards of Audit. Expectations for external audit to assist management in the risk process procurement in recent years have been highly emphasized. External audit key tasks are to control the entire process of purchase, i.e. if it is consistently applied on approved procurement policy, which was adopted at the beginning of the business period, and to hand in a written report to the management of a business entity.

## **Audit activities in the process of implementation of the procurement**

At each stage of the procurement process, the audit carried out certain activities with the aim of enabling procurement process to be carried out in accordance with the interests of the business entity.

*In the process of procurement planning audit* conducts the following activities:

- Checks that the business entity has a procurement plan and whether the procurement process takes place in accordance with the plan,
- Checks the records on whether an entity often renewed procurement plans and whether these plans periodically adjust the budget and cash flow,
- Check whether procurement plans arise from the procurement strategy which is harmonized with the defined objectives of the business entity.

In terms of identifying potential suppliers, audit activities are as follows:

- Check the database of existing and potential suppliers, whether records are kept, which provides information about the suppliers in the database, if they are real and not fictional, if their business activities are fair and transparent,
- Implement procedures that allow noting any sign which indicates that a potential supplier is favored at any stage of the procurement.

*At the stage of elimination of competition* from the procurement the audit should:

- Consider proposals and criticisms of managers in order to eliminate inadequate suppliers who pose a risk to the business entity,
- Warns of the presence of risk in cases where the purchase is made with strict reduction of competition,
- Check and supervise all activities of non-competitive procurement which are related to procurement, in order to control hazards that are present in such ways of procurement.

*At the stage of technical and economic evaluation of bids*, the audit activities are as follows:

- Verify that the entire process of evaluating the offers is transparent, objective and fair,

- Check if the assessment is documented and registered and whether all the reports are entrusted to an appropriate person of the business entity,
- Check the validity of the presented results of the assessment,
- Give an assessment of the methodology used for the economic and technical evaluation of procurement.

*When the selection of suppliers is carried out* the audit implements the following activities:

- Help management in finding the best way to encourage competition in the procurement process to offer high quality goods or services at the lowest price,
- Warn management of the risk of wrong procurements,
- Propose and support any significant reduction of competition in the procurement,
- Control the integrity and validity of the technical and economic assessment used for the selection of the suppliers,
- Give recommendations on the selection of suppliers based on the results of the technical and economic assessment.

*At the stage of selecting suppliers and making a decision about signing the contract,* the audit should:

- Participate as an observer without voting rights, to ensure the independence of management decision-making,
- Check if the procurement function has kept the records and archived drafted in a consistent manner and objectively,
- Check and assesses the correctness of tender documents,
- Evaluate the manner in which procurement function evaluates appropriate complaints concerning the correctness of the procurement activity.

At the stage of selecting suppliers it is estimated whether the contracts are made on good economic base of the business relationship between the supplier and the business entity.

### **Responsibility in the procurement risk management process**

Speaking about procurement risk, the management is responsible for introducing an efficient system for risk management. Management task is to define the appropriate strategy, policies, rules and procedures for the

implementation of the procurement process. Every individual who is responsible for the implementation of defined rules, procedures and regulations, takes the responsibility of his/her own work.

Objectives of the external audit are based on such a review as to ensure protection of management information about the compliance of the procurement process, their strategy, policies, rules and procedures for procurement risk management. Audit findings and recommendations need to be communicated to a business entity in a written form, with full responsibility of the signed.

### **Summary**

Bearing in mind the fact that the services in hotel industry have been considered as an integral part of services in tourism, and that tourism is one of the drivers of economic development in less developed countries like Serbia, in this paper we analyzed the issues that stress the importance of risk management in the hotel industry, in the process of procurement of goods and services. Management must make further efforts to establish an effective procurement risk management system in order to improve the quality of procurement, and meet the modern demands of service for accommodation and food. Managers cannot completely eliminate a risk, but they can significantly mitigate the impact of risks and unpleasant issues. For successful implementation of procurement procedures for goods and services, it is necessary first that the highest management level is aware of the risks that accompany the process of purchases. The analysis of potential losses is just as important as the analysis of the potential benefit that may arise as a result of decision-making in the procurement procedure. According to that, business entity needs to have appropriate strategy for managing a procurement risk. What kind of strategy business entity will create depends on business entity size and complexity of the transaction, which requires a high level of knowledge and experience.

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Results of research show that if the procurement in the hotel industry aimed to have successful business, needs to: 1) establish a proper procurement risk management system, which primarily defines appropriate procurement policies and procedures, and the rules in the procurement process; 2) develop plans and procedures for the roles and responsibilities in the procurement risk management process; 3) get the employees trained to carry out the procurement process in accordance

with defined plans, policies, procedures and procurement rules; and 4) establish an effective system for monitoring the implementation of the procurement process. Factors that may affect the likelihood and consequences of the final outcome can be variable, as well as the facts that influence the cost of procurement.

This paper describes the procurement itself, as well as the procedure that is conducted by the management and staff in the procurement process, as well as the activities which audit should carry out from planning to contracting, at each stage of the procurement process. Research shows that an effective system for procurement risk management includes supervision, and in developed countries independent external audit is in charge for these kinds of processes. This form of control contributes to eliminate or minimize the risk, with the minimum consequences and better chances for achieving sustainability and success. This can be achieved through: 1) training inside business entity to recognize and take advantage of opportunities / chances; 2) achieving success in maintaining business entity and their ability to adequately adapt to unexpected risks and opportunities, and bring important decisions regarding risks.

Taking all into consideration, the results of this paper can offer the basis for further analyzing of the situation and prospects, procurement risk management in Serbia, which would certainly address the question of importance of risk management in procurement in hotel industry and their impact on the achievement of additional value to the business entities, strengthening economic growth, attracting tourists, both domestic and foreign, and contribution to the general economic development and social stability.

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# PRESERVATION OF THE ENVIRONMENT AS A PARADIGM OF MODERN TRENDS IN TOURISM

*Marija Kostić<sup>1</sup>; Milica Luković<sup>2</sup>;*

## **Abstract**

*Tourism as the most developed branch of industry, today is a direct beneficiary of natural resources, what is make unbreakable bond with the environment. Nowadays tourists search places with untouched nature or at least preserved and high valued environment, and it is not surprising the fact of increasing ecotourism development, especially travel in preserved areas for the enjoyment of nature. According to this, tourism has the greatest interest to sustain the quality of the environment at a high level. Potential negative impacts that tourism may have on the environment are reflected in pressures on natural resources, emissions of pollutants, waste generatio and climate changes at the global level. The aim of this paper is to describe the environmental situation in the Republic of Serbia in the terms of current state and quality of natural resources, and climate characteristics of the study area as a basic prerequisite for the further development of tourism.*

**Keywords:** *environment, natural resources, quality, tourism*

## **Introduction**

Tourism as an economic activity more than the others depends on the quality of the environment. On the other hand, the only way of valorization of certain natural resources is precisely through tourism. This indicates the unbreakable relationship between tourism and the environment which can be considered almost symbiotic.

The development of tourism is certainly changing the environment in which it is developing and these changes can be both positive and negative. Negative changes brought by tourism in tourist destinations are

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1 Marija Kostić, PhD, Assistant Professor, Faculty of Hotel Management and Tourism, Vojvodjanska 5a, Vrnjačka Banja, marija.kostic@kg.ac.rs, +381 62 283124

2 Milica Luković, MSc, Assistant, Faculty of Hotel Management and Tourism, Vojvodjanska 5a, Vrnjačka Banja, milica.petrovic@kg.ac.rs, +381 62245630

becoming more visible with the advent of mass tourism. Tourism is one of the largest and fastest growing global industries and represents a significant contribution to national and local economies around the world (Scott & Lemieux, 2010). According to the UNWTO data, the number of international tourists is constantly increasing, from 200 million in 1980, up to an impressive 1.2 billion in 2015 (UNWTO, 2016), with predictions that this number will amount to even 1.6 billion by 2020 (UNWTO, 2001). The economic importance of the tourism sector in the world is best described by the report of the World Travel and Tourism Council, which estimates that in 2015 the global tourism and travel industry has contributed with 9.8% of the world's gross domestic product and that it employs even 284 million people (WTTC, 2016).

In contrast to all the aforementioned positive economic parameters, tourism development also brings numerous negative effects that primarily concern degradation of the environment. For the development of tourism and its infrastructure, the initial look of nature is disrupted, the landscapes are changed, deforestation and unplanned construction occur, the soil is disrupted, air and water pollution occur. Uncontrolled tourism development can lead to excessive pressure on the given environment and cause effects such as soil erosion, increasing pollution, natural habitat destruction, landscape damaging. Tourism activities can affect the environment to the extent that they threaten further development of tourism in a given area. Finding a balance between tourism development and preservation of the environment is a key task of all stakeholders in the tourism industry. The Republic of Serbia is under severe challenges of sustainable growth and development, but at the same time before it opens new opportunities for growth and development model based on the "green economy", "green investments", energy efficiency and social inclusion (Durkalić et al., 2015). Sustainable tourism has a key role here, which in a rational way takes care of natural resources and enables them to be used by present and future generations.

The aim of the paper is to emphasize the negative effects of tourism on the basic elements of the environment: air, water, soil and biodiversity, as well as to use illustrative examples to highlight the fact that the degree of tourism impact also depends on the type of tourist region. Positive examples from practice will suggest the possibility that proper planning and adherence to the principles of sustainable tourism can achieve a harmony between tourism development and preserved environment.

## **The state and quality of the environment in the Republic of Serbia**

Today it is almost unthinkable to talk about tourism and tourism development of a region without a previous display of the quality of the environment in it or more often for improvement of the existing factors.

A complete analysis of the environmental situation in the Republic of Serbia as well as monitoring of environmental indicators is carried out and published by the Environmental Protection Agency, which operates within the Ministry of Agriculture and Environmental Protection of the Republic of Serbia, whose data have been used for writing this paper. However, it is important to mention that environmental management in Serbia is not satisfactory, since nearly all adopted laws or any other regulations are mostly not implemented, and the economic instruments of environmental protection are still insufficiently developed (Kanjevac et al., 2006).

Today, at the beginning of the third millennium, we can only conclude that almost all nations and nationalities have realized that the issue of protection and improvement of the environment is a priority. Given that Serbia wants to be involved in all world trends, indicators of the environmental quality in Serbia have been created based on the methodology of the European Environmental Agency – EEA, which is based on the relation of the environment and all human activities of a certain area. These relations are shown by the DPSIR model (Driving Forces, Pressure, State, Impact, Response), where the causal relationships are reflected precisely by the indicators within this model (Ministarstvo zaštite životne sredine, 2007). These sets of environmental quality indicators relate to: air, water, soil, biodiversity and sustainability. All the aforementioned indicators are shown in the paper for the period of the last 10 years, i.e. the period from 2005-2014.

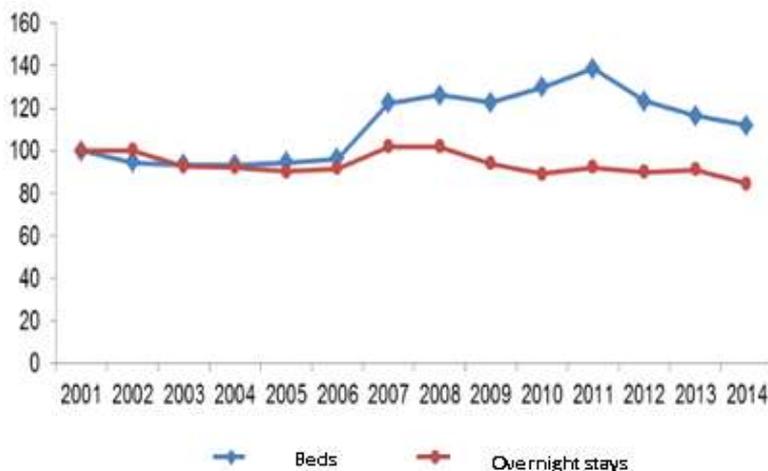
### **The impacts of tourism on the environment**

We have already pointed out earlier in this paper that the relationship between tourism and the environment is unbreakable. It is of great importance for the tourism industry to maintain the quality of the environment at a high level, because tourism activities will certainly not be conducted in an unhealthy environment. On the other hand, it is an imperative for tourism to build hotels, villas and other accommodation facilities as well as other accompanying infrastructures, with the

inevitable segment of travel to the destinations themselves, which is closely related to the quality of air at the destination itself. At the same time, it is also the manufacturer of large amounts of waste and emitter of different pollutants. Having all this in mind, it is clear that tourism negatively affects the environment to a great extent through constant pressure on natural resources, wildlife and their habitats, as well as the emissions of pollutants into all elements of the environment, air, water and soil.

On the other hand, numerous studies by various authors indicate that there is an increasing number of tourists all over the world, to whom a healthy environment is a very important criterion when choosing vacation sites. Also, there is an increasing number of programs that involve the tourists themselves in active environmental protection, and even there are those in which the tourists are willing to pay symbolic amounts to the final bill, in order to help preserve the destinations where they have stayed.

**Graph 1:** *The trends in the number of available beds and the number of overnight stays*



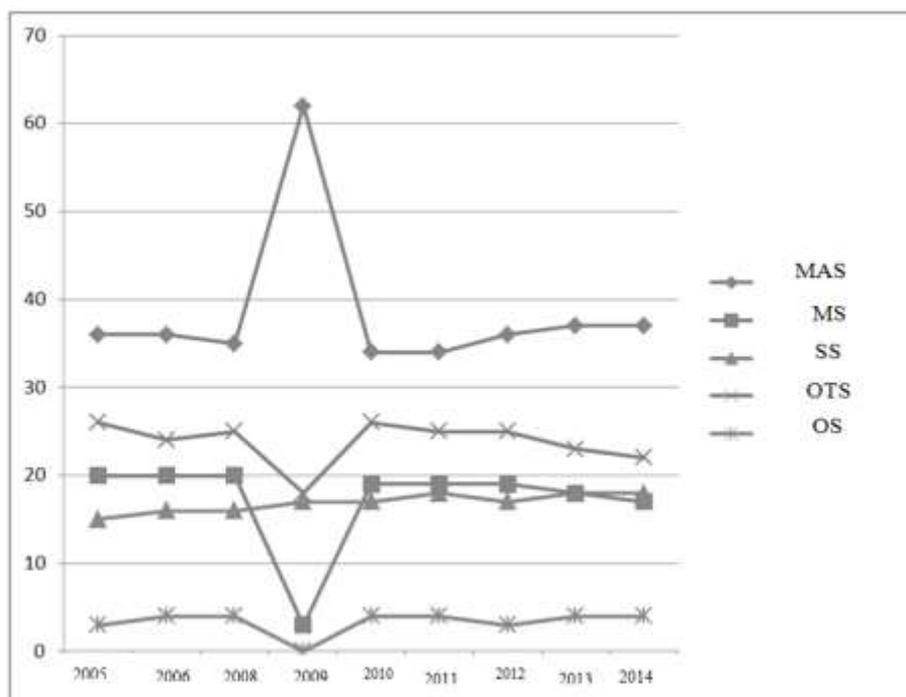
**Source:** *Ministarstvo zaštite životne sredine, Agencija za zaštitu životne sredine (2015)*

Analyzing the period of the last 10 years, from 2005-2014, it was observed that the tourist traffic in the Republic of Serbia was almost unchanged. The number of arrivals is around 2.1 million tourists per year, and the number of overnight stays around 6.7 million per year (Ministarstvo poljoprivrede i zaštite životne sredine, 2015). Only in 2009 there was a decline of tourist arrivals by 11% and overnight stays by 8%,

which was certainly a result of the global economic crisis, which of course did not bypass our country. However, it is interesting that in the period from 2006 to 2008 there was an increased number of tourist facilities and beds for even 30% (Ministarstvo zaštite životne sredine, 2010), which was an additional pressure of tourism on the environment. At the same time, when analyzing the data for the aforementioned period, the trends in the number of beds and the number of overnight stays in Serbia indicated that the capacities were developing much faster than the tourist stays, which certainly should be a warning for the future (Graph 1).

In Serbia, according to the established criteria, all tourist sites are classified into five categories (Ministarstvo zaštite životne sredine, 2015): main administrative centers (MAS), spa sites (SS), mountain sites (MS), other tourist sites (OTS) and other sites (OS), Graph 2.

**Graph 2:** *Tourist arrivals according to the types of tourist sites 2005-2014.*



**Source:** *The authors on the basis of the Environmental Protection Agency's report*

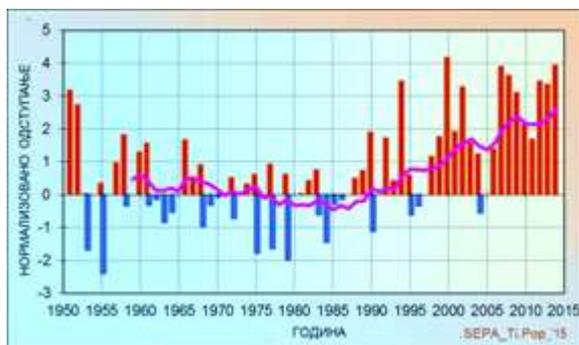
## **The climate change in the Republic of Serbia**

The climate change implies a change of climate which is directly or indirectly caused by human activities that cause changes in the composition of the global atmosphere, and which is superimposed on natural climate fluctuations, observed during the comparable time periods. Climate changes have affected the entire planet, and Serbia is not an exception. The risks that they carry with them are realistic and their impacts are already largely present. We are all witnessing an increase in annual temperatures, melting of glaciers, and we have already witnessed the extreme adverse weather conditions. This means that the climate changes in the future will even further intensify the existing conflicts over natural resources. These pressures will only be more prominent in the tourism sector where the climate is one of the basic resources and very often a limiting factor in the planning of tourist offer of a destination (Adžić et al., 2015). In relation to the national product according to the purchasing power parity, the carbon dioxide emission generated in Serbia puts the country among the top ten most important emitters in the world (Kovačević, 2010). These data indicate that much more attention in the future should be paid to the reduction of greenhouse gas emissions that contribute to climate changes.

Predictions for the future are also not very good, it is assumed that the average temperature increase in the Balkans could reach even  $+6^{\circ}\text{C}$ , which would lead to even more dramatic consequences. On the other hand, one can think positively. Given that future tourism trends will be focused towards northern regions of Europe, precisely because of the climate changes in action, as well as towards the areas with a more moderate climate, it can be an advantage for Serbia's tourism industry. It is increasingly evident that it is difficult for tourists to bear high temperatures of certain tourist destinations in which they reach up to  $40^{\circ}\text{C}$  (Stojanović, 2011). These data are in favor of Serbia, as already indicated in this paper that for the last 10 years the highest number of overnight stays has been achieved in mountain centers and spa sites, which are also the largest tourist centers of our country, so it can be assumed that this increase will also be recorded in the future, precisely because of the increase in annual temperatures, which are still constantly increasing in the territory of Serbia (Graph 3). The year of 2014 was extremely warm in Serbia, and the summer was the twenty-fifth warmer summer than the average, consecutively since 1990 (Ministarstvo poljoprivrede i zaštite

životne sredine, 2015). At the same time, it was the rainiest year since 1951, as well as the rainiest spring in the last 120 years.

**Graph 3:** *Tourist arrivals according to the types of tourist sites 2005-2014.*



**Source:** *Ministarstvo zaštite životne sredine, Agencija za zaštitu životne sredine (2015)*

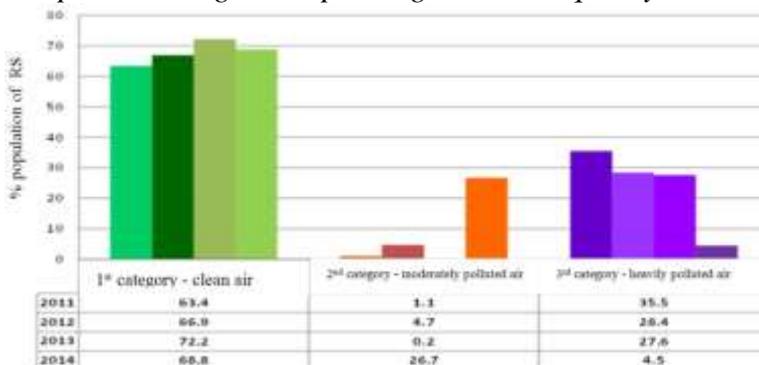
### The assessment of air quality

A significant industrial development, the increasing growth of the world's population, and therefore the greater use of energy, which largely contributed to the emission of gases and particles that affect human health, was recorded in recent decades. Deteriorating air quality causes and worsens asthma, heart diseases, lung cancer and many other diseases. In addition, air pollution also affects the global economy, availability of food and water and sustainable development, by damaging plants, crops and ecosystems (Kokić Arsić et al., 2009). Impurities in the atmosphere, which, depending on the chemical composition and concentration, can represent air pollution, originate from natural and anthropogenic sources. Natural pollution sources are mostly considered to be the volcano activities, wind effects, forest fires and the like, while anthropogenic sources are numerous human activities that include industry, energy generation, transport, agriculture, use of various products, household heating (Ministarstvo održivog razvoja i turizma, 2012).

Air pollution is considered to be the concentration of pollutants in the air which, according to the current scientific findings, has an adverse impact on human health and the environment or poses a serious threat that these impacts will occur. Impurities in the atmosphere can be various gases and micro particles of different chemical composition. All these activities

emit different pollutants such as sulfur (IV) oxide, nitrogen oxides, ammonia, volatile organic compounds and particulate matter. Other significant pollutants include persistent organic pollutants, heavy metals and polycyclic aromatic hydrocarbons (Ministarstvo održivog razvoja i turizma, 2012). According to the analysis of the air quality monitoring results in the national air quality monitoring network, contained in the Quality Status Reports in the Republic of Serbia, as well as the published papers, particulate pollution has a dominant impact on air quality. The Environmental Protection Agency implements operational air quality monitoring in the network of automatic stations for air quality monitoring. In accordance with the Regulation on the Establishment of Air Quality Control Programs in National Network (Official Gazette of RS, No. 58/11), the aforementioned network represents the national network for air quality monitoring in the Republic of Serbia (Radosavljevic et al., 2014). Air quality monitoring stations are mostly placed in urban areas and thus we have a lack of data on air quality in rural areas, as well as important tourist sites such as mountains, lakes, spas, etc. Daily concentration values of basic pollutants (carbon monoxide, sulfur dioxide, ground-level ozone, nitrogen dioxide and PM10), analyzed by subliming the air quality measurement results on the entire territory of Serbia, showed that 69% of the population during 2014 had clean or slightly polluted air, while 1/3 was located in agglomerations whose quality needs to be improved (Ministarstvo poljoprivrede i zaštite životne sredine, 2015).

**Graph 4:** *The percentage of population of the Republic of Serbia exposed to different pollution degrees depending on the air quality assessment*



**Source:** *Ministarstvo zaštite životne sredine, Agencija za zaštitu životne sredine (2015)*

During the analysis of the period since 2010, the trend of air quality in Belgrade, Niš, Pančevo and Kosjerić agglomerations in 2014 showed an improvement worth mentioning (Table 1). Here we should definitely mention the improvements evident for the territory of the city of Belgrade in the last year, as well as a drastic improvement of air quality in the territory of Novi Sad and even in the last three years, having in mind that these cities, as the largest administrative centers, are visited by the largest number of tourists. The territory of the city of Užice is a concern, because it records even the negative trend, especially having in mind that in the vicinity of the city there are two very significant mountains, Zlatibor and Tara, as very important tourism centers of our country.

**Table 1:** *The trend of air quality by zones and agglomerations*

|                |              | Population | CATEGORIES OF AIR QUALITY |      |      |      |      |
|----------------|--------------|------------|---------------------------|------|------|------|------|
|                |              |            | 2010                      | 2011 | 2012 | 2013 | 2014 |
| ZONE           | SRBIJA       | 2.818.693  | II                        | I    | I    | I    | I    |
|                | Kragujevac   | 179.417    |                           |      |      |      | II   |
|                | Valjevo      | 90.312     |                           |      | III  | III  | III  |
|                | Vojvodina    | 1.386.830  | II                        | I    | I    | I    | I    |
|                | Sr.Mitrovica | 79.940     |                           |      |      |      | II   |
| AGGLOMERATIONS | Novi Sad     | 341.625    | III                       | III  | I    | I    | I    |
|                | Beograd      | 1.659.440  | III                       | III  | III  | III  | II   |
|                | Pančevo      | 123.414    |                           | III  | III  | I    | I    |
|                | Smederevo    | 108.209    |                           | III  | III  | III  | III  |
|                | Bor          | 48.615     | III                       | III  | III  | III  | III  |
|                | Kosjerić     | 12.090     |                           | III  | III  | II   | I    |
|                | Užice        | 78.040     |                           | II   | II   | III  | III  |
|                | Niš          | 260.237    | III                       | III  | II   | I    | I    |

**Source:** *Ministarstvo zaštite životne sredine, Agencija za zaštitu životne sredine (2015)*

### Evaluation of water quality

Water is the most spreaded substances on the planet Earth. In nature, it occurs in three aggregate states (water vapor and clouds), solid (icebergs and glaciers) and the liquid (water phenomena such as oceans, seas, lakes, rivers). Besides the amount of water what is available to man, its quality is very important. Under the quality of water it is considered the state of the water system, expressed through the physical-chemical, chemical and biological indicators. Water as fundamental material that has immeasurable significance for wildlife, ecosystems and the planet Earth.

Water molecules represent liquids that are valuable for dissolution and transport of materials in the ecosystem, and through the live organisms. In the organisms, water is the ideal environment and it is necessary for the process of normal functioning. In addition, the role that water plays in maintaining life functions, for a man it has a major role as a source of energy and raw materials, and it is also used for hygiene purposes, agriculture and transport, fishing, tourism and recreation (Damjanov et al., 2011). In the 21st century water has become the most important strategic natural resource, and it is believed that the 21st century is century of struggle for control of the remaining sources of clean water. It is known that water circulates in nature and constantly going through cycles of exploitation, usage, discharge after use and return to the cycle as atmospheric or running water. However, the water through those ways, passes the cycles of changes, mostly in a negative way, that burden by harmful substances and pollutants of biological, chemical or radiological origin (although according to the chemical composition of water (H<sub>2</sub>O) is a compound of hydrogen and oxygen, it is not occurring naturally in such a composition. (Živojinović, 2013). It means that "pure" water there is not in nature, but it contains a variety of substances dissolved in it. Save the remaining clean water and reduce pollution in the process of exploitation are basic aims of this century, because the human species and whole life on our planet depends directly on the quantity and quality of water. Since the ancient times, man used the water for healing, therapy, relaxation and recreation. Mineral waters of different characteristics are used to drinking the healing waters or medicinal baths in the treatment of various diseases and disorders, to improve the psycho-physical condition. Water as a great source of entertainment and recreation, represents a place where a man is engaged in numerous activities such as swimming, rafting, skiing, sailing, fishing, etc. In Serbia, there are several hundred springs of cold and hot mineral water, 40 spas and 25 rehabilitation centers. But, the capacity that our country own has not been used enough. Of over 300 thermal springs, it was used less than 5% (Damjanov et al., 2011).

According to data from the National Statistics Office has compiled a list of the most important rivers and lakes in the territory of the Republic of Serbia, which are also at the same time the most important tourist sites in terms of turisam activities and recreation. All rivers in Serbia belong to one of the basins: the Black Sea, the Adriatic and Aegean. Tourist major rivers such as the Tisa, Sava, Velika Morava, Drina, they are all together through the Danube flow into the Black Sea and form the make backbone of river tourism of the Republic of Serbia. In addition, it is important to

mention some less water streams (South Morava, Ibar, Mlava, Rzav, Lim, Nišava, etc.) on which tourism is also intense take a place in terms of fishing, beach, recreation and other water tourism activities. Also, it is important to note ecologically valorised rivers, perhaps the cleanest in Europe and touristic very attractive due to their floristically- fauna diversity, such as Gradac, Zasavica, Uvac, Bega, Jerma, Crni Timok and etc. Also, the lakes represent a great potential for tourism and are considered highly exploited water bodies. Statistical office of the Republic of Serbia has compiled list of the most important lakes in the Republic of Serbia. According to its ecological status, high turistic valuation we have to mention some of the most attractive lakes such as Đerdap lake with gorge, Vlasina lake, Slano kopovo, Obetska bara, Belocrkvanska lakes, Perućac and many others.

### **The importance natural resources conservation in terms of tourism development**

Tourism represents one of the strategic sectors of economic development of the Republic of Serbia and its planning and implementing require special attention. The fact is that the Republic of Serbia has a very rich tourism potential, where natural resources are traditionally make the basis of tourism. The growth of tourism demand for clean and preserved nature encourages continuous quest for the high quality environmental sites, which leads to the tourism development limits because of deficient of natural resources. It follows that an environmentally responsible practice becomes an important factor as the basis for the existence and development of tourism (Liović, 2012). The most important natural resources are the beaches, coral reefs, mountains, deserts, forests, protected areas, waterfalls, lakes, rivers, caves, flora and fauna and others. In the third millennium, one of the most important natural resource is water (Miletić et al., 2011).

Such a like other industries, the tourism affects the quality of the environment as a consumer of natural resources: soil, water, fuel, electricity and food, but also as a producer of significant amounts of waste and emissions. The negative impact of tourism on the environment are expressed through the pressure on natural resources, wildlife and habitats, as well as the production of waste and pollution. The tourism has great interest to keep quality of nature at the high level, what is important prediction for its successful development. The positive effects of tourism related to the environment is reflected in the fact that this is the activity

which tends to adequate use of natural resources, improvement of the landscape and maintaining the environmental, economic and socio-cultural values of the local community. The current negative impacts of tourism activities on environmental quality caused by weak implementation of planning regulations, a lack of infrastructure for waste water purification, uncontrolled disposal of waste, and ineffective management of protected areas (<http://www.kombeg.org.rs/>).

A particular problem is the tourism in and around protected areas, which is in the Republic of Serbia at a very low level. In order to promote sustainable tourism, it is necessary to use the experience of developed countries (environmental education and information, managing the movement of visitors in and around protected areas, the hotel business in a manner that minimizes impact to the environment, etc.) (<http://www.kombeg.org.rs/>). The most common causes of the problem are insufficient implementation of spatial and urban plans, illegal construction of buildings in protected areas, unsustainable use of natural resources, inadequate management of protected areas, unsatisfactory communal and traffic infrastructure, insufficient cross-sectoral cooperation. These problems have far-reaching consequences on the environment and its elements reflected the pressures on natural resources and biodiversity locating inappropriate, illegal construction of tourist facilities, discharge of untreated waste water, improper waste disposal, emissions into the air from traffic and heating boiler, emission of noise from traffic and other sources (restaurants, events), uncontrolled and environmentally unacceptable tourism development in protected areas and other valuable natural resources, destruction of habitats and disturbance of wildlife by visitors (Nacionalni program zaštite životne sredine, 2010). Regardless of the type, structure and individual amounts of natural resources they are the basis for the forthcoming commercial and economic development of each country, as well as Serbia. Of course, there is also a part of the natural resources that must remain outside the economic and commercial flows, which should be preserved for present and future generations, and this is especially for those resources which are not renewable (Pinter, 2015). Analyzing the characteristics of tourism development before and after the 90-ies of XX century, it noted that until the 80s the attention of most tourist countries focused on the economic aspects of tourism development, thus creating space for criticism regarding the impact of tourism development on society and the tourists themselves. Based on these critics developed a movements named "humane tourism", "responsible tourism", "healthy tourism", "tourism with

the future", "tourism-oriented to nature", explained in one word "alternative tourism". In recent years, these terms are subsumed under the title of "eco-tourism or sustainable tourism". Concept of mass tourism development which aimed to be as large increase in foreign currency inflow as can, an increase in tourist traffic, more tourist facilities built and mass visits, caused problems in the natural environment, which is related to tourism. All this has led to the need to promote such a kind of tourism which will reduce its negative impact on the environment while greater economic sociological effects on tourist destinations. Finally, all the present trend of tourist visits is in unpolluted and naturally intouched destination. Holders of tourism policy must understand that today's tourists are willing to pay a relatively higher price for preserved and unpolluted environment In destinations where tourism is one of the dominant economic activities, and the physiognomy of the place is very different from urban and industrial areas (hotels, parks, sports and recreation facilities, transport infrastructure, various commercial facilities, catering facilities). If the development of tourism planned aimed to and controlled, it is also beneficial and leads to positive transformation and improving space. Generally positive impacts on the sustainability of tourism destinations can be the protection of nature in the terms of tourism (national parks, nature parks), raising awareness about the importance of environmental protection, protection of the environment in the terms of tourism, protection of natural resources in the terms of tourism (water, forests, vegetation ), improving the aesthetic quality of the area in the terms of tourism (improving environmental conditions for tourist valorization, repair due to damage), ensuring the availability of specific sites for touristic valorization (parts of the mountains), as well as the restoration of cultural and historical monuments, old buildings and old parts of settlements for their tourist affirmation (Vujić, 2012).

### **Protected areas of the Republic of Serbia**

Protected areas are the most actual destinations of moderan toursm (Stojanović, 2011). Serbia as a country with rich cultural and historical heritage and preserved natural resources, own competitive advantages for toursm development in these areas (Kostić et al., 2016b). Conservation of natural attractiveness within the protected landscape area, low density of population where nature is abundant and where built-up areas do not dominate, the development of small local businesses, as well as places for openair recreation that are designed to protect sensitive resources are just

some of the characteristics of ecotourism (Ilić et al., 2015), for which Serbia has potential.

Currently, in Serbia, it is protected 6.5% of its territory, according to the national classification of protected areas, the most common are nature parks, national parks and nature reserves which occupy about 90% of the territory. Overall, the analysis of trends of establishing protected areas can be seen that in the period 2005-2014., the total protected area shall be increased from year to year, with the exception of 2009 and 2010 (Table 5), when it declined on 27,875 ha because of revision of Nature Park Stara Planina.

**Table 5:** *The total protected area in the Republic of Serbia in the period of 2005-2014.*

| Year           | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------|------|------|------|------|------|------|------|------|------|------|
| % of territory | 6,6  | 6,6  | 6,7  | 6,6  | 6,3  | 6    | 5,91 | 5,91 | 6    | 6,5  |

**Source:** *The authors on the basis of the Environmental Protection Agency's report*

Certainly, the spatial plan of the Republic of Serbia predict that by 2015 would be protected about 10% of the total area, and by 2021. about 12% of the territory is under some kind of protection, which are beautiful plans for the future, especially if we take into account that these sites could be some new tourist destinations in Serbia.

In this context it is important to emphasize that in the Republic of Serbia established ecological network which includes 101 an ecologically important area with EMERALD areas also. The total area is 1,019,269 hectares, what is make 11.54% of the territory of the Republic of Serbia. All these mentioned parts of the country are also very attractive for the tourist industry (51 area was declared as protected or is under the revision process for protection, one site of the Biosphere Reserve - UNESCO MAB, 9 areas as Ramsar sites, etc.). From the standpoint of tourism activity particularly actual areas on this list are: all the national parks of Serbia, Zasavica, Sargan-Mokra Gora, Pester, Ovcar-Kablar gorge, Palic, Uvac canyon and many others.

## Conclusion

Tourism as an economic activity that is dependent on the quality of the environment is also one of the main factors disrupting its basic elements:

air, water, land and biodiversity. Irresponsible tourism development can bring into question the existence of tourism activities, with respect to the degraded environment does not have the element of attraction that contributes to the quality and experience of tourists who often represents the main factor of the attractiveness of a destination.

A reduction of the negative impact that tourism must be taken into account in all phases of tourism activities, starting with the construction of tourism infrastructure up to the final destination of the tourists stay. This article clearly shows that the landscape of the Republic of Serbia inevitably transformed in accordance with the requirements of tourism activity. Therefore, tourism development policies must be consistent with the type of destination. In our country, tourism is the most developed in the mountainous and spa centers and therefore special attention should be paid to the regulation of the process of urbanization of these areas, as well as the regulation of storage of waste materials from a different of tourist facilities. It is shown that the trend of development of mountain tourism in Serbia and outside of the winter season is certainly relieves the pressure on natural resources, but also imposes an obligation that during the summer tourist activities take place with a few negative effects. Protected natural resources in Serbia, as well as in the world, have chance to be spared the negative consequences of the development of tourist activities, because of their basic purpose. Constant education of all stakeholders in tourism, from organizers to tourists, about the methods for minimizing the negative effects of tourism activities, a better policy of state authorities regarding the tourism development, encouraging hoteliers to behave responsibly towards the environment (Kostić et al., 2016a).

Taking into consideration all the elements of this work in terms of environmental quality in the Republic of Serbia, it is evident that the environment is relatively well preserved, and that Serbia has good natural resources on which could be based further development of tourism. Also, the tourist activity in the Republic of Serbia does not threaten the environmental quality, but certainly a better policy of state authorities in connection with tourism development, encouraging all participants in tourism to behave responsible towards the environment, represent the only way to preserve sensitive natural resources in order to be available for future generations.

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# ECOLOGICAL AND ECONOMICAL BASES FOR DEVELOPMENT OF RURAL GREEN TOURISM IN CONTEXT OF EUROPEAN INTEGRATION OF UKRAINE

*Furdychko Orest<sup>1</sup>, Babikova Kateryna<sup>2</sup>*

## **Abstract**

*The article deals with ecological and economic approaches and perspectives of rural green tourism development in Ukraine based on the experience of the EU. Attention is focused on the development of green tourism as an effective direction of issues resolving concerning the unemployment of rural population, improvement of their material welfare, organic farming development and cultivation of environmentally friendly agricultural production within the limits of private rural households (country estates) that contribute to the conservation of natural environment due to the transition to principles of rational use of natural resources. Research results of the main components of rural green tourism, namely economic, environmental and social are presented. The expediency of rural green tourism development is substantiated, as this type of activity is an integral part of socio-economic development of rural areas and thus environmentally and economically attractive type of tourist activity. The trends of rural green tourism as a tourist activity (increased profitability of tourism, diversification of basic and additional types of tourist services and others) and agrarian sphere (making profit for the use of agricultural lands, payment of tourist tax, increased production of high quality and ecologically safe agricultural production, protection and conservation of natural resources potential of rural areas and others) are highlighted.*

**Keywords:** *rural green tourism, rural areas, rural households (country estates), socio-economic development of rural areas, agricultural production, ecological safety*

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1 Furdychko Orest, doctor of Economic Sciences, professor, full member of National Academy of Agrarian Sciences of Ukraine, director of Institute of Agroecology and Environmental Management, Ukraine, Kiev

2 Babikova Kateryna, candidate of Agricultural Sciences, associate professor of Department for Adult Education in National Pedagogical University named by M. Dragomanov, Ukraine, Kiev; +380976489242

## **Formulation of the problem**

Nowadays, tourism is one of the leading and dynamic sectors of the economy around the world. It plays an important role in formation of gross domestic product, creation job places, provision of population employment. Tourism affects such industries as transport, communications, construction, agriculture, certain industrial branches (light industry, food, machinery, chemicals, furniture, etc.).

Tourism is one of the most popular forms of active rest of people. Every year millions of people travel and acquaint with natural wealth and beauty, historical, architectural and cultural monuments, modes of life and ethnography of different countries and different peoples.

Ukraine possesses significant tourist resource potential (favorable climatic conditions, mainly flat landscape, rich flora and fauna, developed network of transport connections, cultural and historical monuments etc.). All these factors allow to reach high economic benefits in tourism business. Today tourism is recognized as one of the main priorities of national economy and culture of the country.

## **Results of the research**

Current state of the tourism industry of Ukraine identified necessity in one of the most promising types of tourism - rural green tourism. International experience showed that narrow focus of rural population specialization cannot be single source of economic well-being of the rural economy. Differentiation of rural economy led to understanding of the importance of tourism in the country. By some estimation rural tourism brings 10-20% of the total profit from tourism of the country. Effective activities of green rural tourism enterprises will attract people for active participation in solution of their financial problems, job placement of unemployment people, and allow to overcome typical seasonal character of the tourism product in Ukraine (Babikova, 2015).

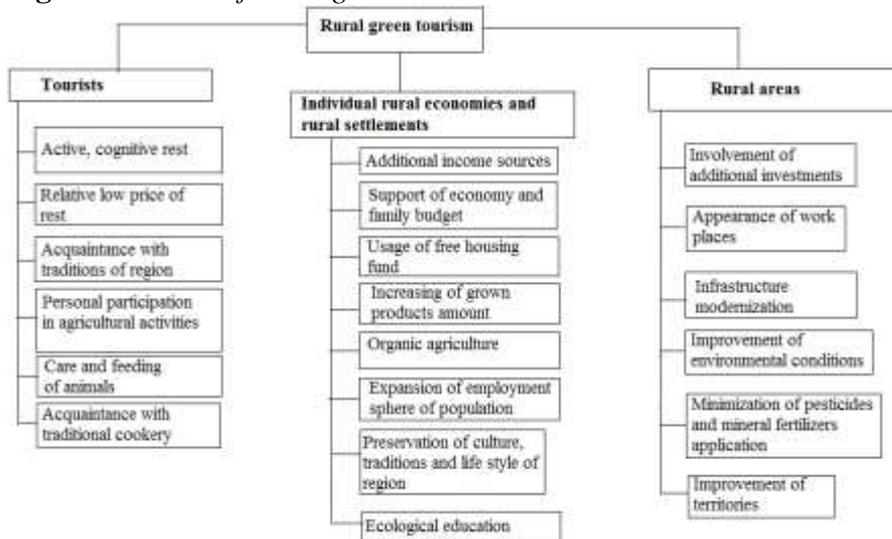
Green tourism is a specific form of rest which provides being of tourists in rural areas, accommodation in host private houses, usage of natural, financial, historical and cultural potential of rural areas.

A distinct feature of rural green tourism is that family that lives in given region serve as the organizer. Such families offer their own homes to

tourists and provide them with food, acquaint with features of local life, customs, traditions and culture.

Rural tourism is an integral part of complex social and economic development of rural areas and agriculture in foreign countries. Countries of European Union consider it as the main lever of economic growth in rural areas. These positions are topical for Ukraine (Nikolaev, 2014; Ісаєнко, 2014).

**Figure 1:** *Value of rural green tourism*

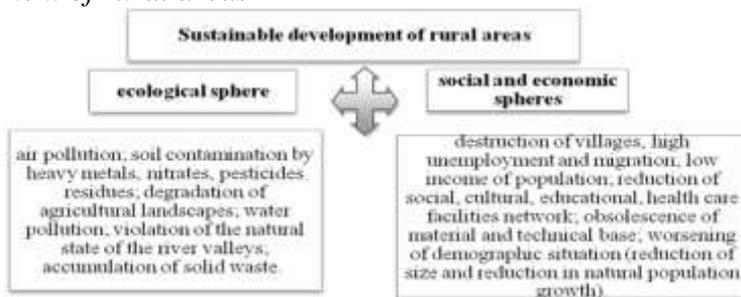


**Sources:** Babikova, K. (2014): Environmental certification for the agritourism. Fundamentals of classification in Ukraine /K. Babikova, K. Nikolayev // British Journal of Science, Education and Culture. – London: “London University Press”, №.1, p. 350–356.

Taking into account fact that economic and social problems of villages became extremely acute in conditions of global economical crisis, primary issues that require urgent solution are:

Solution of these and other problems requires from state policy favorable institutional and economic medium to attract investment in rural areas, to create adequate living and working conditions. All these factors create necessity to find alternative instruments to enhance efficiency of functioning of the agricultural sector in Ukraine based on sustainable rural development.

**Figure 2:** *The main economic, ecologic and social problems of development of rural areas*



**Sources:** Babikova, K. (2015): Quality assurance services and products – the basis of agritourism in Ukraine / K. Babikova. – Poland, Rogov, 9.04-12.04.15, pp.56-60.

Taking into consideration overstrained social, economic and environmental situation we assume that the future direction of agricultural activity alone cannot in full measure contribute to the revival of rural areas for satisfaction of farmers needs, to provide them appropriate level and quality of life (Babikova, 2014; ГНАТІВ 2015).

Therefore, a special place is given to non-agricultural activities, one of which is the rural green tourism. It can play a role of catalyst for structural economic reconstruction, to ensure demographic stability and to solve existing problems in rural areas.

So, in Ukraine there is no single definition of green tourism, we offer the following meaning of this definition:

***Rural green tourism*** – is active (walking, excursions, sport games, hunting, fishing, etc.) or passive (cultural, ethnic) tourism activities which directly held/organized within rural areas and are connected with accommodation of tourists in rural farmsteads, familiarity with available natural resources, customs, lifestyle, customs, folklore, culture and unique traditions of the region (Ісаєнко, 2014).

The main precondition for the development of green tourism was desire to have a rest outside urban areas, and to acquaint with characteristics and tonality of rural life. The development of green tourism stimulates not only protection of natural, cultural and historical heritage, but also

provides environmental education of farmers increases their well-being and allows to expand spheres of business.

Green tourism offers visitors something different from usual tourism. Territories for green tourism development may include rural areas, agricultural farms, private farmsteads, small towns with character architecture, lifestyle, recreation areas, national parks, objects of natural reserve fund, forest areas, religious and sacred places, which are located in rural areas.

To provide high quality services for tourists, owners of rural farmsteads and private rural farms should primarily take care about:

- quality of material and technical provision of rural farmsteads (for example, size and furnishing of rooms, equipment, appliances provision, equipment of hygiene node, usage of energy-saving technologies, etc.);
- emotional and abstract quality (level of services). Primarily it is connected to the fact that people visiting rural area want to enjoy the beauty of nature and landscapes, so, the villages must have an attractive, aesthetically designed view;
- compliance of agricultural production which is used for tourists nutrition with existing national or international quality standards (Babikova, 2014; Ісаєнко, 2014).
- Environmental conditions of certain area are important for organization of green tourism. Thereby, rural community and farmers should:
  - to comply with sanitary, hygienic standards and living conditions;
  - to take care for absence of landfills, to equip rural areas with garbage urns with preliminary sorting;
  - to use (if possible) energy saving technologies;
  - to take care about aesthetic view of buildings, streets, gardens, adjoining land;
  - to ensure proper planting of greenery on territory, etc.

Rural tourism, as any economical activity, is aimed at offering of tourist and agricultural products and provision of qualitative services. An important result of green rural tourism development is expansion of possibilities for realization of individual rural products, not only as agricultural raw materials, but as ready food products after appropriate treatment and cooking. It is caused by fact that majority of tourists use

nutrition services and especially enjoy regional dishes (often this is one of the purposes of travel and vacation in the countryside).

Therefore special attention has to be paid to ecological safety of grown agricultural products, and importance of green tourism for sustainable development of agricultural economy. Minimization of application of fertilizers, crop protection chemicals, transition to organic farming will improve the quality of products. Improvement of products quality will increase the demand for it among potential tourists.

According to international experience farms or families which develop green tourism improve the structure of crops in their farms and plots of land taking into account needs of visitors, expand assortment of vegetables, fruit trees, berries, etc., develop and diversify cattle breeding, create greenhouse economy, engaged in hunting, beekeeping, fishing and more.

Rural green tourism is closely connected with the state of natural resources potential. Development of green tourism depends on environmental factors. An important aspect in provision of products and services quality is environmental certification and categorization of rural farmsteads (in accordance with existing national and international standards).

Rural farmsteads which successfully pass environmental certification and received a certificate ensure high service quality. Environmentally conscious tourists visit such farmsteads more willingly (Babikova, 2015; Babikova, 2014).

Quality management of products and services in the sphere of rural green tourism is essential and, unfortunately, unsolved problem. Therefore, question of qualitative provision of rest and health improvement in rural areas with environmentally favorable conditions, but with the lowest (almost absent) impact on the environment must be on the agenda.

Results of systematic agro-ecological researches and monitoring of the main components of agricultural ecosystems should guarantee quality of products. Such studies have to be conducted within each farmstead and personal economy, involved in the tourism sector (Babikova, 2015).

But now information about quality of soil, plant products, drinking water and sanitary conditions of private farms lands that provide services in rural tourism is almost absent. Technologies for production of agricultural products which are used by rural populations unfortunately do not allow to receive products that would meet the medical and biological requirements and standards. Absence of proper control over the process of agricultural activities only strengthens the negative effects of agro-ecosystems, worsening living conditions and health.

Ensuring of products and services quality in the green tourism is possible through the implementation of these management decisions:

- conduction of agroecological researches within private farmsteads at least once in 2-3 years;
- transition to alternative agriculture (biological, organic);
- minimization of application of chemical plant protection and fertilizers (preference given to organic fertilizers and biological methods of plant protection, etc.);
- environmental certification and categorization of farmsteads and adjoining land.

### **Planning and organization of rural green tourism**

Main conditions for development of green tourism in Ukraine are:

- tourist potential of the region and the economy, which serves as an object of tourist interest;
- increased popularity of alternative types of tourism;
- availability of a free and relatively low-cost housing;
- surroundings of economy (attractiveness - natural, cultural and historical; macroeconomic conditions - economic development, credit and tax system, legal principles, environmental protection; state of regional infrastructure - roads, communications, cultural and sports institutions, gastronomy; local government bodies - organization of education, associations of peasants, etc.).

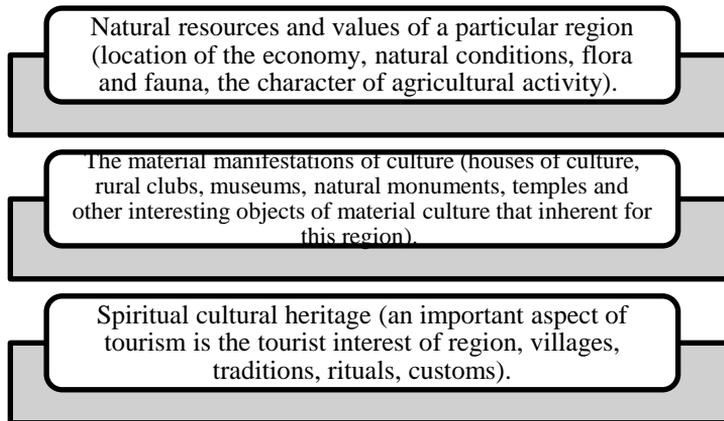
To make potential visitors interested in farmstead it is necessary to determine tourist potential of the region, main component of which is the presence of natural, cultural and historic resources.

Activity in the field of rural green tourism will allow:

- to expand the sphere of rural employment of peasants;

- to receive additional sources of income through the service provision of temporary accommodation, meals, travel services etc. (part of which can be used for the repair or construction of new tourist infrastructure);
- to create the additional workplaces (especially for women);
- to develop and modernize local infrastructure (water supply , canalization, roads, public transport, which will lead to improvement of standards and living conditions);
- to develop the local crafts (needlework, pottery, blacksmithing, wicker work, etc.);
- to improve the aesthetic view of buildings, gardens, streets and other public places;
- to bring to life and renew the local traditions;
- to form in peasants and tourists careful attitude to the environment (Ісаєнко, 2014).

**Figure 5:** *Basic factors of the development of rural green tourism*



**Sources:** Babikova, K. (2014): Environmental certification for the agritourism. Fundamentals of classification in Ukraine /K. Babikova, K. Nikolayev // British Journal of Science, Education and Culture. – London: “London University Press”, №.1, p. 350–356.

Mostly rural green tourism is oriented at urban residents who do not have the experience of being in the village and would like to use the services of accommodation in the farmstead, the possibility of direct contact with local residents, observation of animals, to be involved in rural production activities etc.

**Table 1: Goals of tourists in rural green tourism**

| № | Goals                  | Content   |
|---|------------------------|---|
| 1 | Nature-cognitive       | - carrying out active performances in rural areas (fishing, hunting, gathering activities, bee keeping, etc.);<br>- familiarization of new activities (horse riding, cultivation of agricultural products, care of animals);<br>- familiarity with rare (or relict) species of flora and fauna etc. |
| 2 | Gastronomical          | - possibility of nutrition and purchasing of environmentally friendly agricultural products;<br>- familiarity with the peculiarities of cooking traditional regional dishes.  |
| 3 | Historically-cultural  | - studying the local culture, traditions, mode of life and customs;<br>- visiting of historically-cultural objects and monuments.   |
| 4 | Socially-psychological | - restoration of psychological state through close contact with the environment;<br>- comfortable accommodation at clean air, in calmness and quietness.  |
| 5 | Recreational           | - outdoor rest (often protected areas, places with mineral waters, medical mud are located in vicinity.);<br>- improvement of health.   |

**Sources:** Babikova, K. (2014): *Environmental certification for the agritourism. Fundamentals of classification in Ukraine* /K. Babikova, K. Nikolayev // *British Journal of Science, Education and Culture*. – London: “London University Press”, №.1, p. 350–356. and Ісаєнко, В.М. (2014): *Стратегія сталого розвитку (туристична галузь)* / В.М. Ісаєнко, К.Д. Ніколаєв, К.О. Бабікова, Г.О. Білявський, І.Г. Смирнов. – Навч. посібник. – К.: Вид-во НПУ імені М.П. Драгоманова, 295 с.

To achieve success owners of farmsteads with their families have to form its own tourism consciousness on the principles of courtesy, openness, hospitality, travel establishing contacts, providing appropriate discipline. It is important to create a positive image of rural (agricultural) farmsteads, to ensure its neatness and cleanliness, compliance with sanitary and hygienic standards of rooms and farmsteads in general, to take care about aesthetic design etc.

### **Economic and social importance of rural green tourism**

A special place is occupied by economic importance of rural green tourism. It needs an effective organizational and economic mechanism with appropriate levers of national, regional and local government.

Economic profitability from organizations of green tourism can be achieved by:

- provision of services of reception, accommodation and nutrition of tourists within a specific farmsteads or economy;
- arrangement of tourist routes and providing paid services excursions;
- arrangement and exploitation of parking for tourist / travel groups;
- transport service for tourists (the engagement at railway station, organization of excursions at transport host, leasing (rental) vehicles, etc.);
- photo hunting, an amateur and sport fishing;
- provision of services of rental tourism sports equipment;
- realization of ecologically safe food products, providing culinary services (master classes) for tourists;
- production of handicraft goods;
- carrying out recreational activities considering historically-ethnographic heritage (animation);
- the work of guides (from local peasants who received appropriate education) (Фурдичко, 2013а; Фурдичко 2013b).

Tourism development in rural areas is one of the real possibilities to solve acute problems of employment of population and improve their economic situation.

Green tourism, covering a wide range of services, allows to attract employees from different, not infrequently related industries.

One of the most important and summarizing characteristics of activity performance in the field of rural tourism is efficiency of production. Efficiency - is a complex economical category that is associated with purposeful, rational human activity. It should be considered in terms of cost effectiveness invested in agro-tourism activities in order to obtain the desired result.

The economical efficiency expresses the production effectiveness by comparison of expenses and obtained result:

$$E = \frac{B}{\Pi}$$

where:  $B$  – material-monetary costs,  $\Pi$  – cost of the product.

As a result, we get an indicator which characterizes magnitude of unit costs of established products.

Social efficiency expresses the personal satisfaction of individual human needs and creation of conditions for its personal all-sided development. It shows how economic activities conform with interests of people (tourists).

Social and economic efficiency from green tourism can be defined by the following parameters:

1) **Economic**: number of tourists, which can be taken by farmstead (person/place); average annual number of tourists that were served in a farmstead (persons); labor productivity (thous. UAH/person); profitability of activities (%); volume of investments (thousand. UAH); specific weight of green tourism services in the total volume of paid services to the population of the region (%).

2) **Social**: share of employed in the field of rural green tourism from the total number of employees (%); share of the local population that receives services from rural green tourism (%); number of tourists in 1000 the population of the territory (Ісаєнко, 2015).

Business in sphere of green tourism is a less expensive, because the basic infrastructure is already created by peasants and natural-resources opportunities in the region. A rest for tourists is economically cheaper than in the developed and popularized resort and recreational centers.

We consider that for implementation of basic social and economic functions of rural green tourism it is necessary:

- to create appropriate infrastructure to ensure service maintenance of visitors (including - to attract of investments from the state or from international partners);
- to develop and implement a system of financial stimulations for owners of farmstead and from local residents who are engaged or planning to work in rural tourism;
- to ensure the improvement of existing excursion and tourist routes, develop new excursion programs for all categories of visitors;
- to develop advertisement and information sector, aimed at promotion of the tourist product on internal and external markets;

- to establish a close relationship between the rural population and tourism companies, public authorities, organizations that are interested in the green tourism.

Therefore, rural green tourism is an important component of sustainable rural development and is ecologically safe type of activity that can simultaneously receive profits, increase production volumes of high-quality products, contribute environmental protection and rational performing of agricultural activities.

Nowadays in Ukraine there are more than 1,200 rural farmstead function. They provide tourist services in the field of green (agricultural) tourism. Most of them are located in the Carpathian region that caused by the richness and diversity of natural resources and the presence of a non initiated housing in rural areas.

However, further development of green tourism hampered by a set of reasons that are related with the general trend of tourism development in Ukraine.

They include:

- lack of an integrated system of rural green tourism state administration in tourist regions;
- imperfection of legal and regulatory framework;
- unregulateness legislation and taxation in the field of green tourism;
- lack of methodical, informational and financial support of tourism industry business entities of the country;
- lack of appropriate objects for development of tourism in rural areas;
- lack of complex information on the possibilities of agricultural rest;
- lack of grounded researches on the development of rural green tourism;
- insufficient supply of highly qualified specialists of tourism industry;
- weak financial possibilities of the peasants to start their own tourism activity;
- low education and qualification level of rural residents;
- limitation of products assortment produced by peasant economy;
- the lack of business activity of local governments in the development of rural tourism in rural areas and program support of the state (Ісаєнко, 2015; Бабікова, 2014).

Nevertheless, despite the existing problems the rural green tourism in Ukraine appeared as a kind of tourism and economic activity. A special role in promotion of this tourism type development belongs to non-governmental organizations that are engaged in promotion of the tourist product, increase the popularity of recreation in the village, create a database of rural (agro) farmstead and so on.

The concept of rural green tourism development aims to solve a number of social, economic and environmental problems of rural areas and therefore requires precise planning at the district level, some rural communities, farmstead.

### **SWOT-analysis of the conditions of rural green tourism**

We carried out detailed SWOT-analysis of the conditions and prospects of green tourism development in Ukraine.

Results of SWOT-analysis showed that Ukraine possesses potential and necessary conditions for the development of green tourism.

Conducted SWOT-analysis is important for the strategic planning and allows:

- to systematize problematic situations;
- to understand more the structure of resources, which should be used for improvement of tourist activity;
- to allocate and use new potential opportunities faster than the competitors;
- to make considered decisions regarding private business development (Ісаєнко, 2014).

**Table 2:** *SWOT-analysis of the conditions of rural green tourism development in Ukraine (Бабикова, 2014).*

| <b>Strong sides</b>   | <b>Weak sides</b>  |
|---|--|
| <ul style="list-style-type: none"> <li>- presence of natural, historical, cultural and architectural resources;</li> <li>- agricultural potential of the country;</li> <li>- branching of personal peasant economy;</li> <li>- availability of free housing fund in rural areas;</li> <li>- originality of traditions, customs and rituals;</li> <li>- the relatively cheap prices on vacation in rural areas;</li> <li>- availability already developed excursion and ecotourism routes;</li> <li>- readiness of the rural population to do business.</li> </ul>   | <ul style="list-style-type: none"> <li>- unfavorable legal and economic environment;</li> <li>- lack of specialized credit programs and tax for rural population that employed in tourism sector;</li> <li>- lack of information of the rural population tourism business base performance ;</li> <li>- insufficiently to use experience of neighboring countries (Poland, Czech, Austria, France, Italy and others) used insufficiently;</li> <li>- low level of environmental consciousness and culture;</li> <li>- low level of transport infrastructure;</li> <li>- problems with water supply;</li> <li>- lack of information support - a single brand, advertising, information centers;</li> <li>- lack of statistical database of green tourism objects and the number of tourist flows;</li> <li>- vulnerability to natural disasters;</li> <li>- a weak promotion system of tourist products.</li> </ul> |
| <b>Opportunities</b>  | <b>Threats</b>   |
| <ul style="list-style-type: none"> <li>- transition to sustainable development of rural territories;</li> <li>- creation of additional workplaces;</li> <li>- improvement of living conditions of the population;</li> <li>- preservation of cultural and historical heritage, reviving of traditions;</li> <li>- growing of environmentally safe agricultural products;</li> <li>- improvement of socio-cultural, environmental level of the population and tourists;</li> <li>- development of small business in rural areas;</li> <li>- development and modernization of infrastructure (roads, engineering and communication networks, catering establishments, etc.);</li> <li>- attraction of foreign tourists;</li> <li>- the protection and preservation of the environment;</li> <li>- creation of new objects of attraction.</li> </ul> | <ul style="list-style-type: none"> <li>- instability of legal system, economical and political situation;</li> <li>- lack of interest of the government in the development of rural tourism;</li> <li>- appearance of problems due to environmental degradation;</li> <li>- competition with tourist centers in other regions;</li> <li>- the loss of tourist market due to low level of service and maintenance.</li> </ul>   |

**Sources:** Babikova, K. (2014): *Environmental certification for the agritourism. Fundamentals of classification in Ukraine /K. Babikova, K. Nikolayev // British Journal of Science, Education and Culture. – London: “London University Press”, №.1, p. 350–356.*

The positive impact of green tourism on solution of economic, environmental and social problems of the village should have a complex, systematic character, and to promote the expansion of rural employment, stimulate the improvement of rural settlements and be economically accessible and comfortable for tourists.

**Table 3:** *Organizational model of rural green tourism in Ukraine*

|   |  |
|---|--|
| <b>Residence conditions (types of accommodations)</b> | <p>A) In house of rural host (farmstead) with nutrition services in form of:</p> <ul style="list-style-type: none"> <li>- breakfast;</li> <li>- breakfast and dinner/supper;</li> <li>- full meals (three meals per day).</li> </ul> <p>B) In house of rural host (farmstead) without nutrition services</p> <p>C) In separately rented farmstead within rural areas with nutrition/without nutrition</p> <p>D) Agro camping site (without nutrition on the base of private rural economy/farmstead)</p> <p>E) Housing in farmstead with self services (possible variant – night stay on hay).</p>   |
| <b>Kinds of activity</b>                              | <ul style="list-style-type: none"> <li>- hiking, horse riding, cycling;</li> <li>- boating a non-motorized boats, canoes;</li> <li>- fishing and hunting;</li> <li>- picking of mushrooms, berries and medical plants;</li> <li>- acquaintance with life and traditions of the region;</li> <li>- gastronomy (consumption and self preparation of local dishes);</li> <li>- assistance to owners in agricultural work, care, feeding and grazing of animals;</li> <li>- excursions and agro games (as an example - corn labyrinth);</li> <li>- hypnotherapy (aromatherapy and apitherapy)</li> <li>- fairs, folklore and thematic evenings.</li> </ul> |
| <b>Value</b>  | <p>A) Support and development of rural regions</p> <p>B) Environmental education and training</p> <p>C) Support of agricultural production</p> <p>D) Improvement of quality and living conditions of rural residents</p>   |

**Sources:** Babikova, K. (2014): *Environmental certification for the agritourism. Fundamentals of classification in Ukraine /K. Babikova, K. Nikolayev // British Journal of Science, Education and Culture. – London: “London University Press”, №.1, p. 350–356.*

Activities in the field of rural green tourism in Ukraine may be represented as a proper model, which includes three main components that serve as the basis for its development and organization.

## Conclusions

The current stage of Ukraine economic functioning is accompanied by the appearance of new market segments and types of business. It is concerned also agricultural sector. One of the priorities development of rural areas is a green tourism, which has actively developed in foreign countries.

The specificity of green tourism as a type of economic activity is not only the satisfaction of consumer needs for rest, but also implementation of significant impact on other sectors of the rural economy through diversified communications.

Rural green tourism should be considered as one of the means diversification of sources of rural population income, as a component of complex development of rural territories and rural infrastructure, as well as one of the factors of poverty reduction strategies in rural areas.

That is why the rural green tourism in Ukraine requires active support and encouragement from the state. Entities that provide services in the field of eco-tourism should receive certain preferences, including tax, which will be a major stimulus for the rural population.

Rural tourism has potential to make a significant contribution to economy of the village in form of new jobs, to increase profits from foreign economic activity, replenish the state budget through taxes, promote imports reduction and intensification of the use of local raw materials. Foreign tourists, fans of rest in a Ukrainian village, as well as regional customers pay all relevant taxes, including added value tax and excise duty, and encourage to taxes other entities.

Rural green tourism is an export industry, which is different from other export branches by one important aspect: most exporters export their products from the country to the consumer, but in the tourism consumer coming to the country in order to buy and consume produced products and services. It creates additional income to the agriculture budget.

Except of the direct owners that provide services of green rural tourism, the workplace can get the majority of the population of village, which deals of related to tourism business (embroidery, weaving, carving, painting eggs, blacksmithing, horticulture, gardening, beekeeping, animal husbandry, especially horse breeding, etc.).

Systemic effect of rural green tourism on the economy occurs due to systemic effects (economic, social, ethno-cultural, personal and environmental) and systemic links with other subjects of economic activities (farms, food producers, shops, accommodation establishments, construction companies and craftsmen, carriers, hunting, fishing and horse farms, etc.).

In result of these influences a synergy of rural green tourism is created. It provides a multifunctional (diversified) socio-economic development of the rural economy. The process of synergy formation of rural tourism has a phased character, involving in the creation of complex tourism products more and more number of participants.

Maximum positive impact on rural areas can be provided in the conditions of sustained, focused and systematic cooperation of all stakeholders – subjects of tourism business, government, local governments and others. It starts process of structuring of economic relations and the establishment of formal institutions interaction (public organizations , clusters, associations, etc.) in the field of rural tourism. In our view, rural tourism complements development of rural territories.

In our view, rural green tourism complements development of rural territories, expands scope of activities of local population and promotes the rest in the Ukrainian village and improves the socio-economic level of the population.

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# TRAINING LOCAL COMMUNITIES AND ECOLOGICAL EDUCATION FOR SUSTAINABLE DEVELOPMENT OF TOURISM

*Desimir Bošković<sup>1</sup>, Tatiana Zanini Gavranić<sup>2</sup>*

## Abstract

*Ecological education is a complex process which not only covers events, but also points out the importance of developing a society as a whole. In this work authors also analyse ecological education in Croatia, specially in Istria, which represents the most developed tourist region of Croatia. Based on that research, a notion to implement ecological education in the national education system is being promoted - starting from kindergarden and up to college level. Survey research shows results of respondents - tourists during the year 2015, when they visited Istria, their preferences regarding organic food and the satisfaction of the offer. A survey research of the local population was also performed in order to assess their involvement in development of tourism programs of Poreč destination.*

**Keywords:** *tourism, ecology, ecological consciousness and eco-education, local community, education, tourist development.*

## Preface

In today's world, any form of organizational structure, even an individual one, is unimaginable without an applicable ecological concept, especially ecological standards and criteria. The root of Reasons for ecological awareness in every human activity should be sought since the time of the first ecological shock – the oil crisis in 1973. Since then, the world of politicians, businessmen and strategy development has accustomed a notion that natural resources are limited and that they need to access this situation rationally. Gradually, this developed an idea of safe management of all types and forms of resources. Tourism is, amongst them all, one of the most specific and dependant.

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1 Prof. dr. sc. Desimir Bošković, Faculty of Commercial and Business Sciences, Celje, Slovenia, 00385.52-452-691, e-mail : desimir.boskovic@optinet.hr

2 Dr. sc Tatiana Zanini, Solmelia Croatia d.o.o., Umag,, Jadranska 66, Croatia, 00385-099-712-322, e-mail tatiana.zanini@melia.com.hr

Croatia, as a whole, and especially the Adriatic region is highly ranked by its natural components, cleanliness of sea and nature, climate and vegetation. Tourism and environment are tightly related. Every tourist destination is linked to environmental, natural, cultural and social resources. When compared to other sectors, tourism, in relation to ambient and natural changes that are being affected, can be listed under cultural eco-systems. Therefore, this broad complex problem of the 21st century related to tourist phenomenon indicates inseparable links between:

- tourism and territory,
- tourist attraction and scenery and
- tourism and spatial planning.

Amongst above mentioned links between tourism and scenery, managing structure holds a great importance in implementing and condition of dynamics of development of a tourist destination. We must not neglect the fact that a tourism destination is becoming a target destination of potential tourists. This type of tourist regionalization was established as an answer to global processes and the globalization in which economy, politics, culture and social level co-create globalization (Magaš, 2003.). A tourist chooses a tourist destination that will fulfill his needs and expectations, based on product content and ecological efficiency of the destination.

### **Social responsibility in tourism**

The concept of sustainable development, which comprises of economic success and social responsibility and at the same time protects natural and human resources, has been present on an international level since 20 years ago. The awareness of necessity of crating a cult of sustainable development was spread after the 1992 world global conference in Rio de Janeiro.

Sustainable development implies excellence, and high-quality results in the field of commerce, emphasized social responsibility and constant concern for the preservation of the environment. Proponents of sustainable development advocated and implemented a development that contributes to balanced economic growth with responsibility to wider community and the environment. However, the very idea of sustainable development, which is presented with us, it not enough. For the idea to be transparently achieved, it must be implemented in practice. What is the

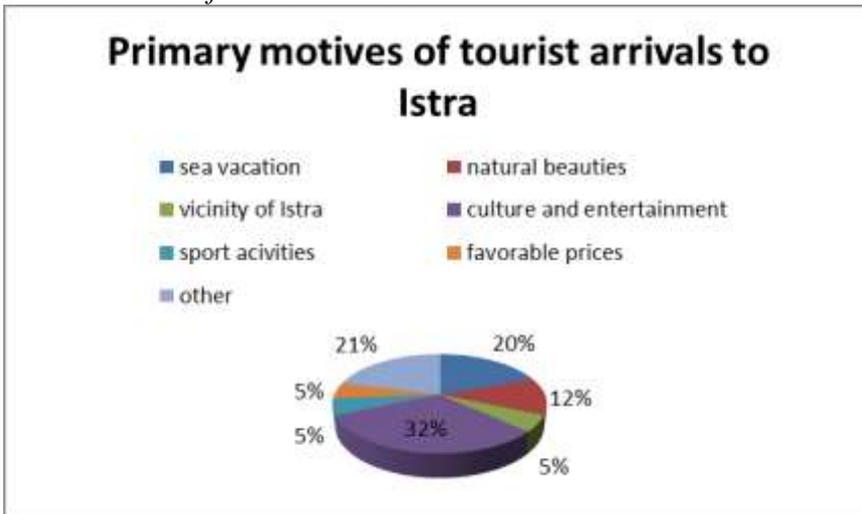
position of Croatia and its most developed tourism destinations? Great efforts were made by Croatian entry into the EU and reinforcement was placed in order to improve the area of sustainable development.

Survey research, made for this study, was made amongst tourists that were on vacation in Istria in the year 2015. The results show how much the environment preservation is actually vital in terms of motive for choosing a tourism destination. However, one can ask a question to what extent the companies in the field of hospitality and tourism industry, agencies and other services in the tourism industry, care about the preservation of nature, the relations with consumers, tourists and local people and what is their social responsibility behavior.

The questionnaire that was used in the 2015 survey on tourists located on the coast of Istria contains 18 questions. One third of the questions are of classical nature and refer to information about Istria, the manner of tourist arrival, length of their stay, etc., while most of the remaining issues are related to the motives of their arrival, whether they would be willing to choose to spend their holidays in the rural part of Istria, what the contents offered they find most desirable for them, and how they evaluate ecologically produced food (organic food) in restaurants and shops, and whether they are willing to pay more for such products - if yes, how much more. As for the motives of tourist arrivals, we can say that the content of the available resources and the quality of supply is a clear indicator of a tourism destination. These motives are constantly changing. What impact do the natural beauties have on the choice of Istrian destination is shown in Chart 1.

As the chart data show, seaside vacation is still the leading motive of tourist in comparison to earlier years, when it topped between 60% and 70%. This confirms our hypothesis that the tourism concept of “sun and sea“ is rapidly changing and that it needs to be enriched and upgraded with arrivals in Istria (37%); however, it has significantly decreased in the various types of offers. This is where we see an opportunity for promoting cultural and other selective forms of tourism within a sustainable development. Essential reasons of tourist arrivals are natural beauties, accessible prices, possibilities of engaging in sport activities and vicinity of Istrian countryside.

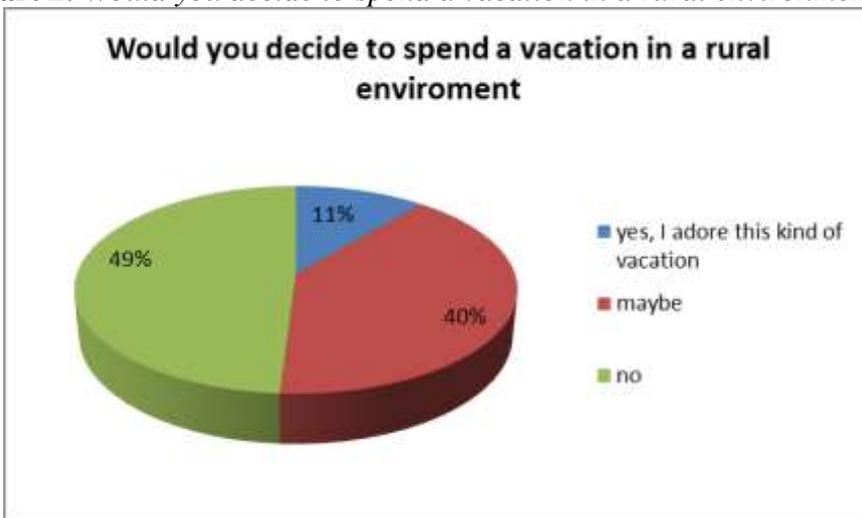
**Chart 1:** *Motives of tourist arrivals in Istria*



**Source:** *author's research*

Considering the distinct ecological preservance and rich cultural history of Istria, vicinity of the sea, eno&gastro offer of authentic food and beverages, the purpose of this research is to find out whether tourists would be willing to spend their summer vacation in rural Istria, on the countryside, 30 kilometers away from the sea shore. The results of this survey research are shown in Chart 2.

**Chart 2:** *Would you decide to spend a vacation in a rural enviroment*



**Source:** *author's research*

The data in Chart 2 confirms a significant trend of interest in tourism in rural areas, even more so if we consider the fact that the interviewed tourists were those residing on the bay area of Istria. Rural areas offer guests comfortable accommodation, peaceful and quiet surroundings, as well as natural attractions, possibilities of sport activities, variety of organic food, wine roads and various gastronomical specialties – all of these are considered to be significant reasons for one to decide and visit the rural areas.

Among interviewed tourists which provided the answer „maybe“, there is a vast majority that will soon decide for this type of location. This also denotes that rural Istria is a very interesting tourist location, especially because of near emissive markets, sea, natural, cultural, historical and other resources and that it intensively must keep developing rural tourism in a sustainable environment. This way, the current mass tourist offer of Istria may be restructured and the economical resources in rural areas may be revalorized.

Considering that similar researches had not been made, authors of this survey research had an objective to confirm the hypothesis about the emerging demand - of foreign and domestic tourists - for organic food. As the results show, interviewed tourists are not content with the offer of organic food (24%) and almost half of all interviewed (50%) are interested in this type of nutriment. These results should impact on embarking a larger volume of organic production in rural areas, as well as growing demand and interest of hotels, tourist agencies, traders and distributors for these products.

Hoteliers and carriers of catering tourism supply should start considering the conversion of at least one hotel in each particular destination to an eco-hotel, as well as offering more restaurants and markets with an extensive offer of organic nutriment.

Considering that many organic food producers claim that organic food production is significantly more expensive than conventional food production, due to lower yield and absence of organized buy out, using survey research, we decided to find out whether tourists are willing to pay more for organic nutriment, and if so – how much more. Meanwhile, these trends in demand for organic food and significant possibilities for production are not being utilized enough.

**Chart 3:** *Evaluation of offer of ecologically produced food in groceries and restaurants*



**Source:** author's research

In Chart 4, we can see that 77% of examinees answered that they would be willing to pay 15-20% more for organic nutriment, in comparison to conventionally produced food. There is far less of those, who would be willing to pay 20-30% more - only 9% of the respondents.

**Chart 4:** *Evaluation of acceptance of steep prices of organic food*



**Source:** *author's research*

## **Position and Role of Tourism in Sustainable Development**

We can say that tourism significantly contributes to environment preservation. The contribution is contained mostly in its positive attitude towards waste, preserving the natural habitat (environment), balance towards usage of space, purity of tourism destinations (cities) and environment, as well as preserving ecological balance of sea and sweet waters.

However, although some contributions are outside the social scope of tourism organizations, they have great possibilities to exploit the public voice and influence it. Likewise, it also applies to the choice of offer, where organic products can significantly change the food culture and contribute to the preservation of health. Certainly, it is one of the most important components of tourism, in terms of social responsible behavior towards the consumer, suppliers, employees and local community and population. These relationships are necessary to build on principles of mutual trust and partnership. This is the only way in which a successful entrepreneurial image, that is based on honesty to the market and consumers, business partners and ultimately to employees, is built. However, one may wonder whether this is so in our daily practice in our tourist destinations.

Socially responsible companies, regardless the business they are in, achieve good business results and thereby contribute to the prosperity of local community and society as a whole. However, not all successful companies are socially responsible. There are numerous negative examples in tourism destinations, particularly in those where owners of travel companies are foreign citizens, where it is all about profit. Such a setup is necessary to change and accept new relations and operations on the basis of the set formula: Destination + environment = pleasant holiday.

If we start from the fact that natural beauty is one of the main motives of tourist arrival to Istria - 23% (see Graph 1) and vacation at sea 37%, then it becomes clear how these resources, that God has given us to, should be nurtured and kept for generations to come.

We must not forget the possibilities of production of organic food which is present in Croatia and Istria, as well as expressed demand from tourists for this kind of nutritive.

Croatia as well as the Istrian tourist offer requires its favorable location and the possibility of differentiation of global competition. One possible way of doing this is by offering genetically unmodified and organically produced food. This can be achieved primarily through various selective forms of tourist offer, such as health tourism, sports and recreational tourism, conference tourism, nautical, wine and food tourism, ecotourism, etc. Most of these forms of tourism are consumed by people with greater purchasing power in order to preserve their health. Today's tourists are environmentally conscious and take extremely great care of their health. Amongst other things, they travel on vacation for nurturing their health. Therefore, tourist offer of organically produced food segment has played a major role in promoting and repositioning Croatian and Istrian tourism (Bošković, 2005). This is the chance and the possibility to create a competitive advantage of our offer in comparison to the world tourist markets.

### **Thematic Priorities in Environmental Preservation**

Strategy of tourism development initiates broad discussions regarding its existence. An ethical question, which preoccupies tourist planners on a global scale, discovers relational problems between antropocentric and ecocentric directions (Stettner, 1997). Common ethical approach in the development of economic society is antropocentric – humanly orientated. It has, in a way, derived from a dogma that nature has no reason for existence, if it does not serve to human (Đukić, 2001). American version of this concept points out that there is an unlimited pool of resources for human exploits, regardless of influence of other kinds, that nature must be controlled. Ecocentric and earth ethics are based on traditional “primitive“ societies, pointing out the significant fact that the human is not the only living creature. Therefore, the ecological awareness is being pointed out here, which also includes individual responsibility for Earth's health. Earth ethics is based on sustainable development and sharing the same rights with other species and communities. Of course, there are many problems in this area and we should be looking at them in our relationship towards the environment. A significant aspect of this is population increase. However, on the other side, these increases do not take place in the same areas. For instance, industrial countries are the largest polluters and resource consumers, although they have the smallest increase of population (Weizsacker et al., 1995). However, despite this cognition and anempirically proved high level of ecological awareness, this is not enough to cope with pollution and destruction of environment.

It seems that the gap between ecological awareness and ecological actions is getting bigger. Within that concept, if we start from our individual and social level, we could say that the most vital aspects of our behavior towards the environment are ethical, psychological, social and ecological. This observation also refers to our everyday life and to our behavior during our free time when on vacation.

We should note two aspects when observing mutual relations of ecological problems and ethics (Muller, 2000):

- Ethics, comprehended as a system of values, determines which life aspects may be marked as problematic and
- Ethics, as a system of values, determines individual and collective activities.

### **Contribution of Tourism**

Innovation of a particular activity is a proof of its future capabilities. When dealing with tourism, we can compare its innovative strength to information technologies, biotechnology and telecommunications. According to previous activities and results, one cannot expect spectacular results, despite the fact that recently World Tourist Organization has presented certain programs, which were initiated by the UN. The plea is common for all subjects who perceive social responsibility for sustainable development as a key factor – tourism should become the world's greatest organization for environmental protection, in terms of bio-diversification and human benefit. Besides tourism, social responsibility for sustainable development should also be a priority to other complementary segments, such as agriculture, commerce, industry, etc. Local pollutions, derived from agriculture are very diverse. The ones that stand out are:

- Adverse impacts on soil, water and air,
- Depletion of soil and erosion,
- Loss of natural habitat for animal species and
- Pauperization of scenery (Nisbet, 1994)

Relations between tourism and mountain agriculture are complementary when one side profits from another. Without mountain agriculture, there is no maintenance of scenery, and without maintenance of scenery there are fewer tourist attractions. A setback in agriculture would inflict at least four effects on tourism (Masserk, 1989):

- Less agriculture denotes less maintenance of scenery,
- Less agriculture denotes loss of attraction, needed to bring guests from urban environments,
- Less agriculture denotes further vanishment of old customs and subsequently – cultural heritage and
- Less agriculture denotes further vanishing of rural conservatism.

Competitive relationship between tourism and agriculture should not be neglected, as they are both competing for the same production factors – land and labor force. When it comes to land market, tourism is the one which grasps fertile lands, along with constructional lobbies, who use the help of political powers to urbanize agricultural areas and subsequently commercialize them. A special type of disharmony is present between tourism and industry, especially in tourist destinations, both sea and rural areas.

Considering that tourism is one of the key factors of growth and development, not only of particular tourism destinations, but also of the global economy, we can ask ourselves what we can expect from it by the end of the 21st century. The fact is that domination of multinational companies, the main carriers of globalization, is one of the fundamental characteristics of modern tourism. In the last couple of decades, massive companies were formed in the fields of hotel commerce, tour operating and agency business and air traffic – these types of companies go beyond national borders with their business orientation. The sheer basis of their successful business is comprised of development and application of information technologies. Process of globalization has contributed to strong expansion of tourist markets and creating a surplus in offer capacities. There has been a significant increase of destination offer, as well as well as the time interval of surplus of capacities, accommodation and traffic. Competition in tourist market between equal subjects is being realized when they share the same preferences. Due to globalization, traditional tourist countries have lost their advantage of being the tourism development generators, and are now facing an unexpected pressure of newly found tourist destinations. In the future, globalization of tourism will induce these effects:

- standardized procedures of quality control,
- sharper competition,
- establishment of strategic associations,
- a change in management approach,

- changes in HR practices,
- adoption of new ways of running business and
- adoption of global distribution systems.

So, globalization is forcing small and medium-sized companies in tourism sector to fight under circumstances of heavy competition with massive multinational companies, in order to survive.

There is no doubt about it, that preserved nature of tourist destinations will have a critical role when dealing with demand in tourism. Therefore, social responsibility of all tourist subjects is of great importance. A number of experts believe that tourism in 21st century may endure many things: wars, crisis, catastrophes, but certainly not devastation of nature. Pragmatists, however, claim that, although it is not considered a strategic principle, hope remains as the biggest force of mankind. Therefore, for instance, Agenda 21 predicts a planned relation towards our planet. This idea is comprised of global balance of responsibility, a global dialog and global cooperation. However, without establishing a system of social responsibility on all levels (top down), we cannot reckon on existing preservation of our life habitat and the competitive benefits it carries.

### **Educating local communities for tourism development**

In the context of tourism development, education should be considered more of a one-dimensional process, which offers counseling to local communities. It is characterized by following elements: ecological education, outer expertise, possibility of learning and selection, capability of bringing a decision and conducting it, and bearing the responsibility for brought decisions, actions and their consequences (Sofield, 2003).

However, in order to qualify these tourism orientated communities, social and institutional changes are required as a prerequisite for dispersion of power, which will later result in changes. These changes must be implemented in three levels: macrolevel, mezolevel and microlevel (Petrić, 2007). Tourism is relying on good will and cooperation of local inhabitants, as they comprise a constituent part of the local tourist offer. However, where development and planning is not in accordance with local aspirations and possibilities (which is often the case in Croatia), then resistance and hostility may destruct the entire process (Murphy, 1985). According to Lidija Petrić, education of local community is defined as a process, where positive results are visible especially in economical,

psychological, social and political area (Petrić, 2007). The table below denotes this:

**Table 1:** *Education of local communities for sustainable development*

| <b>Type of education/training</b> | <b>Signs of education</b>  |
|-----------------------------------|--|
| Economic                          | Tourism brings long term financial benefits to the destination. Money is spread within the community. Improvement of quality of local services and infrastructure.   |
| Psychologic                       | Growth of self-confidence, as recognition of uniqueness and value of their culture, natural resources and traditional knowledge. Growing trust that community leaders will seek further options for education and training. Access to work positions and money enriches the social status of local inhabitants                         |
| Social                            | Tourism accelerates the balance of local community and contributes to its establishment. Interconnection in local community is growing, as individuals and families cooperate in order to develop a successful (business) activity. Some resources are being used for developing initiatives, like educational and infrastructural     |
| Political                         | Political structure is a representative forum, where people may ask questions and come out with problems, linked with tourist initiatives. Agencies, which run or establish tourist companies, are seeking opinions of interest groups and community members, as well as giving them a chance to cooperate in decision making process. |

**Source:** *Scheyvers 1999., by Petrić, Lidija., Osposobljavanje lokalnih zajednica za turistički razvoj: Primjer Hrvatske.*

Each of the specified education types is offering some benefits to local community population. Therefore, economic education is important, as it offers financial benefits from tourism. Psychological education encourages development of confidence, as well as feeling of pride of local culture and traditional knowledge. Social education keeps in order the social balance of the local community. Political education includes representative democracy, which enables the locals to express their opinion and ask questions in regard to development initiatives. Power of the state can affect tourism development implicitly or explicitly. Local power has a different role, as its assignment is to repel negative influences

as well as to increase positive effects of tourism and tourist consumption. Local authorities define the scenarios and directions of tourist development of the community.

### **Results of local population's attitude towards tourism development of Poreč destination**

Concept realization of tourism destination development and promotion of quality of offer is almost inconceivable without including local community in the process of planning and developing of those tourism sectors which will bring most benefits (Magaš, 2003). To this day, there have been only a few cases in Croatian tourism where the local population has actively been included in creating the development of the destination's tourist offer. The attitude of local population towards tourism development may be analyzed in two ways (Blažević & Peršić, 2007):

- perception of local population about tourism development and
- function of domicile population in tourism prosperity.

Perception of local population is shown through: attitude towards tourism development, satisfaction with locally tailored, custom fit offer (culture, sports, and recreational activities), and inclusion of autochthonous elements in tourist offer. The importance of local population is determined by the level of awareness and integration in tourism decision making process, as well as inclusion of local population in public services, dealing with tourism specifics.

For discovering the attitude towards local tourism development, local population custom fitted offer satisfaction, quality of life in a tourist destination and their participation in decision making process, a method of interview was employed on 105 respondents, the local inhabitants from Poreč and the surroundings, where all age groups were represented. Interviews were made in the month of May 2014 in three different public spaces.

Interviews led to following results: most of the respondents (66%) have a positive attitude towards tourism development in Poreč. This positive attitude is a result of the possibility of using numerous contents of tourism offer, available to the local population. Mainly, these are contents of sports-recreational and cultural-amusement offer.

We recorded that 14% of respondents have a negative attitude and 20% of the respondents have a neutral attitude. Inconsiderable amount of negative, as well as neutral attitude, originates from the following reasons:

- deduction of the number of employees in tourism, on behalf of rationalization and implementation of new technologies,
- dissatisfaction with working conditions and salary,
- inability to employ young and educated human resources and
- the seasonality of business.

One of the questions in the interview was: *What do you dislike the most during the peak of the tourist season in Poreč?* Following answers were given:

- city overcrowded with tourists,
- traffic gridlocks and parking lot jams,
- crowded beaches,
- pollution of nature and
- excessive noise, coming from city restaurants and entertainment objects.

Majority of the respondents (71%) believes that tourism development has positively affected the inclusion of autochthonous products in tourist offer (food products, groceries, industrial products, confection, souvenirs, crafts, and services). However, the representation of these products is far less than expected, due to general import orientation of the country.

Aim of this interview was also to establish the satisfaction of the locals with being informed and included in the decision making process regarding tourism of their own destination. Regardless that development of a destination should be based on integration of all destination stakeholders (Poreč), unfortunately, this is not the case. More than 85% of respondents believe that they should be informed and included in the decision making process, whereas 15% of them believe that this is not necessary. Respondents were also served with a question: *What is your opinion about the sustainable development of our destination?* or *On which way does the industrial development and real estate building endanger our destination?* Over 88% of respondents stated that tourism development is not endangered, whereas 12% thinks otherwise.

## **Ecologic education of local population**

Active talks about ecological education started in the last 20 years, globally, as well as here in Croatia. Appropriate efforts have been made in order to adopt certain educational programs that fit the ecologic needs of local society. These efforts, however, were not enough socially valorized, and even not well justified on the bases of scientific and ecologic concepts, not to mention ecologic projects. In the past, traditional ecological patterns were used for searching new environmental educational solutions. Therefore, we should not wonder, if some of them are still simple and superficial, sometimes even exposing frivolous understanding of environmental problems. This situation raises a number of questions, like: what are the present and future needs of economy and society in general, related to environmental education; what our society expects in the near future from educational institutions, from the lowest to the highest possible level; and, especially, what it expects from science, which otherwise is not exploited enough when dealing with environmental issues. These are just some of the questions. Of course, many of them still exist and are present in everyday life and work. However, the answers to these questions should contain a starting point for designing a sustainable future for generations to come.

If we start from necessities which set the imperative that educational institutions finally become a cornerstone of life, then a number of further changes is indispensable. All of this is feasible, but only after the satisfaction of certain preconditions or prerequisites are met. The basic prerequisite for this is a change in general perception and attitude towards ecological functions of individual educational institutions and society in general. It is certain that various forms of connection and immediate ecological-educational work would accelerate acceptance and encouragement of new eco-social needs.

If we start from pre-school education, then in primary and secondary schools it would be safe to say that they would already have certain knowledge and achieved preconditions for a far more active involvement in an environmentally sound way of life. An adequate expertise of teachers and professors is an absolute prerequisite on all levels of education, as they should possess proper ecological knowledge, attitudes and views.

In order to fit into global processes, Croatia must implement various reforms: political, economical and educational. The entire process of reforming should use ecologic knowledge. This process should implement the national ecological potential in its basis and seek for solutions of ecological problems and sustainable development. Therefore, education of all subjects on all levels is just as important. A special part of environmental education is an adequate production of literature and its application in reality. Educational process represents a conscious and planned development of ecological knowledge during the entire human's life span. It is the fundamental objective of raising awareness of the basic features of the human environment, relations within it, based on which man will seek the preservation and improvement of the environment.

Environmental education should provide a very detailed knowledge of basic environmental issues of contemporary society, as well as developing a critical attitude towards the increasing trend of environmental degradation. Furthermore, it should suggest a necessity of rational use of natural resources.

It is a well known fact that environmental awareness does not consist only of knowledge, but also of vital emotional components, because knowledge without beliefs and practical activities does not mean much. It must be remembered that environmental education and the formation of ecological thinking begins in early stages of childhood and therefore the role of educational organizations is ever so significant at all levels of acquiring knowledge (primary, secondary school and college).

### **Conclusion**

Modern society is directed towards the green paradigm. It is in a way a response to growing contradictions which are initiated by globalization. This guidance is only a confirmation that the concept of sustainable development is becoming a focus of modern management of the tourism sector of the economy. Rural areas are particularly sensitive to environmental issues and the interest of the whole tourist destination of Istria should be to protect and preserve nature.

Tourism development affects the enhanced urban development of tourism destinations and thereby stimulates the transformation of formerly rural areas to modern urban coastal areas. In these areas, an essential part of planning for tourism development is becoming ecological education and

planning of sustainable development that will meet all the expectations of the tourism offer stakeholders, as well as that of the current and potential users.

One of the goals of this study was to demonstrate forms of training the local community, particularly environmental education for sustainable tourism development and the role of local government, as well as representatives of the public sector, which play a role in this process. Particular survey researches have been made on local population in the tourist resort of Poreč with the aim to determine their satisfaction about their level of being informed, about satisfaction with planning the tourism development and about being included in the decision-making process. The results show the views and opinions of the respondents on the positive and negative effects of tourism on local communities and their residents.

When it comes to environmental education in Croatia, it needs to be said that it is necessary to introduce it to all educational institutions, and clearly define the purpose, objectives, activities, actors and all input-material resources.

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# GREEN ECONOMY IN THE FUNCTION OF SUSTAINABLE TOURISM DEVELOPMENT OF SERBIA

*Jelena Premović<sup>1</sup>; Radovan Pejanović<sup>2</sup>;*

## Abstract

*Sustainable tourism represent positive example of application of green economy in Serbia. Bearing in mind that sustainable tourism depends mostly on the geographical physiognomy of rural areas and the fact that over 80% of Serbian territory is a rural area where about 55% of the population live, the paper analyzes the basic characteristics of sustainable “green” tourism and tourism development. The authors start from assumption that implementation of green economy in the tourism industry needed green business, developing environmental awareness of tourists, tourism workers and local residents. Starting from this assumption, the basic aim of paper is to underline the necessity of a new concept of green economy in the modern tourist market in order to ensure tourism development that will be sustainable in the longer term. In the paper was applied adequate qualitative methodology such as: the methods of analysis and synthesis, inductive and deductive, descriptive and comparative methods.*

**Keywords:** *green economy, green business, environmental awareness, sustainable tourism, rural areas, rural tourism.*

## Introduction

The rapid economic growth and irrational use of natural resources after the intensive industrialization in the second half of the 21st century, conditioned the global structural crisis which was for the most part reflected in the field of life environment. Along with the consumption of natural resources which is exceeding the amount that can be regenerated

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1 Jelena Premović, PhD, Municipality of Vrbas, M. Tita no. 89, 21 460 Vrbas, Serbia, Phone: +381(0) 64 144 17 98, E-mail: jelena.premovic@gmail.com

2 Radovan Pejanović, Ph.D., Full Professor, University of Novi Sad, Faculty of Agriculture, Trg Dositeja Obradovića no. 8, 21000 Novi Sad, Serbia, Phone: +381 63 600 217, E-mail: pejanovic@polj.uns.ac.rs

by the planet Earth in one year's time, the quantity of carbon dioxide emitted into the atmosphere and the quantity of waste that the modern mankind is leaving behind, is exceeding by 50% the quantity of what the Earth is able to reabsorb in one year's time. These radical changes of ecosphere presented a clear signal of the need for implementing changes into the existing economic paradigms and creating a new business concept of a "sustainable economy" (green business).

The concept of green economy emerged in the 1980s as a kind of means that was supposed to provide assistance to national economies and the society as a whole while heading towards sustainable development. The green economy is a sustainable economy where economic growth and ecological responsibility function together by strengthening one another and simultaneously supporting the progress of social development. The basic assumption of a green economy refers to ecologically responsible business activities that are supposed to enable the economic growth and development complete with a simultaneous increase in the quality of human environment. Therefore it is important to emphasize a dimension of the green economy related to social responsibility, that is, social inclusion and creation of employment opportunities and poverty reduction.

One of the priority tasks in the management of macroeconomic policies of each country is to ensure sustainable and balanced economic development in its entire territory. The modern concept of economic viability means that the company needs to maintain or increase the level of wealth per capita (Premović, Boljević & Arsić, 2011, p. 138).

By applying the concept of a green economy what are being initiated are the investments the purpose of which is reducing the pressure on environment with an increase of efficiency in the consumption of energy and resources. Due to the needs for increasing employment rates, as well as for the forthcoming innovations in environmental protection, the number of so called "green jobs" and "paperless jobs" is constantly growing. Numerous traditional jobs and employments based on natural, nonrenewable resources cannot disappear completely and immediately, but what can be done and what have to be done about it is to adapt and enhance them for the purpose of environmental preservation.

According to the demographic movements, climate changes and needs of a mankind, the life of the humans in the future will depend more and

more on nature. (Vujović et al., 2012, p. 1889). Based on the specific evaluations conducted by the UN, a transition from the conventional economy to the green one is expected to affect the flow of investments of over \$ 1.000 billion in the forthcoming two decades which will lead to opening of approximately 60 million new job places. The field of action, i.e. practical applications for a green economy is quite extensive, virtually indefinite. Namely, a green economy can be equally applied in all the human activities – in the industrial and nonindustrial branches.

### **Metodology**

Based on the official data of the World Tourism Organization (UNWTO) in 2014 has achieved a total of 1.135 million tourist arrivals which contributed to the realization of tourist arrival from \$ 1.245 billion.

Given these data, the authors analyze the application of the concept of the green economy in the performance of tourist activities as one of the most promising human activities today.

The basic assumption of the paper is that implementation of green economy in the tourism industry needed green business, developing environmental awareness of tourists, tourism workers and local residents. Starting from this assumption, the basic aim of paper is to underline the necessity of a new concept of green economy in the modern tourist market in order to ensure tourism development that will be sustainable in the longer term.

In the paper was applied adequate qualitative methodology such as: the methods of analysis and synthesis, inductive and deductive, descriptive and comparative methods. For understanding the genesis of the formation and development of the concept of green economy and green business as well as the concept of sustainable tourism development, in addition to the above, the historical method was used.

### **Evolution of the ecological („green“) awareness as assumption of sustainable tourism development**

The extent of tourist activities in not only local and regional, but global environmental issues worldwide is found considerable, particularly if you take into consideration „an enormous consumption of energy needed for the achievement of mobility motivated by reasons of leisure and tourism itself“. The given constation can be substantiated by the results of the

research conducted at the World Watch Institute which are presented in the report entitled „The Global Situation“ in the year of 2000, where „dramatic hints of an increase in the environmental devastation“ are being apostrophed.

There has been a significant increase in melting of the Antarctic ice layer, with coral cliffs breaking off and extinction of several plant and animal species. The ice cap stretching over the Antarctic has been flattened by 42% in only 50 years' time. Consequently, there remains the question: for how much longer will tourists be able to admire powerful ice cubes spreading over the surface of the Antarctic? (Müller, 2004).

The protection and improvement of human environment is an important issue mankind faces in the early 21st century, due to which the development of a new attitude towards nature and human environment is turning into one of imperatives of the modern society. In order to enable green economy to be implemented in practice, it is very important to raise the state of awareness of local inhabitants and the modern society as a whole, as regards the natural human environment and its significance and role in enhancing not only the life quality, but maintaining the survival of a contemporary man as well.

As Hirsch (1993, p. 174) pointed out, ecological awareness includes the following four viewpoints:

- Nature experience and a sense of stewardship towards nature.
- Ecological knowledge.
- Ecologically oriented ethics.
- Decisions about environmentally relevant behavior.

The development of ecological awareness has introduced some changes in the consumption mentality. „A classic consumption is replaced with the consumption of mainly environmental friendly and “ethical” products. These changes in the mentality of a contemporary man's consumption are designated as the green consumption” (Stojanović, 2006, p. 216).

Under the influence of the developing concept of green economy and consumption in tourism sectors, after the period of mass tourism domination which was characteristic for the second half of the 20th century, the beginning of the 21st century was marked by tourist travels directed towards new „green“ destinations based on ecological awareness.

## **The basic characteristics of the sustainable tourist development**

After the Second World War, tourism experienced continued expansion, which contributed to the growth in revenue from tourism from the initial \$ 2.1 billion to the incredible \$ 473.3 billion in the year of 2000. At the same period, there was an increase up to the number of 661.8 million of tourists.

The growth in tourism turnover has been influenced by an extensive number of factors, out of which the most important ones are the following: a rise in social welfare (in a form of increased incomes), a reduction in the working hours and increase in leisure time, rapid industrialization and urban centers' development, along with a technological development in the sphere of traffic activities. Therefore, travels have turned into an inherent social rule which contributes to the cultural identity of each tourist, owing to which "escapism motives" have been strengthened (Theim, 1994).

An achieved boom in tourism in the post war period has had negative effects on the environment, primarily because of the irrational use of natural resources. Expansion of tourist travels and usage of natural resources in the function of enhancement of tourist offers and growth in tourism have led to factual overuse of natural resources, the environmental pollution and eventual threats to natural heritage.

According to Hahn (Hahn, P., 1989), there are four fundamental categories of a negative impact of mass tourism on the nature and environment. They are:

1. mechanical influences – performances (soil compaction, upper layer stiffening and soil erosion, vegetation destruction),
2. intensive agricultural land use intenzivno korišćenje površina (land consumption and introducing changes into the general features of the areas),
3. the release of hazardous substances into the air, soil and water (by means of burning up engine fuels, gas evaporation, chemical spills and leaks, wastes),
4. disturbing influences – performances (noise or odours).

Tourism is now one of the five largest export industries in over 150 countries, while in 60 countries it is the number one export. For 1/3 of developing countries and of 1/2 the least developed countries, tourism is

the main source of foreign exchange. According to long-term forecasts of the World Tourism Organization, tourist arrivals should increase at a rate of 3.3 % per year over the next two decades, from 2010 to 2030. During this period, the growth rate will gradually decline from 3.8 % in 2012 to 2.9 % in 2030. In absolute terms, in 2020 it is expected a total of 1.4 million tourist arrivals by 2030 that number should reach a value of up to 1.8 million tourists.

As one of the most propulsive industrial branches with significant economic results, tourism has an important ecological responsibility owing to which what is being more frequently analysed nowadays is so-called ecological dimension of tourism in the function of the entire sustainable development.

Tourism has numerous economic and social functions and the ability to influence the development of other economic activities (Pejanović et al., 2014, p. 488). Timely planning tourism development is the single most important step to prevent possible damage along with a gradual degradation of environmental values which are particularly significant for tourism. Current negative influences of tourist activities on the environment quality are caused by a scarce implementation of planning and construction regulations, by lack of the infrastructure intended for wastewater treatment and uncontrollable disposal of wastes, along with the inefficient management of natural resources in protected areas.

The achieved results along with the further projected tourism growth demonstrate the necessity for a strategic management in tourism sectors, primarily when it comes to controlling further tourism growth for the purpose of providing sustainable tourism development.

The tourism industry also faces a multitude of significant sustainability-related challenges. Specific challenges that need to be resolved through the greening of the industry include:

1. energy and greenhouse gas (GHG) emissions;
2. water consumption;
3. waste management;
4. loss of biological diversity;
5. effective management of built and cultural heritage; and
6. planning and governance (UNEP& UNWTO, 2012).

One of the preconditions for tourism development is a healthy natural and human environment, which is also implicated in the concept of sustainable development. In the context of achieving sustainable and

responsible development for the purpose of maintaining the environment as a resource of tourist products, it is the concept of sustainable tourism development that is domineering nowadays and it refers to a tourism development which satisfies the needs of current tourists, tourist destinations and all tourism participants, while simultaneously maintaining and increasing potentials for the use of tourism resources in the future, without jeopardizing the prospects of the future generations to meet their own demands.

The Swiss scientist Jost Krippendorf, one of the founders of The Research Institute for Leisure and Tourism, University of Bern, played a considerable role in the creation and elaboration of a concept of sustainable tourism development. Krippendorf criticized negative impacts on the environment and culturalhistorical heritage caused by mass (“uncontrollable”) tourism consumption after the Second World War. What he emphasized in his lectures, scientific papers and research was the importance of appreciation of an ecological component, i.e. the importance of an ecological dimension in all of the human activities, particularly tourist activities. Krippendorf pointed out the necessity for holistic and multidimensional approach to the comprehension of essential points of tourist activities. He was one of the first scientists in the early 1970s who claimed that tourism is not a “simple” onesided activity determined exclusively by economic logic and meeting the needs of tourists, but he also underlined that tourism is a complex socialeconomical activity affected by a number of factors (Krippendorf, J., 1992).

The scientists<sup>3</sup> at The Research Institute for Leisure and Tourism, University of Bern, paid special attention to examining nature and a relationship between nature and tourism. As a result of the research, it has been concluded that the central position in the highly positioned tourism (or quality tourism, as they used to name it) is given to intact nature and impressive areas. In addition, it has been stated that in the near future there will not be any further changes, for “the future belongs to the places intended for a vacation where nature is intact, and areas – landscapes are clean”.

Based on the analysis of a survey conducted during one of numerous research programmes, it is established that 90% of the Swiss believe that

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3 Müller, H.R., Landes, A., Scheurer, R., Egger, M., Kramer, B., Ferrante, C., Menzel, C. i drugi.

“diverse and intact nature” has an important or very important role and is of a great significance for tourism. Nature is what is being sold in tourism, which means that free goods such as areas, water, air or silence are being commercialized. Therefore, the conclusion of the abovementioned group of authors is directed to the fact that nature is of a supreme significance for an overall tourist activity (Müller, H.R., Landes, A., Scheurer, R., 2001).

Herman E. Daly’s research indicates the issues of unrenewable natural resources along with underlying the importance of harmonisation as regards relations between the key ecological and economic goals in the context of sustainable development. Investments cannot be made in the unrenewable resources, but their consumption can be organized in such a manner so that it can lead to an increase in the inflow of direct, passive investments in renewable resources. In Daly’s opinion, sustainable development refers to the increase in overall ecological-economic performances, presenting a relation between achieved results of human labour per unit costs in natural resources. In that context, „sustainable tourism growth could be mentioned, only if each franc/euro of value added earned from tourism (or shall we put it this way: every additional overnight stay) – would help reduce pollution levels in our environment (that is, less consumption of energy), then it was before“ (Daly E.H., 1999).

In the middle of sustainable tourism development there is a „magical fiveangled pyramid“ the basic points of which are the following:

1. Material welfare: income, values creation, disparity reduction, etc.
2. The subjective feeling of satisfaction: individuality, freedom, selfrealization, cultural identity, adaptability, etc.
3. A high level of tourist satisfaction: providing the optimal solutions to satisfy the diverse needs of guests, customer segmentation, etc.
4. Nature and natural resources protection: biodiversification, natural resources protection, landscape diversity, etc.
5. Cultural diversity: cultural creation, fostering domestic cultural activities, the protection of cultural goods, hospitality, etc.

In order to provide longterm tourism development, i.e. in order to provide sustainable tourism development, production costs in tourism have to be oriented, in terms of quantity and quality, towards an increase in the values and possibilities for the natural and cultural adjustment.

By achieving significant economic effects through the use of natural resources and human environment, tourism has an economic interest in protecting the resources from their degradation or devastation. Namely, “demands for environmental protection and achievement of tourism development cannot be fulfilled separately. In order to become economically sustainable, tourism has to be used in the function of a sustainable environment, whether it is the cultural or natural one. Tourism promotes proactive protection based on the rational and elaborated use of resources” (Milenković, S., 2009, p. 397).

Between tourism and human environment there is a mutual connection and the state of conditioning which needs to be analysed in order to get a better view of the concept and process of tourism sustainable development. That mutual influence and relation is complex and essentially bivalent. On the one hand, tourism has an interest in the environmental preservation since it uses its resources. Tourism economy can be jeopardized by environment degradation, which is affected by a range of factors. The following factors are emphasized as the most important ones:

- Global warming threatens the future of tourism not only in the coastal states (due to sea level rise), but in the mountain areas as well – ski resorts as well (due to snow melting).
- Loss of biodiversity and appeal of geographical areas due to the abundant, uncontrollable construction.
- Pollution of drinking water areas and bathing water or the lack of water causes damage, and in some cases it turns into a limiting factor in tourism sectors.
- Local air pollution connected to the great urbanization can divert tourist attention from a specific destination.

On the other hand, we can indicate the following factors as the key natural resources that tourism uses and jeopardizes to a certain degree:

- Drinking water – due to its over use by tourist industry users such as hotels, swimming pools, golf playgrounds, etc. (Each tourist spends an average of more than 200 litres a day).
- Soil and landscapes – tourism development can cause land devastation and degradation, whereas roads and airports construction can lead towards loss and degradation of native plant and animal habitats, and violations of regions physiognomy.

- Sea resources – are susceptible to degradation or destruction due to underwater activities (it applies not only to living organisms, but underwater archaeological sites as well).
- Atmosphere – is threatened by a high level of the use of energents in the hotels and other accommodation facilities along with transportation means used by tourists, primarily their personal cars.
- Local resources (energy, food, water, etc.) – the use of which in tourism sectors can lead to its lack, i.e. needs for its import (Premović, J., 2015, p.19).

Therefore, the green business is necessary in the tourism company. Tourism economy has an inherent interest in the protection of natural and cultural resources which are considered to be the essence of its activities. Also, it possesses means for achieving this goal. As the greatest world industrial branch, tourism has a moral responsibility to take on a leadership role in the transition towards sustainable development. At the same time, it declares its own interest in this matter. A product shaped and sold by means of intact tourism completely relies on clean seas, intact mountain slopes, unpolluted water, litter free streets, well preserved buildings, archeological sites and diverse cultural tradition. Actual benefits stem from maintaining the sustainability of overall tourism (Adopted based on: Agenda 21 for tourism, IUCN, UNEP, WWF, Caring for the Earth).

It can be concluded that the modern tourist market „environment friendly tourism development involves the protection and conservation of nature (dumps, illegal construction, architecture and construction materials) that keeps getting energy resources, protection of the negative impact of noise and social awareness of responsibility. These negative impacts are not only a product of operators on the supply side, it is not the responsibility only on them, but also users of services and tourism must respect the eco principles (Vujović, Milanović, & Mrkalj, 2009, p. 65).

### **Green economy application in Serbia**

The consequences of global climate change; extreme weather and climatic events in global community, and so well in the Republic of Serbia could have a great impact on planned implementation of sustainable development. Economic consequences of extreme weather normally occur through losses in primary production inputs: human resources,

physical capital, infrastructure, land endowments and productivity (Radović, Pejanović & Marinčić, 2015, p. 182).

One of the key strategic national goals of the Republic of Serbia is the completion of the European integration (EU) process and rightful membership within the EU, since the Republic of Serbia made an EU membership application in December, 2009, and the statues of potential candidates for membership expired in March, 2012. In order to realize this strategic goal, the Republic of Serbia was committed to meeting numerous demands even when it comes to the field of „economy greening“ and sustainable socioeconomic development as a whole. In that context, strategic directions towards the green economy development in the Republic of Serbia are the following:

1. harmonization of the social and economic development with the UN policies in the field of the efficient use of natural resources and development accompanied by low gas emissions along with the greenhouse effects
2. improving social inclusion and reduction in poverty
3. strengthening and providing support to the sectors of environment
4. defining longterm institutional and financial framework as providing support to the sustainable development
5. promoting subregional cooperation (National report „Rio+20“, 2012).

Positive examples of the green economy application in the Republic of Serbia are classified into two major groups within „The study on achievements and perspectives on the pathway towards green economy and sustainable growth in the Republic of Serbia“. The groups are: sustainable tourism in the Republic of Serbia, cleaner production and responsible business and financing.

### **Rural development and Serbian sustainable rural tourism**

Sustainable rural development is the base for economic development acceleration of each rural area, by direct influence on environment improvement and standard of population (Radosavac & Premović, 2012, pp. 1303-1304).

Key assumption for rural development and especially for rural tourism development is nature, respectively, favorable natural and demographic conditions. Rural tourism has a plethora of definitions, but the common element of the most of them is that rural tourism represents every tourism

activity that takes place in rural areas (Adopted based on: Košić et al., 2015, p. 977).

With regard that sustainable tourism depends on the geographical physiognomy of rural areas and given the fact that over 80% of Serbia's territory belongs to the rural area with approximately 55% of the country's population, these are obviously comparative advantages for the development of this form of tourism in Serbia.

Nowadays there are a lot of ways of tourism in the rural areas (home, hunt, fishing, adventurous, agro-tourism, religious etc.). The base of all of mentioned kinds of tourism is the rural areas (Vujović et al., 2012, p. 1889).

The rural areas of Serbia are characterized by a high degree of differentiation in terms of size and morphology of the settlement, the natural conditions and infrastructure. This differentiation is sustaining on the plan of social development, demographic trends, economic development, quality of life, environmental and other characteristics.

In addition to the intense differences between the rural areas of Serbia, what they have in common, unfortunately, is „dying“ villages due to large migrations from rural to urban areas... As a result of migration from rural to urban areas, there is a so-called „depopulation“ of the village. Not only from the village leaving the working age population, thereby reducing the available workforce, but leaving young professionals and educated people that their knowledge could affect economic development and improving the current situation ...Therefore, in solving the existing problems must start from the rural development policy and strategy formulation, but also from the lowest level - the level of rural municipalities. Using the appropriate instrument for stimulating local economic development, directly affects the rural development and development of the country as a whole (Pejanović & Njegovan, 2011, pp. 9-11).

Based on the data from the archives of the tourist association in the late eighties, rural tourism in Serbia engaged in 50 villages with approximately 3,000 beds in 800 households to that number almost doubled in 2005. Although there are no official statistics on the total supply of rural tourism in Serbia, according to the local tourist organizations, Serbia today has 10,567 beds in rural households, assuming that it is still 32,747 could be used for the needs of rural tourism. The total number of actual service providers in rural tourism in

Serbia the largest houses in the village which has 320, accounting for 65.31 % of the total number of properties. According to estimates by the Serbian Tourist Organization, rural tourism supports more than 10,000 beds and an average within the rural tourism takes place about 6 % of the total number of overnight stays in the Republic. It is estimated that the total number of beds annually generates approximately 5 billion and contributes significantly to higher direct revenues in the tourism sector (Cvijanović, Vuković & Kljajić, 2011, p. 15).

Taking into account the results of various studies that have been carried out in the country and the region, it can be assumed that for every eight new tourists to rural areas in Serbia a new direct job position is generated, additionally each 25 daily visitors present an opportunity for a new direct job position. Based on 10 years projections made on creating new jobs in Serbia arising from rural tourism that were made for the purpose of the Master Plan for sustainable development of rural tourism in Serbia, is expected to create realistic presumptions for as much as 250,000 new jobs in rural areas. Rural tourism is therefore emerging as a real possibility of development of rural areas and as an element of a better utilization of the comparative advantages of rural areas in Serbia.

Serbia general, and particularly Serbian rural areas have a variety of ecosystems with well preserved biodiversity. Therefore, it is necessary ecological approach to daily life activities (Pejanović & Njegovan, 2011, p. 11).

In identifying real opportunities for activation of rural areas and their placement in the function of encouraging sustainable rural tourism in Serbia and local economic development, an important role must be handed over to local communities in these areas, primarily raising awareness and educating local rural population about the cultural, historical and natural attractions of the rural communities in which they live. Local municipalities, but also individuals in them are becoming increasingly important factors for success and effectiveness of rural development policy (Pejanović & Njegovan, 2011, p. 9).

Practice has shown that the financial instruments are an extremely important tool for stimulating local economic development, and therefore Rural Development (Pejanović & Njegovan, 2011, p. 15). Through the use of various financial instruments, such as financial assistance programs through micro-credit, guarantees, loans, various funds and instruments of public finance, self-taxation, public administration, foreign direct

investment, international donations etc., can be influenced by the local economic development of rural areas, and thus indirectly on the economic development of Serbia overwhole.

In order to rural areas of Serbia could realize all the distinctive challenges of tourism development, must comply with accepted systems of standardization and product quality in rural tourism, as well as at each position, with ratified certificates, to allow unimpeded growth and development of tourism as an integral part of the economic system (Milenković & Utvić, 2013, pp. 75).

Based on the research of basic characteristics of sustainable tourism and rural areas of Serbia, as the most important benefits of sustainable rural tourism are seen to be following:

- protection and preservation of natural, cultural, national and historical heritage
- keeping the local population in rural area and prevention of migration to urban areas
- development of related economic and non-economic activities, primarily agriculture and services
- an increase of employment of the local population
- increase in income (and/or additional opportunities for income)
- sustainable rural development and sustainable economic development of Serbia as a whole.

## **Conclusion**

Sustainable rural tourism, as a result of green economy application, according to the UNDP and UNWTO, makes a larger contribution to gross domestic product growth as well as significant environmental benefits includes reductions in water consumption (18%), energy use (44%) and CO<sub>2</sub> emissions (52%). Increasing the involvement of local rural communities, in the tourism value chain can, therefore, contribute to the poverty reduction and sustainable rural development.

By analyzing the green economy and its application in the field of tourism activity, can be concluded that for the development of rural tourism and for achievement of the sustainable tourism development, it is necessary to establish cooperation between all participants in the socio-economic life

that are considered relevant for scaling, creating and conducting tourism activities.

In accordance with this, the goal of green business should be the protection of the environment. Numerous studies show that many of the measures implemented to protect the environment are not complex and expensive and may contribute to a better market (increasing market share) and financial (reducing costs, increasing profit) result of tourism entities. Satisfied guests and employees, this represents a non-profit that is sometimes more important than the material.

The application of green economy in Serbia primarily assumes improvement in the environmental field. In order to achieve progress towards a green economy, it is necessary to significantly increase investments in infrastructure for sustainable environmental development. This includes the strengthening of strategic planning in the field of environment and its implementation, capacity building, development of an integrated information system and the sustainable use and management of natural resources with the cutback emissions.

The development of environmental awareness and ecological culture of modern tourists, local residents, but also for tourism staff have a key role in the function of nature protection and improvement of environment and quality of life. Raising awareness about the necessity of applying basic environmental standards in business and applying the concept of green economy in Serbia tourism industry, it is rational use and conservation of natural resources.

Currently, environmental awareness and practical activities in the field of environmental protection are not at a satisfactory level (Pejanović & Njegovan, 2011, p. 11). Therefore, they need to be increased. Research that is on Serbian territory enforced by the ministry responsible for tourism have shown that the key of success of rural tourism development should be sought in the optimal utilization of the potential of rural areas, active effort, modern approach, quality staff and managers, and good use of known instruments of stimulating local economic development.

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# THE ROLE OF CSR IN THE DEVELOPMENT OF SUSTAINABLE TOURISM IN SERBIA

*Marija Mandarić<sup>1</sup>; Vesna Milovanović<sup>2</sup>;*

## Abstract

*Corporate social responsibility (CSR) is a strategy of companies to achieve competitive advantage through reducing a negative impact of their business on the society and environment. In contemporary highly polluted environment, increasing number of customers insist on products and services that are not threatening the natural environment. There are companies in Serbia ready to support the society and development of domestic tourism through CSR programs. CSR strategy becomes successful, sustainable and profitable only when it is in lockstep with a company's business model. Therefore, companies need to consider the influence of CSR strategy on their business performances and choose the one which brings the greatest benefit. The responsibility of a company towards environment strengthens its reputation, increases the value of corporate brand and ensures long-term sustainable development. The aim of this paper is to highlight examples of CSR approach of Serbian companies, especially hotels, and the impact on sustainable tourism development.*

**Keywords:** *CSR, tourism, brand, quality, hotels*

## Introduction

Achieving competitive advantage in contemporary market conditions no longer depends solely on product/service quality and costs, but also on company's impact on wider community and natural environment. Intensive competition, together with legislation and powerful NGOs, increases bargaining power of customers who value more socially

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1 Marija Mandarić, Ph.D., Assistant Professor, University of Kragujevac, Faculty of Hotel Management and Tourism in Vrnjačka Banja, Vojvođanska 5A, Vrnjačka Banja 36210, Serbia, + 381-36-515-00-24, mmandaric@kg.ac.rs

2 Vesna Milovanović, M.Sc., Teaching Assistant, University of Kragujevac, Faculty of Hotel Management and Tourism in Vrnjačka Banja, Vojvođanska 5A, Vrnjačka Banja 36210, Serbia, + 381-36-515-00-24, vesna.milovanovic@kg.ac.rs

responsible businesses. Companies therefore should question their influence on local community and natural environment, and take the responsibility for such influence. The concept of corporate social responsibility (CSR) in the field of management represents companies' aspiration to ensure competitiveness through reducing a negative impact on society and environment, solving the existing problems which might not be necessarily caused by their activities, and creating a positive impact. Resource-based theory suggests that the environmental protection can help ensuring sustainable competitive advantages. Sustainable development nowadays attracts a special attention of companies and communities. The European Union puts a great emphasis on sustainable development, striving to integrate and reconcile the economic, social, and environmental dimensions of sustainability in its sustainable strategy. In the hotel industry, sustainability plays a key role among corporate travelers, a third of whom look for hotels that are environmentally conscious.

Ignoring environmental issues causes harmfulness which is reflected in increasing sea level, climate change, air pollution, species extinction and lack of resources. Quality management movement provides great help for solving environmental problems and reducing hazards from harmful products. The main goal of this movement is to enable companies to deliver high quality goods in the shortest possible time to market, at minimum cost, and in a manner that emphasizes human dignity, work satisfaction, and mutual and long-term loyalty between the organization and its stakeholders (Gazzola & Pellicelli, 2009). CSR is perceived as a natural progression for those organizations that have already begun their “quality journey” (Hazlett et al. 2007).

A sustainable tourism is a paradox, because sustainable refers to the preservation of natural environment, while tourism development aims at raising profit from increasing tourist turnover which usually destroys the natural environment. Negative externalities associated with tourism development include solid waste, water consumption, electricity usage, CO<sub>2</sub> emission, etc. However, it is possible to develop tourism not at expense of natural environment by deploying CSR strategies. Priority fields in CSR approach for companies within tourism industry concern limiting usage of scarce resources and increasing usage of renewable ones, altogether with recycling and limiting the amount of gas emissions, dirty waters and quantity of solid waste. This is of crucial importance for tourism development, since it is based on the principle of sustainability.

Without protection of natural resources, tourism industry cannot sustain. Sustainable development aims to establish the balance between economic development on one side, and social and environmental development on the other side.

### **The concept of CSR and its strategic importance**

CSR is a relatively recent phenomenon which gained in significance in 1980s (Kok et al. 2001). The main reason for increasing popularity of this concept is constantly growing competition due to markets liberalization and thus, globalization of businesses. It means that almost every company is exposed to international competition, even if it operates solely within boundaries of its domestic market (Milovanović, 2009). CSR means commitment to ethical and transparent business actions for the “common good” and avoidance of harm to humans and nature (Campbell, 2007).

The World Business Council for Sustainable Development (2001) defines CSR as “the commitment of business to contribute to sustainable economic development, working with employees, their families and the local communities”. The aim of CSR approach is to ensure everybody a decent life without damaging the ecological system so that the survival of future generations is endangered (Garvare & Isaksson 2005). European Commission (2001) defines CSR as „a concept where companies integrate social and environmental concerns in their business operations on a voluntary basis by going beyond compliance and investing more into human resources, the environment and their relations with stakeholders“. Corporate social responsibility is also defined as a long-term social contract between an organization and the surrounding communities (Kreng & May-Yao, 2011). Moreover, some authors (McWilliams et al., 2006) find that CSR may be strategic (if a company wants to achieve marketing effects by CSR activities), altruistic (if companies really care about environmental and social problems), or coerced (if a company is forced to exercise CSR activities).

With the development of mass tourism there has been uncontrolled exploitation of natural resources, which are primarily reflected in the decline in the ability to restore them (Milićević et al., 2013). Aspiration for enormous profits, under conditions of strong competition and growing production, often leads to excessive and irrational use of renewable and nonrenewable resources, rising the need of forming various associations and organizations aimed at preserving the living environment, in order to

achieve a balance between economic and environmental objectives. The development that meets the needs of present generations without compromising the ability of future generations to meet their own needs is called sustainable development which is the result of congruence of economic, environmental and social objectives in the long term (Stojković & Leković, 2016).

In the theory of CSR, companies are seen as determinants of social prosperity. It means that differences in the quality of life among countries may be explained by differences in quality of their companies and institutions. Modern business scope includes orientation towards all stakeholders, leading to win-win solutions, trust and transparency (Zwetsloot & Marrewijk, 2004). Instead of maximizing the shareholders value, the focus is now moved to satisfying the stakeholders' expectations (Moir, 2001). Provided that stakeholders are becoming aware of numerous problems that are the consequence of economic activity (pollution, resource excessive usage, workforce exploitation, nature degradation, etc) and start demanding the responsibility from companies, CSR is not a choice any more but a necessity. Media and NGOs play an important role in raising the awareness about this issue among public, provoking customer responses through demand function and encouraging authorities to include social responsibility into the law (Harrison & Freeman, 1999). However, although it seems to be a pressure for companies, they can well benefit from their CSR activities. This is reflected in strengthening the brand and corporate image, increasing external and internal customer satisfaction and loyalty, reducing costs, increasing attractiveness for investors (Đorđević et al. 2009). At the end, it leads to profit creation and gaining the competitive advantage.

Carroll (2000) has proposed four dimensions of CSR: economic, legal, ethical and philanthropic. Economic dimension stands for a company's responsibility towards its stakeholders regarding the operating efficiency, profitability, competitiveness, and the other economic goals accomplishment. This refers to wealth creation for shareholders, on-time payment to employees, suppliers, shareholders and creditors, on-time delivery of quality goods and services to customers etc. This economic dimension of CSR ensures sustainable development of the company and satisfaction of its stakeholders. Regarding the legal CSR, it represents the extent to which company respects the rules and regulations established by the lawmakers. Being responsible in this context ensures the company operates according to the law and it does not risk to be closed or

punished. Ethical responsibility is related to a company's fairness and justness beyond its legal obligation, such as being moral, doing what is considered to be right, just, and fair in the surrounding community. The fourth dimension of philanthropic responsibility refers to the voluntary service and giving. This dimension is perhaps the most sensitive CSR strategy, as it does not mean investment in new technologies, cost-cutting, quality improvement, employee and customer satisfaction, so it is often a subject to the conflict of interests among the stakeholders. Philanthropic activities challenge the primary goal of any company which is profit maximization, and thus they are contradictory to the shareholders' goals.

The care for community and natural environment is often perceived as a part of Total Quality Management (Milovanović, 2014b), a management philosophy that seeks to integrate all organizational functions to focus on meeting customer needs and organizational objectives in order to ensure competitiveness and sustainable development. Philosophy of TQM broadens prior notions of quality in that it includes consideration of continuous business processes improvement, customer orientation, employee and supplier management, altogether with environment preservation and community orientation (Milovanović, 2014a).

Development of TQM concept indicates that quality can be evaluated also by the other stakeholders besides customers. Having this in mind, companies have been increasing their concern about employees, shareholders, customers, suppliers, local communities and especially about the natural environment. By fostering the relationship with stakeholders and showing the care for environment a company differentiates from the competition and enjoys a good reputation. This has served as a powerful tool in the time of recent financial and economic crisis when there was no many other means available for the market battle. International standards for quality management – ISO 9000 are based on the TQM philosophy and the latests version of these includes CSR as an integrated part of management system. It means that every company willing to introduce these standards must practice CSR.

Social and environmental goals are complex and refer to security of people, education, hiring, economic development, ecology, ecosystem protection. CSR strategy considers investment in some of these fields not as a cost, but rather as the future benefit. International standard for corporate social responsibility implementation ISO 26000 contains seven principles: responsibility, transparency, ethical behavior, respecting the

stakeholders, respecting the law, respecting the international codes of conduct, and respecting the peoples' rights.

Today, there is no longer a question “whether” but “how” to combine the principles of social responsibility with profit generation (Epstein & Roy, 2001). A company can choose from a plenty of activities to help solving problems in society and environment. As it is not possible to resolve all the problems, there emerges a need to select the optimal activities. CSR strategy is indeed a deliberate choice of activities that enable the organization to benefit from them as well. This approach is known as strategic corporate social responsibility and it states that a company should choose the activity which will earn the greatest benefit for the company itself. In this way, when company also benefits from its CSR activities, the CSR approach is going to be sustainable over time. In case the company only gives, but receives nothing, it is just a question of time when it is going to abandon CSR approach. It is therefore necessary to consider the influence of each CSR strategy to company's performance and choose the best one. CSR strategy becomes successful, sustainable and profitable when it is in lockstep with a company business model.

Investments in socially responsible activities have to be considered in the form of company financial performance (CFP), because if they do not enhance a firm's bottom line, such investments may not be considered sustainable in a long run. Corporate financial performance can be evaluated through accounting-based measures and market based measures to reflect the short-term profitability and market evaluation of future profitability. For instance, accounting-based measurement tool, ROA (return on assets) shows a company's short-term profitability and the contribution of certain resources allocation to the current profits, while the market-based measures (Tobin's q) indicate the investors evaluation of company's capability to create future profits.

The effect of CSR activities on financial performance was the subject of numerous researches. Results were different – some have proven the positive and other the negative relation between mentioned variables. The results vary considerably from sector to sector due to sector-specific variables. Because each industry faces unique social interests and issues based on internal and external environments, financial returns from investment in a certain dimension of CSR activity may differ depending on the specific industry.

CSR strategy becomes successful, sustainable and profitable when it is in lockstep with a company business model. Having this in mind, it can be concluded that hotel companies may gain benefit through their community involvement because of the great dependency between their operations and local communities (availability of human resources, local demands, suppliers, attractiveness of the destination). Community dimension of CSR would likely help hotel companies to increase both operational efficiency and competitive advantages, leading to high short-term profitability and positive market evaluations of future profitability.

Depending on the degree of connectedness between a firm's business operation and a given social issue, Porter and Kramer (2006) differentiate between strategic and responsive CSR. Strategic CSR refers to those activities addressed at social issues which are closely connected to company's operational contexts, thus enabling the company to generate competitive advantages. On the other hand, responsive CSR represents corporate actions designed to improve indirectly-related social issues and are less likely to have a positive effect on company's performance. It is necessary that the company analysis societal and environmental problems and its own capabilities in order to undertake the right activities. More precisely, the company should concentrate on such problems it is equipped to help resolve and also from which it can gain the greatest competitive advantage. That is a way to harmonize the interests of different stakeholders. Characteristics, mission and values of the company must be considered, its location and environment. Socially responsible communication is very important for gaining the respect and trust among employees, local community, and especially customers.

Strategic approaches to CSR are still in their infancy. It must be understood that the company cannot become socially responsible overnight since time is needed to engage stakeholders and develop a sound CSR strategy. Companies must balance their CSR programs against profitability in order to sustain their survival.

### **CSR and the Green brands**

The construction of high-value brand makes a number of benefits to consumers and thus generates substantial financial returns for company. The value of the brand is perceived differently from the perspective of the company and the consumer. Creating and delivering superior value brand for consumers, resulting in increasing the value of the brand and increase

stock price of the company, and therefore it is justified to a great interest of companies to manage the value of the brand in the long term. In order to development of long-term brand and good relationships with consumers, companies implement concepts of Corporate Social Responsibility (CRS) and sets new environmental standards. The concept of CRS and environmental awareness more and more companies are adopting as part of business policy, according to whose principles guided the business. Responsibility of the company towards the environment strengthens the company's reputation, increase brand equity and provides a sustainable development in the long term. The understanding of CRS contributes to development of new green brands. Green brands and CRS concept enable the growth of satisfaction and loyalty of consumers toward a company, directly implying the improvement of financial performances in business (Mandarić & Sekulić, 2012).

Recent years in the theory and practice of Corporate Social Responsibility is increasingly associated with the operations of successful companies. In developed countries, the issue of corporate social responsibility is actual for several decades, but the interest in CRS in Serbia is recent. The idea of CRS as an important segment comes to Serbia, after the democratic changes in 2000s, after arrival of large foreign companies. Today, more than one decade later, the main promoters of corporate social responsibility on the Serbian market are still large multinational companies, while the number of domestic companies that pay serious attention to this segment is still very small.

Corporate social responsibility, as a segment of the overall social responsibility, is increasingly considered an indispensable condition of the business. Without their fulfilment in the future there will be no safe market performance, or sustainable development, as seen in the micro and macro aspect. CRS allows the company to improve a corporate image in a manner that promotes the current portfolio of brands, providing acquisition and preservation of competitive advantage and contributes to the loyal customers.

By creating and delivering superior brand value to customers, the company ensures the growth of brand value, which reflects the favorable profit performance and the market value of the company. Brand value should be higher than the company's long-term investment in the creation and development of the brand (Mandarić & Petković, 2015). Perceiving the brand as a potential source of competitive advantage, businesses are

finding new ways to promote their products and services and create brand. Evaluation of the brand, significantly affects the market value of the company. The growing interest of businessmen from year to year, attests to the fact that the brand has become one of the main tools for positioning the company in the market and fight for the loyalty and trust of consumers.

Total Corporate Brand Responsibility (TCBR) is a new term which has been introduced for the overall corporate responsibility of brand management process. All companies which want to "survive" and thrive long term, need to understand and support the concept of TCBR. "Sustainability" requires a real change in organizations, which should be implemented within a reasonable timeframe. TBCR should be supported by top management, and in practice most often manifests itself through the company's philosophy towards the environment, employees, community and ethical issues. Fully responsible companies are those that are loyal and dedicated to a brand or market, but loyal and devoted to society as a whole (Mandarić & Sekulić, 2012).

Corporate Social Responsibility, as a segment of the overall social responsibility, is increasingly considered as an indispensable condition of business, without their fulfillment in the future there will be no secure market performance, nor sustainable development, seen from the micro and macro aspect. Improvement of the corporate social responsibility allows the company to build the corporate image, in a manner that promotes the existing portfolio of brands, provides the acquisition and preservation of competitive advantages, and preserve a loyal consumer. All companies that want to "survive" and prosper in the long run, they must understand and support this concept.

Assessment of brand value, significantly affect the market value of the company. The big difference between the book value and the market price (in favour of the market price) is usually attributed to the high value of brands owned by the company. A company, that is able to create a brand of high value, is in a position to achieve sustainable growth and development in the long term. Building brand value is the first step in the process of brand management value. Companies must constantly search for the source of added value that offers consumers some benefits that go beyond the expected functional use of the product. Corporate social business and create green brands can be an important source of value-added brands to consumers. Create superior value for the consumers,

company builds high value brand and achieve high market price. In this way, the company can differentiate itself from other competitors in the industry and significantly increase its market value.

In the past, sustainable development is observed exclusively in terms of the protection of the living environment and the social development planning. Today, the concept of sustainable development a broader context, and in addition to being a component of economic and social development, is strongly reflected in the activities of marketing. Sustainable development concept in marketing is a new development paradigm and modern economic development strategy. Promotion of sustainable marketing and brand management is used to maximize socio-economic benefits and minimizing environmental impact. In recent years, in response to unsustainable development of mass marketing, there are tendencies that further development of marketing adapts to the existing eco-system and economic crisis. Established on ecological principles, a new stage of sustainable development has developed on the "Green Marketing".

Eco-marketing or Environmental Marketing is a concept created in the early 20<sup>th</sup> century, but today is especially important. Eco-marketing creates awareness of the need to conserve natural resources and protect the living environment and the consumers and socially responsible companies. Contribute to the development of eco-marketing phenomenon is ISO 14020 (guidelines for eco-labelling), which are an integral part of the ISO 14000 series of standards.

Development of Green brands contributed to the rational consumption of resources, Sustainable Economic Development and the development of Sustainable Marketing. Green brands will bring higher profits due to: the reduction of other costs (less material required, lower costs for waste disposal and less harmful effects on the environment) and salary increases due to higher sales and exports. Consumer satisfaction is associated with responsible behaviour of the company which owns the brand and its relationship to society (Kapferer, 2007, p.23). In the context of developing awareness of the importance of social responsibility requirements are placed in front of brand management that continuously adjusts to changes in demand. During the global recession, it is necessary to formulate such a branding strategy that will ensure coordination between achieving competitive advantage in the market and the internal

capacity of the company, taking into account the principle of sustainable development.

### **CSR in the Serbian tourism industry**

There are numerous examples of CSR practices in the Serbian tourism industry (Milovanović & Milićević, 2012). The leading position in this approach have hotel companies, especially those belonging to international hotel chains. Many hotel chains such as Holiday Inn, Accor, Marriott, Hyatt, InterContinental, and others, have already accepted environmental standards and they are in much better position to make an upgrade for energy savings, recycling, water use and the relationship towards the local community. There are also domestic hotels which are very active in this field. Below are presented some examples of successful CSR strategies by hotel companies in Serbia.

InterContinental Hotels Group has implemented a "Green Engage" system for evaluation, management and reporting aiming at efficient use of energy, water, quantity of waste, as well as the impact on the local community. In the Belgrade Continental hotel gas and smoke emissions are controlled on daily basis. The hotel uses only non-toxic ecologic products in a form of concentrate for cleaning. In order to rationalize energy and water usage the hotel uses energy saving bulbs, and it turns off unnecessary light objects, and electric devices. Moreover, the hotel uses its own dump for technical water which quality is controlled once a month. On the regular basis hotel Continental recycles paper, plastics, glass, and all types of oil, metal, and technical waste. It classifies the natural waste for further processing and producing fertilizers. Hotel Continental regularly uses questionnaire and guest book to estimate guests satisfaction and determine their current and future needs in order to create an excellent offer. Practical training for students is also perceived as a part of CSR program.

One of big domestic hotels, hotel "Palas" has obtained award for its CSR activity. Namely, the hotel is being receiving a generations of students to conduct a professional practice. Today, many of students work in prestigious Serbian and international hotels on managing positions, and the best students got the opportunity to start their carrier in the hotel "Palas". Moreover, the hotel was acceded to distance heating and as a result it made workforce and energy savings. Another outcome are proud employees who are satisfied for contributing in this way to natural

environment protection. Chemicals used in this hotel must have security certificate, and inputs are preferred from domestic suppliers. The hotel cares about its employees, and insists on their permanent education.

Hyatt Regency Belgrade hotel has used new technologies to reduce energy usage, and it also has a paper recycling process for all printed materials. Housekeeping department uses microfiber cloth and aerosols which reduces chemicals consumption, and therefore reduces pollution of the natural environment. There are few CSR projects undertaken by this hotel concerning the community, employees and the environment. The hotel has conducted philanthropic activities to support UNICEF program “Violence Free Schools”. It has also organized entertaining and educational program for its employees to enhance a team spirit and mutual trust. This hotel also welcomes hospitality students to complete their university-required practical work there. The hotel offers a job to the best students, who will have the possibility to gain international experience through this chain. Another Hyatt CSR project included strategies for reducing energy and water consumption and curtailing emission of CO<sub>2</sub>, as well as solid waste by recycling programs.

Results of the research in changes of the CRS concept through measuring the impact of green components of hotels on customer satisfaction in the Republic of Serbia (Sekulić, Mandarić et al., 2014), which was conducted on a sample of 112 respondents, showed that the application of green business practices in the hotel industry, which is in line with the principles of environmental protection, positively effects customer satisfaction, the intention of the consumer to visit a green hotel, and to be happy to recommend to friends and acquaintances. However, consumers are not willing to pay a higher price of the service in this hotel. On the other hand, the Green Hotels by savings in the consumption of water, energy and reduction of solid waste, can significantly reduce their operating costs, so that the application of green business practices has a double positive effect: first, the customer satisfaction and customer loyalty; secondly, the reduction of operating costs, enabling services and lower prices in these hotels. Green attributes of the hotel affect the satisfaction of the users of hotel services, which implies a positive attitude towards green business practices applied by hotels in their operations, re-visit and recommending to others. Green hotel image is a powerful tool in attracting new guests and building their loyalty.

Green hotels are becoming increasingly important segment of the hotel industry in the world, while building green hotel in the Republic of Serbia, is very rare. Therefore, hotels can be based on the application of "green standards" in business, quickly and easily differentiated from domestic competition. Green business is a means to competition in the hotel business in the modern world. Care for the environment and future generations positively effects the attitude of guests towards these hotels, but also the business results. One must not ignore the significant cost savings, which is made by using green business principles. In order to develop a green hotel intensive education of consumers and hoteliers is required on the importance and benefits that green hotels can provide the wider community.

It is also possible to link city branding and corporate social responsibility. Example of good practice was developed through the application of "Telekom Srbija - Kragujevac talking". City branding is suggested as the appropriate way to describe and implement city marketing (Mandarić, 2015). City marketing application is largely dependent on the construction, communication and management of the city's image. Tourist Organization of Kragujevac follows the contemporary trends in the tourism market, innovates and applies information and communication technology, what contributes to the image of Kragujevac as urban tourist destination. On the other hand, Telekom is a company which, for the purpose of long-term development of its corporate brand and fostering good relations with customers, implement socially responsible concepts. Responsibility of the company towards the community strengthens the company's reputation, increases the value of the corporate brand and ensures sustainable development in the long term. In cooperation with Telekom Srbija there was created the application "Kragujevac story" thanks to which the visitors of the city, whose number is growing, will get to know the history of the former capital of Miloš Obrenović in which there are established the most important institutions of the modern Serbian state. Using a smart phone, tourists can see and hear it ticking "the heart of Serbia" by getting to know the culture and tradition of living in these areas.

City branding provides, on the one hand, the basis for developing policy to pursue economic development and, at the same time, it serves as a conduit for city residents to identify with their city. Interest in branding cities is growing, as there is expectation that strong city brands will increase opportunities for tourism and investment and "sell" cities as

great places in which to run businesses study and live. For companies supporting local society, this is a challenge as they attract a diversity of customers through the CRS project, support national economy and deliver a product/service which is personalized with the customer.

Like a number of modern management concepts, CSR has also being criticized as there is a lack of measurement of CSR performance. As a result, many companies claimed that they have adopted CSR approach, but it was only for marketing purposes, while indeed they did not practice any of CSR activities. CSR was therefore used in some cases as a manipulative tool to mislead the stakeholders. For that reason many scholars question the legitimacy of CSR. Companies must be as committed to CSR implementation as they are to marketing it, and to be transparent about the actual efforts put forth to achieve the results. Although companies within tourism industry have set a number of sustainability goals, such as reducing water usage, carbon dioxide emissions, electricity, etc, the majority of them are failing to effectively conduct the necessary performance based measurements essential to attaining these goals. Since CSR is a relatively new concept, it is natural to be imperfect. However, facing the pressure of stakeholders, companies will have less space for using CSR in manipulative purposes.

### **Conclusion**

Sustainable tourism refers to the preservation of natural environment, while tourism development aims at raising profit from increasing tourist turnover which usually destroys the natural environment. Priority fields in CSR approach for companies within tourism industry concern limiting usage of scarce resources and increasing usage of renewable ones, altogether with recycling and limiting the amount of gas emissions, dirty waters and quantity of solid waste. Without protection of natural resources, tourism industry cannot sustain. Sustainable development aims to establish the balance between economic development on one side, and social and environmental development on the other side.

International hotel chains present in Serbia have developed different projects to deal with environmental and social problems, as well as to improve relationships with clients and employees. Many local hotels in Serbia, which are smaller and not capable to be socially responsible to the large extent, also implement CSR practices, usually starting from improving the satisfaction of employees and clients, and providing

education assistance in hospitality area. This is the cheapest strategy, but very influential – satisfied employees improve the service quality and increase the job retention rate, directly influencing hiring and training costs, as well as customers' satisfaction and loyalty. Hotels capable of implementing programs for the efficient use of resources and minimizing pollution also experience lower costs in the future. Besides hotels, there are also various examples of CSR of other entities from the tourism industry in Serbia. City branding is an example of connecting ICT, CSR and promotion in tourism. Helping the local community to overcome problems leads to creation of trust and positive brand perception. This obviously increases the value of the hotel in the eyes of stakeholders, motivating them to stay loyal to the company and the new members to join.

Responsibility of the company towards the community strengthens the company's reputation, increases the value of the corporate brand and ensures sustainable development in the long term. The big difference between the book value and the market price (in favour of the market price) is usually attributed to the high value of brands owned by the company. A company, that is able to create a brand of high value, is in a position to achieve sustainable growth and development in the long term. Companies must constantly search for the source of added value that offers consumers some benefits that go beyond the expected functional use of the product. Corporate social business and create green brands can be an important source of value-added brands to consumers. In this way, the company can differentiate itself from other competitors in the industry and significantly increase its market value. Actions taken by the company, based on creating of green brands and the implementing CRS, are in function as incentives intent on purchasing and maintaining brand value.

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# INTELLECTUAL CAPITAL IN HOTEL COMPANIES

*Jasmina Ognjanović<sup>1</sup>*

## Abstract

*The value of modern enterprise is not based only on the physical and financial, but also on intellectual property. Intellectual capital, regardless of the type of activity, is an essential factor in the process of creating value in the companies and makes more than half of its market value. The main components of intellectual capital are human capital (knowledge, abilities, skills, experience of staff), structural capital (business culture, database, trademarks) and relational capital (reputation of the company, brand, and relationships with business partners). The service sector is becoming dominant in contemporary economies which raises the question of whether service companies use "force" of intellectual capital in order to create a better competitive position and high performance. The aim of the paper refers to the analyzing of importance and to a way of management with an intellectual capital in hotel companies.*

**Keywords:** *intellectual capital, services, hotel companies.*

## Introduction

Intellectual capital (hereinafter IC) in today's conditions is increasingly preoccupying the attention of managers, owners, investors and financial institutions. The reason is that this capital is identified as a key strategic resource and the primary source of value in companies since it is a capital based on knowledge or, as considered by Edvinsson (1997), it is the main tool for creating value in the contemporary economy. IC makes human, structural and relational capital with which use service companies promote their services and thereby enhance their business performance. Numerous studies have shown that this "hidden value" determines the competitive position of the company at the same time influencing the height of their business performance.

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<sup>1</sup> Jasmina Ognjanović, assistant, MSc, Faculty of Hotel Management and Tourism in Vrnjačka Banja - University of Kragujevac, Vojvođanska 5A, Vrnjačka Banja, Serbia, telephone: +381(0) 63 608 943, email: jasmina.lukic@kg.ac.rs

The service sector in the modern economy is increasingly gaining in importance as evidenced by the following data: the participation of productive activity is gradually reduced to a level below 20% while the share of the services sector for over 70% of the total GDP of OECD countries; employees in this sector accounted for about 65% of total employees (OECD, 2000: 19). In Serbia, the leading growth generators already are the service activities: trade, transport, storage and communication, financial intermediation services, postal services and telecommunications (Serbian Chamber of Commerce, 2013). Hotel industry in the last quarter of the twentieth century progressed rapidly and is recognized as an activity that is being developed at the global level (Jones et al., 2014). IC development should contribute to improving hotel services and the development of innovation in order to ensure hotels continuous sustainable development.

The aim of the paper refers to analyzing of importance of IC and to a way of management with intellectual capital in hotel companies. First, the paper will present the understanding of IC by different authors and its classification. Then will be pointed out the importance of the service sector and the hotel industry in the information society. The third and fourth part of the paper describe the importance of IC in the service sector and in the hotel industry with an overview of works processed so far on this subject.

### **The concept of intellectual capital**

Performance of the companies is confirmed by book-keeping on the basis of financial statements, on the one hand, and capital markets, on the other hand, based on the movement of stock prices. In most cases, these values are not equal. A number of authors (Edvinsson & Malone, 1997; Sveiby, 1997; Lev, 2001) consider that the difference between these two values makes IC. However, the calculation of IC in this simple way has its drawbacks: the value of IC can be accounted for only in open joint stock companies and limited liability companies; the impossibility of perceiving the individual components of IC and their values; IC value might be the result of influence of various factors beyond the very nature of IC (Janošević, 2009). Therefore, Lev (2001) measures the value of IC through the production function (Krambia-Kapardis & Thomas, 2006):

Economic performance =  $\alpha$  (physical assets) +  $\beta$  (financial assets) +  $\delta$  (intangible assets) where  $\alpha$ ,  $\beta$ ,  $\delta$  are contribution units to the assets performance of the companies.

In the literature numerous synonyms of intellectual capital are used. Based on the *Google* search, the term of intellectual property appears 147 million times; intangible assets 8.7 million times; intellectual capital 17.3 million times; intellectual property 18.3 million times (modeled on Kristandl & Bontis, 2007).

Klein & Prusak, (1994) define IC as intellectual material that can be used to create higher added values. Edvinson (1997) defines IC as the possession of knowledge, professional skills, applied experience, organizational technology and communications to consumers. Authors Edvinsson & Malone (1997) define IC as a knowledge that can be converted into value. Stewart (1997) under the IC includes packaged useful knowledge or intellectual material of companies - knowledge, information, intellectual property and experience - that can be used to create wealth. IC is a capital based on knowledge and is an instrumental in determining the value of the company, as well as national economic performance (Petty & Guthrie, 2000).

Lev (2001) observes IC as intangible value resources generated to innovation, unique organizational design and the experience of employees. Intellectual capital is a combination of human, structural and relational resources of enterprises (MERITUM, 2002). Lonnqvist (2004) under the IC includes non-physical resources relating to employee skills, organizational resources, the manner of performing activities and links with stakeholders of enterprises. Zeghal & Maaloul (2010) view IC as the sum of the whole enterprise knowledge used in the process of running of business towards creation of values.

Based on the explanation of the term IC, authors Petty & Guthrie (2000) point out that IC is particularly important due to:

- Revolution in information technologies and in information society
- The growing importance of knowledge and economy based on knowledge
- Altering the model activities and networking of society
- The emergence of innovation as essential for achieving the competitiveness

Based on the understanding of the concept of IC, its characteristics and significance, the conclusion can be summarized as follows: IC is a key driver of value creation in the enterprise by combining human, organizational and relational capital. Intellectual capital comprises the knowledge, experience and skills of employees, business culture, databases, company's reputation and relationships with business partners. Hence, it can be said that it is concerned to an intangible, a rare resource, difficult to imitate in which its value increases with a greater intensity of use.

### **Classification of IC**

In addition to physical and financial capital, intellectual capital is the third resource of the company that contributes to creating competitive advantages and high performance. Strategically important resources in the company can be divided into two components: the material and the intangible. The human, structural and relational resources make intangible component while physical and financial resources make material component of strategic resources (Komnenic & Pokrajcic, 2012).

The answer to the question of what causes the difference between market value and book value should be sought in defining the components of IC. According to the *Guidelines for Managing and Reporting on Intangibles* – MERITUM (2002), Bontis, N. (1998) and Roos, J.i Roos, G. (1997) IC includes human, structural and relational capital whose classification was adopted for the purposes of this study.

*Intellectual capital* is a generator of creativity in the company. Bontis (2001) defines this category of capital as a combination of knowledge, skills, innovation and employee skills to solve business tasks. There are three categories of human capital: the ability of employees (knowledge, skills, working experience), intellectual agility (innovation, the ability to adapt to changes) and attitude of employees (behavior, motivation and code of ethics) (Bontis et al. 1999). It's concerned the capital of which is being built by employing skilled workers, capital that is based on knowledge and capital whose growth provides a constant training and development of employees.

*Structural capital* or as it further is called *organizational or intern capital* is the basis for the functioning of a learning organization. According to the *Guidelines for Managing and Reporting on Intangibles* – MERITUM

(2002), structural capital is defined as knowledge that remains in the company at the end of the working day. This definition simultaneously points out the main difference between the human and structural capital, human is owned by employees and structural capital owned by enterprises (Edvinsson, 1997).

*Relational (external) capital or capital of customers* refers to the way that the environment views the company. This category of capital includes cooperation with customers and with all participants in the value chain, from suppliers to consumers. The value of this category of capital is determined by how well the company solves business problems where uncertainty is always present (Sveiby, 1997).

**Table 1:** *Intellectual capital of the company*

| <b>Intellectual capital</b>  |  |   |
|--|--|---|
| <b>Human capital</b>   | <b>Structural capital</b>  | <b>Relational capital</b>   |
| Knowledge and skills<br>Training<br>Talent<br>Education<br>Learning ability<br>Personal characteristics<br>(creativity and entrepreneurial spirit) | Business culture and values<br>Trademark<br>I&R, patents, software<br>Copyright<br>Internal database<br>Management process<br>Working atmosphere | Brand<br>Reputation<br>Relations with customers<br>Cooperation with partners<br>Licences<br>Sales channels<br>Contracts |

**Source:** *Janošević, S. (2009). Nematerijalna aktiva i stravanje vrednosti. Ekonomika preduzeća. Savez ekonomista Srbije, Beograd, No. 9-10, p. 402 and Lonngqvist, A., Kujansivu, P. & Antola, J. (2006): Are Management Accountants Equipped to Deal with Intellectual Capital. The Finnish Journal of Business Economies. Vol. 55 No. 3, p. 356.*

Table 1 shows the elements of each of the components of IC. Human capital emphasizes the intellectual side of each employee in order to improve the final output of the company. Structural capital makes up the "invisible" infrastructure which allows the operation of employees while relational capital should with its business activities to create the image of the company and loyal customers. It should be noted that intellectual capital is not just a simple sum of the three components, but also involves the creation of value and knowledge of the business activities (MERITUM, 2002).

## **Features of the hotel industry**

Barrows & Bosselman (1999:22) catering view as a set of activities where "people dealing with people." The hotel can be defined as a physical facility offering accommodation and food services while respecting the respective hotel standards. More demanding users, conditioned the need for the creation of new and improvement of existing hotel services. Today hotels, in addition to accommodation and food services, also offer many other services such as recreation, entertainment, health services, renting of rooms, etc.

Successful hotel business requires a high level of commitment to the job. We are talking about an industry that generates billions of dollars and "products" goods that consumers do not see (Barrows & Bosselman, 1999). DeFranco & Lattin (2007) point out that the hotel business is workable and capital-intensive and involves a large number of segments. Hotel business requires a low level of supplies but requires high levels of capital and relies on income that results from their guests. Lee-Ross & Ingold (1994) similarly define the characteristics of the hotel industry: labor-intensive nature of the job, invisible problem when measuring products, difficulties in the introduction of equipment and fluctuation of hotel demand.

Hoteliers when creating services start from the perception of services by consumers. Hotel services need to be experienced by consumer as something that provides an attractive added value whereby the value of the services is measured as a ratio between the quality of services and the level of costs of their production (Sandstrom et al., 2008). Creation of services is based on the interaction between people with the involvement of the employee creativity and respecting of certain standards. Technological support can accelerate the performance of some routine tasks, but it should be noted that the employees, respectively the human capital are the basic element of hotel business (Barrows & Bosselman, 1999).

Brady et al. (2005), Moeller (2010), as well as, Rodie & Martin (2001) single out intangibility, heterogeneity, lack of storage and inseparability of production and consumption as the most important characteristics of services. Intangible services cannot be seen, touched or tested but are evaluated on the basis of work, events or experiences. Heterogeneity means that there are no two exactly the same service unit. Inability of

storage indicates that services cannot be accumulated and the revenue is lost every time when demand exceeds the ability of service companies to satisfy their users. Inseparability of production and consumption means that the services at the same time are product and used with the presence of customers and service providers (Rodie & Martin, 2001). Both production and service activities require knowledge and skills with what the provision of services depends on the individual possibilities and capabilities.

The management of the hotel business is a real challenge for managers in modern, turbulent environment. The desire for success and the creation of new services requires knowledge of the business and the monitoring of competition. Burgess et al. (1995) highlights two basic formulas of success of hotel companies. First, the success of a hotel depends on formulating long-term plans, their implementation and monitoring of the implementation plans. Second, the success of a hotel will depend on the proper configuration of the structure, strategy, environment and other factors. Ropeter & Kleiner (1997) provide three recommendations for the efficient and profitable management of the hotel: managers must have a clear mission and defined goals to the hotel; organize training programs and ongoing construction of new buildings, acquisition of equipment but also the creation of new ideas and concepts.

Numerous authors have dealt with researches on the most important factors affecting the success of hotel business. Mathews (2000) points out the location as a key dimension in the hotel industry because the location is the only attribute of the hotel "product" that is completely fixed and only variable in analyzing the feasibility during the construction of a new hotel. On the basis of the carried out research Ropeter & Kleiner (1997) as a decisive factor, when choosing a hotel is cleanliness while other important factors are price, location, value, conditions and services. Key & Russette, (2000) consider that hotel managers are key factors for successful business. Managers must possess the following skills: identifying customer problems, possession of enthusiasm, respect of professional and ethical standards, fostering a climate of trust and creative adaptation to changes. Employees and managers of the hotel, especially those who are in constant contact with clients, working to develop complex processes in order to create information and knowledge and their transmission, as well as the creation of trust among customers. Hotels use the opportunities and resources through people and organizations and try

to mobilize them to their advantage. Mobilization of external resources is a skill possessed by employees at hotel (Casanueva et al., 2015).

### **Intellectual capital in the service sector**

The service sector dominates the industrial landscape. The success of service companies is not dependent on fixed assets, moreover, the value of equipment and facilities becomes trivial. The business model of these companies is mainly based on invisible assets such as brand, knowledge, skills and capabilities of employees of enterprises to innovate (Krambia-Kapardis & Thomas, 2006).

Invisible services become visible through the encounter of users with employees who participate in the creation of services. Namasivayam & Denizci (2006) define the value for the user as follows:

Human capital \* structural capital = value for service users

Human capital appears as decisive in providing services that meet the requirements and create new needs for users. Therefore, employees must be managed carefully, provide training programs and specialization, carefully assign tasks to them according to their needs, wishes and requirements. Knowledge and experience of our employees are important but not crucial to achieving high performance in service companies. In addition, there is a need for implementation of motivation and enjoyment at work that can be achieved through meaningful work, good relationships with colleagues, employees, etc. (Edvardsson & Olsson, 1996). Some characteristics of employees, such as creativity and emotional intelligence, should be paid more because they have a high impact on the perceived value of the service user (Namasivayam & Denizci, 2006). Acting of the human capital is not possible without the proper "invisible" infrastructure or structural capital. However, the full effect of using IC is expressed by using the appropriate relational capital as creating a good relationship with customers, creating loyal customers, the construction of company image.

On the influence of human, structural and relational capital on the business of service companies have dealt the authors Edvardsson & Olsson (1996), Namasivayam & Denizci (2006), as well as, Kianto et al. (2010), Bontis (2000), Lim & Dallimore (2004). These authors conclude, on the basis of the performed tests, that in service company's human

capital play an important role. In these enterprises there is a pronounced demand for multiple and complex skills of employees in relation to the production companies. The role of human capital is much more important in the service sector as evidenced in the fact that the hotel activity is characterized by high labor intensity (Kianto et al., 2010). Namasivayam & Denizci (2006) consider that consumers are 'dependent' of employees, because they are able to create a service of the adequate dimensions and the specific functions or it is important that employees are "trained" to create services. Employees must know how to combine the different elements of services to substitute the same as creating new elements of service in order to provide value for users.

Research on the impact of structural and relational capital on the business of service companies are not much represented in the literature. Kianto et al. (2010) considers that the role of these two categories of the IC essential for service companies. The introduction of information technology and other elements of structural capital greatly have accelerated, facilitated and increased the reliability of management of hotel business. Elements of relational capital, such as relationships with customers and other stakeholders of service companies, positively influence the position of the company and its performance (Lim & Dallimore, 2004). Brand, as an essential component of relational capital, should be emphasized specifically when it comes to choice of hotel services. Branded hotel services make the user choice is easier but also requires strict compliance with hotel standards. Bontis et al., (2000) analysis of the impact of IC on business of services and non-service companies have found that the relational capital has a greater impact on business performance than the structural capital.

### **Intellectual capital in hotels**

Intellectual capital is seen as a key driver of corporate value. Since hotels product intangible services, owning and managing of IC is of great importance. Focusing on and tracking of IC in hotels is important for the following reasons (Engstrom et al., 2003): extensive information of stakeholders, investors; a larger amount of information for decision making; support for the management of human resources and support in the process of customer relationship management.

Impact of IC to performance of hotels is achieved through components: human, structural and relational capital.

Human capital includes knowledge, skills, abilities and kindness to service users. Investment in education and training of hotel staff is the right way to create satisfied customers (Kianto et al., 2010; Namasivayam & Denizci, 2006; Edvardsson & Olsson, 1996). Knowledge work, kindness and availability of staff consist of features that hoteliers must have. Krambia-Kapardis & Thomas (2006) point out that the most important indicators of successful use of human capital management quality are training, employee development and employee satisfaction.

Structural capital includes databases, business culture, hardware, software and all other "invisible" infrastructure without which the employee could not work. Zigan & Zeglal (2010) believe that information and communication technologies, as essential structural components of capital in the hotels play a very important role not only for optimum process control (e.g. a reservation system), but also enable the achievement of a high level of satisfaction among customers (e.g. provision of services via the Internet).

Relational capital includes links with service users and other stakeholders, as well as the brand and image of the hotel, which may seem the most essential component of relational capital. Strong brand has a positive impact, directly or indirectly, on the perceived quality of service of the consumer. Krambia-Kapardis & Thomas (2006) consider that the indicators of relations with service users satisfaction of users, loyalty and high retention rates.

Table 2 provides an overview of works whose authors have analyzed the impact of IC operations of hotel companies and its performance.

Engstrom et al. (2003) on the basis of the performed study point out that there is a connection between the human, structural and relational capital. There is a weak link between structural capital and profits from food and beverage (F&B profit). The results indicate the possible existence of a link between relational capital and the rate of room occupancy and between human capital and costs of employees.

**Table 2:** *Overview of papers on the impact of the intellectual capital on performance of hotel companies*

| Authors                          | Source of data                        | Description of samples   | Variables  |
|----------------------------------|---------------------------------------|--|--|
| Engstrom, T. et al. (2003)       | Questionnaire and financial statement | 13 Norwegian hotels within two hotel chains (Radisson SAS and Resorts hotel chain) | <i>Dependent:</i> business performance<br><i>Independent:</i> human, structural and customer capital   |
| Rudež, H.N. & Mihalic, T. (2007) | Questionnaire and financial statement | 69 hotels in Slovenia, 2003  | <i>Dependent variables:</i> ROA, ROE, profit, profit growth, sales growth, revenue, revenue per employee, value added per employee<br><i>Independent variables:</i> human, structural and relational capital |
| Laing, G. et al. (2010)          | Financial statement                   | Two groups of hotels analyzed in Australia from 2004 to 2007                       | Dependent variables: ROA<br>Independent variables: ICE, CEE, SCE, HCE  |
| Bontis, N. et al. (2015)         | Financial statement                   | 34 hotels in Serbia covering the period of time 2009-2012.                         | Dependent variables: ROA, ROE, profit, profitability and productivity of employees<br>Independent variable: ICE, HCE, SCE, CEE   |

**Legend:** *HCE* – human capital efficiency; *SCE* – structural capital efficiency; *CEE* – capital-employed efficiency; *ICE* – intellectual capital efficiency *ROA* – return on assets; *ROE* – return on equity; *VAIC* – value-added intellectual coefficient

Rudež & Mihalic (2007) distinguish between the two categories of relational capital: end-customers-relationships capital and non-end-customers-relationships capital. End-customers-relationships capital includes links only with the end users of hotel services while non-end-customers-relationships capital include relations with all other users/partners. Rudež & Mihalic (2007) come to the conclusion that the improvements of human capital - the knowledge of employees, increase in satisfaction and creativity of employees is the focus of management challenges for the development of high quality hotel products. With the analysis of structural capital authors conclude that the infrastructure of the Slovenian hotels is at a satisfactory level. On challenges, hoteliers need to respond by improving the business of culture through innovative business processes. Based on the analysis of end-customers-relationships capital,

as the most important conclusion, highlights the importance of the development of direct distribution channels while non-end-customers-relationships capital focus is on knowledge built on the basis of different connections to the hotel, which significantly affects the value creation of hotel services. There was proven impact on the financial performance of IC on Slovenian hotels where the dominant factor is capital relations with non-end-customers.

Laing, Dunn & Hughes-Lucas (2010) point out that the higher value of the return on assets (ROA) indicates higher efficiency of assets and greater efficiency can be achieved through less use of resources to achieve a greater profit due to higher sales. On the basis of the performed research, the authors point out to a link between intellectual capital efficiency (ICE) and human capital, which emphasize human capital as a key element of achieving high performance of the hotels. Growth in the value of the coefficient value added intellectual coefficient (VAIC) indicates the great contribution of IC creating added value. Also, research indicates the contribution of the structural capital of the hotel performance.

Bontis (2015) have dealt with the exploration of the impact of IC on the performance of hotels' performance in Serbia. Financial performances of the Serbian hotels are mostly influenced by physical and financial capital. Exceptions are indicators of profitability and productivity, which are influenced by human and structural capital. The impact of structural capital (business culture) is statistically significant but the intensity of its effect is reversed.

The impact of intellectual capital is reflected in the height of the performance of hotel companies and to the functioning of the human, structural and relational capital. In the future, we should work to grow IC because it will be a source of creation of new services and ways to differentiate the hotel over the competition.

## **Conclusion**

The difference between market value and book value of the company points to the positive impact of intellectual capital on business operations as evidenced by the numerous studies done at this topic. IC is viewed as a collection of intangible resources that contribute to creating value. Its effect is observed through three components: human, structural and

relational capital. Human capital as the most important component of IC is particularly important in the process of creating services. In order to meet customer expectations, we need people with knowledge, experience and skills, appropriate infrastructure (business culture, databases, business processes) and building strong relationships with service users, of which, to a large extent, depends on the quality of the provided service. It can be concluded that IC and its components represent a very important factor in the development of hotel companies as they contribute to the creation of differentiated, different services. IC growth should be a priority to all service companies as it is the resource of the future and long-term business sustainability.

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# HOTEL INNOVATION AND INTER-CLUSTER DIFFERENCES

*Ana Jovičić<sup>1</sup>; Snježana Gagić<sup>2</sup>;*

## Abstract

*The Republic of Serbia is divided into four tourism clusters: Vojvodina, Belgrade, Southwest and Southeast Serbia. Tourism clusters are natural regions and are important in terms of identifying potential for tourism development, connecting stakeholders in tourism and the promotion of Serbia as a tourist destination in the international market. Hotel sector constitutes the material basis of tourism development, and hotel innovation largely determines the quality of the tourist product clusters and Serbia as a whole. The paper aims to empirically examine hotel innovation depending on which tourism cluster the hotel is part of. The sample consisted of 512 employees in 57 first, second and third-category hotels in four tourism clusters. The results of the research suggest that there are statistically significant differences in terms of hotel innovation, wherein hotels within the Southeast Serbia tourism cluster proved to be the most innovative.*

**Keywords:** *innovation, hospitality, tourism clusters, Serbia*

## Introduction

In order to identify the most significant potential for tourism development and their intelligent use, Serbia as a tourist destination is divided into four clusters: Vojvodina, Belgrade, Southwest Serbia and Southeast Serbia (Strategy of tourism development in Serbia, 2006). The identified clusters are natural regions, but also regions which have the potential and strength to grow and develop what would ensure international competitiveness.

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1 Ana Jovičić, PhD, Assistant Professor, Modern Business School Belgrade, Terazije 27, Belgrade, Serbia, tel: 0641478824, e-mail: ana.jovicic@fondmt.rs

2 Snježana Gagić, PhD, Assistant Professor, High School of Management and Business Communication Sremski Karlovci, Mitropolita Stratimirovića 110, Sremski Karlovci, Serbia, tel:0606565543 e-mail: gagicsnjeza@yahoo.com

The main objective of clustering in tourism is to link the public sector, technology, product and service suppliers and sales channels, tourist operators, accommodation and other important stakeholders in order to ensure growth and the development of tourism in Serbia in line with the reality and the capacity of the local industry, along with the synergy of public and private sectors. Clustering also promotes horizontal cooperation and strategic partnerships in tourism and brings coherence and coordination of different programs and funding at different levels. It enables innovation, achieving high business standards and increasing competitiveness of the destination as a whole (Đurašević, 2009).

Innovation in the hotel industry is the critical factor of the quality of the accommodation offer which affects the quality of the tourism product clusters, but also the quality of tourism product of Serbia in general. The hypothesis has been defined accordingly: "There are statistically significant differences between hotel innovation depending on the cluster the hotel belongs to."

An insight into the current state of hotel innovation in Serbia may be an important basis for the improvement of hotel and tourist product clusters, as well as for defining further directions of development of some regions and Serbia as a tourist destination.

### **Characteristics of tourism clusters in the Republic of Serbia**

Draft Strategy for the Development of Tourism of the Republic of Serbia for the period from 2016 to 2025 stipulates that experiential structuring of Serbia remains relevant for the next planning period.

The strategy for each cluster defined development vision, the dominant products, investment, competitiveness plan and marketing plan, which is synthesized / integrated into a comprehensive plan for the development of tourism of the Republic of Serbia (Strategy of development of tourism in Serbia, 2006). Resource and attraction base consists of natural and cultural resources, events, gastronomy and special activities. The following is a brief overview of tourism clusters in Serbia.

**Cluster Vojvodina** is strategically positioned as "experience of water" and "Pannonian pleasure". The most important natural resources in this region are the rivers the Danube and the Tisa, but also canals, lakes (Palić, Ludas and Carska bara), thermal and mineral springs with spas,

Fruška Gora and Deliblatska peščara. The most important cultural resources are cities and city centers (Novi Sad, Subotica, Sombor), monasteries of Fruška Gora, the Petrovaradin fortress, museums, galleries and ancient sites. Events of special importance for the development of tourism are the EXIT Festival, the International Film Festival in Palić, summer theater performances, horse races and other events. Local food and drinks are a special attraction, as well as the activities such as hunting and fishing. Key products of Vojvodina cluster are events, nautical, spa, rural and eco-tourism and also tourism of special interests.

**Cluster Belgrade** is strategically positioned as a exciting, creative and innovative metropolis and as a cosmopolitan city of good vibrations. Compared to other clusters in Serbia, Belgrade is a cluster with a higher level of potential to compete better globally. Belgrade has accumulated attractions, resources, infrastructure, equipment, services and other activities to support, which are important for the production of the expected experience and as such can be a leader in the tourist offer of Southeast Europe. The key natural resources are the Danube and the Sava, Avala and Kosmaj, river islands, Iron Gate, lakes and caves. The most important cultural attractions are Kalemegdan and Skadarlija, the archaeological site Vinča, Trajan's Bridge, numerous museums, galleries and theaters. Tourist come to Belgrade for events, gastronomy, activities in the focus of the hunting, fishing, numerous sporting activities, and nightlife. Key products of the cluster are business tourism and MICE, city tourism, event tourism, nautical tourism and tourism of special interests.

**Cluster Southwest Serbia** is positioned as a blend of history and tradition with the pleasures of nature. The construction of the Ibar highway is of particular importance for the development of the region as it ensures the availability of tourist attractions. The most important attractions are the mountains of Tara, Kopaonik, Zlatibor, Divčibare, Golija, thermal and mineral springs (Vrnjačka Banja, Banja Koviljača), cultural monasteries, and Guča trumpet festival. Cluster Southwest Serbia has the largest potential for growth, but only if infrastructure and issues of destination management are solved. Key products of the Cluster are event tourism, tourism of special interests, mountains and lakes tourism, health tourism and rural tourism.

**Cluster Southeast Serbia** is positioned as a yet undiscovered destination. This cluster has exceptional attractiveness, in particular for special interests, but also has significant infrastructure and other problems for the

development of competitive products. The most important natural attractiveness are lakes (Vlasinsko, Bovansko, Jovačka), thermal and mineral springs with spas, mountains (Stara, Suva, Ozren, Rtanj) and caves. The most important cultural resources are archaeological sites, monasteries, Ćele kula and Traiana. Extreme sports are very popular in this cluster. The city of Niš stands out as a tourist center of the cluster. The main tourism products of the region are touring, special interest tourism, mountains and lakes tourism, health and rural tourism.

By analyzing the structure of the accommodation offer in all four tourism clusters it was found that a higher proportion of accommodation facilities is located in clusters of Belgrade and Southwest Serbia, who participate with two-thirds, while Southeast Serbia and Vojvodina make up about a third. However, in terms of qualitative structure, clusters of Vojvodina and Belgrade have a noticeably higher standard, while the accommodation capacities at the level of international standards in clusters of Southwest and Southeast Serbia are limited to major destinations (Kopaonik, Zlatibor, Stara planina, the Danube). It is observed that the numerous hotels of higher categories are in urban centers, while the facilities of lower categories and types are typical of smaller towns, mountain and spa destinations (Nacrt Strategije razvoja turizma Republike Srbije za period od 2016. do 2025. godine, 2015).

### **The concept and importance of innovation**

Oslo Manual (OECD, 2005) defined innovation as an "implementation of a new or significantly improved product (goods or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations."

European Commission defined innovations as "successful production, assimilation and exploitation of novelty in the economic and social spheres. It offers new solutions to problems and thus makes it possible to meet the needs of both the individual and society" (Green Paper on Innovation, 1995). All definitions of innovation are agreed in one – innovation means to do something new or different.

Koc and Ceylan (2007) defined innovative capacity as that which "relates to the firm's capacity to engage in innovation, that is the introduction of new processes, products or ideas in the organization."

Innovations are the basis for the success of the organizations in the hospitality because they provide organizations efficiency, improvement of product quality, reduction of costs, greater customer satisfaction, increased sales and profits, increased market share and differentiation in relation to competitors (Ottenbacher et al., 2006; Chang et al., 2011).

Ansoff and Stewart (1967) distinguish four levels of organisations innovation:

- inventiveness – the organization struggles for the leading position based on the product and market positioning;
- adaptability – the organization lets others take the leading position and applies the "follow the leader" strategy. It quickly adapts or modifies the products - the so-called "Innovative imitation".
- economy – the organisation bases its advantage on the production of what others have produced, only more economically - with lower costs;
- innovative applications – the organisation uses the available technology, but applies it creatively in new areas, or uses old technology in a new way.

Innovations in tourism and hospitality sector are determined by specific characteristics of tourism product:

- tourism product is an intangible experience,
- tourism product is highly perishable and it cannot be stored
- the consumption of tourism products involves the active participation of the customer,
- tourism product is the combination of different products and many providers contribute to tourism experience
- tourism production/marketing may involve large capital assets
- knowledge, skills and motivation of employees in tourism are essential for the creation of user experience.

Innovations can be present in different forms, which is why we can talk about different divisions of innovations. Hjalager (2010), in accordance with Schumpeter's contribution provides a typology of innovations applicable to the servicing sector and divides innovations into five categories:

- product innovations,
- process innovations,
- managerial innovations,

- innovations in logistics and
- institutional innovations.

By innovations organizations tend to gain and retain competitive advantage, and they are essential for all industries, especially for the hotel industry (Pikkemaat & Peters, 2006). Studies have shown a relationship between age, size of organization, category and connectivity of hotels into hotel chain (Orfila-Sintes et al., 2005). Hotels that are bigger in their capacity proved to be more innovative (Pikkemaat & Peters, 2006; Martinez-Ros & Orfila-Sintes, 2009; Orfila-Sintes & Mattsson, 2009). Especially significant contribution to innovations in the field of hospitality is given by international hotel companies, that is, hotel chains, the main motive of which is guest satisfaction. Hotel chains more quickly adapt to changes, and also the rate of innovation is higher in hotels that are operating under some of the contractual arrangements (Darr et al. 1995). The reason for this is the involvement of these organizations in research and development and training of employees (Tisdell, 2000).

The impact of innovation on the organizations in tourism and hospitality industry is still insufficiently explored. Studies indicate that the most common consequences of innovation is the competitiveness of organizations (Victorino et al, 2005) and the possibility of survival (Hall & Williams, 2008). Blake et al. (2006) found the increasing importance of marketing and product innovation than is the case for organizational and managerial innovations which have less impact on productivity. Martin (2004) emphasizes the importance of technological innovation for better interaction of organizations from the tourism industry and tourists (Hjalager et al, 2008).

### **Research Methodology**

The study included 57 hotels in Serbia, which represents 19.2% of the total number of hotels in Serbia, including garni and apartment hotels. The study included the first, the second and the third category of hotels. The study included 36.3% of the objects of the first category, 35.2% of the second category and 30.2% of the third category of the total number of objects within the category, or 32.5% of the objects of 175 hotels belonging to these categories. Sampling method was convenient (voluntary) sampling.

The study included a questionnaire which consisted of two parts. The socio-demographic variables of respondents were measured in the first part. The second part of the questionnaire consisted of instrument that measured the attitude of employees towards innovations. The questionnaire contained statements that were taken from the previous research and translated from English into Serbian. All statements are adapted to the respondents whose native language is Serbian. When translating, an attempt was made to keep the same sense of the statements. The final version of the questionnaire in Serbian language was given university professors and doctoral students for review, in order to remove any ambiguities arising when translating.

The questionnaire was distributed in person and by mail; the survey was classical - "paper-pencil". The questionnaire took around 10 minutes. Respondents were expected to express their level of agreement with statements on a five-point scale Likert scale, where 1 signified total disagreement, and 5 signified full agreement with the items.

Instrument for measuring innovations included 28 items divided into six dimensions:

- Innovations of products / services (five items) - include new products and services offered by the organization in order to meet users' requirements (Damanpour, 1991; Nasution et al. 2011);
- Process innovations (five items) - include new elements that are introduced in production / providing services, such as new materials, specification of tasks, the mechanisms of information flow and new equipment used to produce goods or provide services, that is, represent changes in the method of production or services (Damanpour, 1991; Nasution et al. 2011);
- Management innovations (five items) include changes in business methods, changes in organizational structure, policy, work methods and procedures and are important for change in management practice (Hine & Ryan, 1999, Nasution et al. 2011);
- Innovations in relation with clients (five items) - represent the organization's ability to offer products and services that will provide unique benefits to customers and the ability of the organization to solve customers' problems in innovative ways (Hogan et al., 2011);
- Innovations of marketing (four items) - represent the ability of the organization to develop and implement new ways of promotion and innovative marketing programs (Hogan et al., 2011);

- Technological innovations (four items) include the ability of the organization to adopt the use of new software, integrated systems and technology (Hogan et al., 2011).

**Table 1:** *Socio-demographic variables of respondents*

| <b>Variable</b>            | <b>Category</b>      | <b>Number of respondents</b> | <b>Percentage of respondents (%)</b> |
|----------------------------|----------------------|------------------------------|--------------------------------------|
| Gender                     | Male                 | 229                          | 44.7                                 |
|                            | Female               | 283                          | 55.3                                 |
| Age                        | ≤ 20                 | 7                            | 1.4                                  |
|                            | 21 - 30              | 221                          | 43.2                                 |
|                            | 31 – 40              | 128                          | 25.0                                 |
|                            | 41 – 50              | 91                           | 17.8                                 |
|                            | 51 – 60              | 62                           | 12.1                                 |
|                            | ≥ 61                 | 1                            | 0.2                                  |
|                            | Lacking              | 2                            | 0.4                                  |
| Education                  | Secondary school     | 253                          | 49.4                                 |
|                            | College/Faculty      | 224                          | 43.8                                 |
|                            | Master               | 31                           | 6.1                                  |
|                            | Lacking              | 4                            | 0.77                                 |
| Hierarchical level of work | Top management       | 47                           | 9.2                                  |
|                            | Middle management    | 93                           | 18.2                                 |
|                            | Lower management     | 51                           | 10.0                                 |
|                            | Non-management staff | 321                          | 62.7                                 |

The sample consisted of employees at all hierarchical levels in the organization, different educational levels. The average number of respondents was 8.98 per hotel. The frequencies of respondents range from one employee (0.2%) to 33 employees (6.4%) per object.

A total of 702 questionnaires were distributed, of which 596 questionnaires were returned, but the study included 512 valid completed questionnaires. The percentage of returned questionnaires out of distributed questionnaires is 84.9%, which represents a high rate of implementation and provides the necessary reliability and validity of the results of the data analysis. The socio-demographic characteristics of the respondents are given in the Table 1.

Table 2 presents the number of hotels and subjects, depending on the category of the hotel. Most of the buildings belong to the third category (50.9%) and the least are first-category hotels (7.0%), which was

expected given that Serbia has a relatively small number of first-category hotels. In terms of the number of respondents, second-category hotels take the largest share (44.5%).

**Table 2:** *Overview of the sample depending on category of hotel*

| <b>Hotel category</b> | <b>Number of respondents</b> | <b>Percentage (%)</b> | <b>Number of hotels</b> | <b>Percentage (%)</b> |
|-----------------------|------------------------------|-----------------------|-------------------------|-----------------------|
| First category (5*)   | 78                           | 15.2                  | 4                       | 7.0                   |
| Second category (4*)  | 228                          | 44.5                  | 24                      | 42.1                  |
| Third category (3*)   | 206                          | 40.3                  | 29                      | 50.9                  |
| Total                 | 512                          | 100.0                 | 57                      | 100.0                 |

The study involved hotels from all four tourism clusters. The largest number of hotels was surveyed in Southwest Serbia cluster, where most hotels are located, while proportionally with the number of objects, the smallest number of hotels where the research was conducted is in Southeast Serbia. Most respondents were interviewed in the cluster Vojvodina, and the least in the cluster Southeast Serbia (Table 3).

**Table 3:** *Overview of the sample in relation to the cluster*

| <b>Cluster</b>   | <b>Number of respondents</b> | <b>Percentage (%)</b> | <b>Number of hotels</b> | <b>Percentage (%)</b> |
|------------------|------------------------------|-----------------------|-------------------------|-----------------------|
| Vojvodina        | 174                          | 34.0                  | 18                      | 31.6                  |
| Belgrade         | 125                          | 24.4                  | 12                      | 21.1                  |
| Southwest Serbia | 142                          | 27.7                  | 19                      | 33.3                  |
| Southeast Serbia | 71                           | 13.9                  | 8                       | 14.0                  |
| Total            | 512                          | 100,0                 | 57                      | 100.0                 |

Data were prepared and analyzed using statistical software IBM SPSS 20.0. Statistical data processing methods used in this paper are descriptive statistics, the reliability of the instrument and regression analysis. Preliminary analyses have shown that the assumptions of normality, linearity, multicollinearity and homogeneity of variance were not disturbed. Cronbach's alpha coefficient of the internal consistency of the scales showed values greater than 0.7 which represents good reliability of tests (Nunnally, 1978).

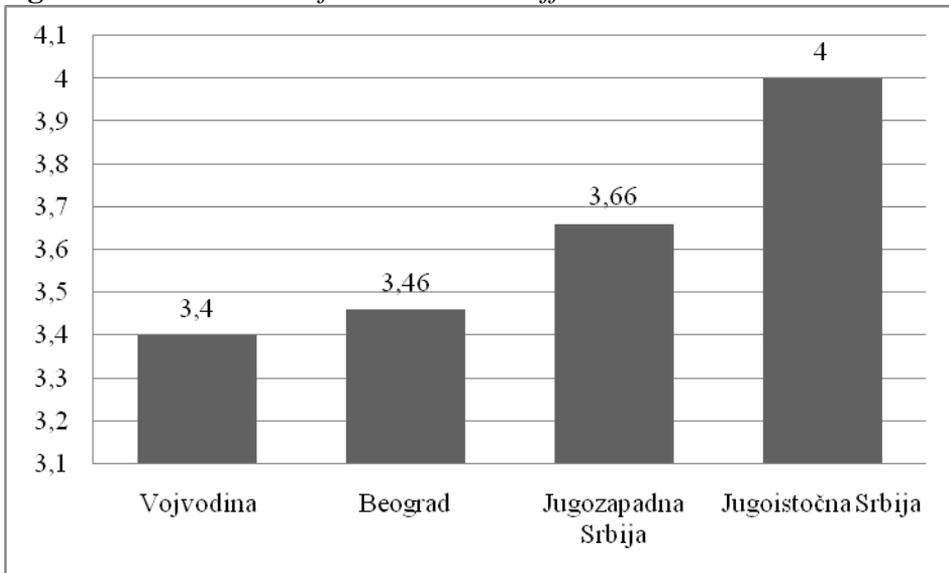
## Results

Results of descriptive statistics showed moderately positive mean value in terms of innovativeness of hotels ( $M=3.57$ ), in four tourism clusters: Belgrade and its surrounding, Vojvodina, Southeast Serbia and Southwest Serbia (Chart 1). This is a relatively modest result, where there are significant opportunities for improvement.

The results indicate that the perceived degree of innovation is rated the lowest in Vojvodina ( $M=3.4$ ), while the results showed that the highest mean value was determined in the cluster of Southeast Serbia ( $M=4$ ). To determine whether this is a statistically significant difference, the factor analysis of variance ANOVA was conducted (Table 4).

Prior to performing the one-way analysis of variance of different groups, the equality of variances was tested in the results of each group. Considering that the Levene's test did not show significance  $p > 0.05$ , the assumption of homogeneity of variance is not violated.

**Figure 1:** Mean values of innovation in different tourism clusters



The ANOVA analysis also showed that there are statistically significant differences in terms of innovation, depending on the cluster  $F(3,477)=11,200$ ;  $p=0.000$ .

**Table 4:** ANOVA test - differences in innovation by clusters

| Innovations | Cluster          | N   | M    | SD    | F | Sig. |
|-------------|------------------|-----|------|-------|---|------|
|             | Vojvodina        | 165 | 3.40 | 0.628 |   |      |
|             | Belgrade         | 119 | 3.46 | 0.780 |   |      |
|             | Southwest Serbia | 130 | 3.66 | 0.797 |   |      |
|             | Southeast Serbia | 64  | 4.00 | 0.859 |   |      |
|             | Total            | 478 | 3.57 | 0.771 |   |      |

The impact was measured by Eta square, commonly used means of indicators of the size of the impact:

$$\text{Eta}^2 = 18,790 : 283,867 = 0,07$$

Since the Eta squared 0.07, it is a moderate influence.

**Table 5:** Differences in terms of innovation, depending on the cluster

| (I) Cluster      | (J) Cluster      | Mean Difference (I-J) | Std. Error | Sig. |
|------------------|------------------|-----------------------|------------|------|
| Vojvodina        | Belgrade         | -.057                 | .090       | .527 |
|                  | Southwest Serbia | -.254*                | .088       | .004 |
|                  | Southeast Serbia | -.596*                | .110       | .000 |
| Belgrade         | Vojvodina        | .057                  | .090       | .527 |
|                  | Southwest Serbia | -.197*                | .095       | .039 |
|                  | Southeast Serbia | -.539*                | .116       | .000 |
| Southwest Serbia | Vojvodina        | .254*                 | .088       | .004 |
|                  | Belgrade         | .197*                 | .095       | .039 |
|                  | Southeast Serbia | -.342*                | .114       | .003 |
| Southeast Serbia | Vojvodina        | .596*                 | .110       | .000 |
|                  | Belgrade         | .539*                 | .116       | .000 |
|                  | Southwest Serbia | .342*                 | .114       | .003 |

\* statistically significant as  $< 0.05$

Additional LSD test showed among which tourism clusters there are statistically significant differences. The results shown in Table 5 show that hotel innovation in clusters of Vojvodina and Belgrade are statistically significantly different from the tourism clusters Southwest and Southeast Serbia, while there are no statistically significant differences between the two. Innovation in the hotel and tourism cluster of Southwest Serbia and Southeast Serbia tourism cluster was significantly different from other hotel innovation clusters. The largest

statistically significant difference was found between innovation in hotels in Vojvodina and in Southeast Serbia.

Based on the results of ANOVA, the hypothesis "There are statistically significant differences in hotel innovation depending on which tourism cluster the hotel belongs to" was confirmed.

### **Discussion and conclusion**

The analysis of the accommodation offers in the four tourism clusters indicates that the larger share of accommodation facilities is located in clusters of Belgrade and Southwest Serbia, where two-thirds of accommodation are located, while in the Southeast Serbia and Vojvodina there is one-third. In terms of the qualitative structure, it is a fact that clusters of Belgrade and Vojvodina have a noticeably higher standard, greater presence of higher categories and facilities which bear the name of international hotel chains.

Given the above, as well as the impression that the author has gotten during the field research, research on the Internet, through interviews and free conversations with the employees, but also the analysis of different activities carried out by the analyzed hotels, the research results are contrary to expectations.

Respondents rated the innovation lowest in Vojvodina ( $M=3.40$ ), followed by a cluster Belgrade ( $M=3.46$ ), Southwestern Serbia ( $M=3.66$ ), followed by a cluster Southeast Serbia ( $M=4.00$ ) within which the hotel facilities are more innovative compared to other clusters.

The reason for this result might be the desire of the employees in the facilities in Southeast Serbia to make their facilities appear better than they really are.

Furthermore, it is possible to explain such result by the fact that the Tourism Cluster Serbia is at a lower level of economic and tourism development in comparison to other tourism clusters, and that the implementation of innovative solutions which have already become standard in other clusters, have been belatedly implemented in facilities operating in the tourism cluster of Southeastern Serbia.

Innovations are the challenges and the necessity of all future actions of hotel organizations in Serbia. To generate innovations in business it is necessary for the hotels primarily to guess their guests' wishes and needs and develop a specific offer that will satisfy the already set and increasingly more selective demands of guests. Apart from that, the hotels can develop innovations in their offer only with respect to regional and its own limitations in terms of financial, personnel, technology and other resources. The success of innovation in hotels is conditioned by defining innovation which will satisfy the guest by establishing a balance between quality and price, fast placing on the market and by placing the right distribution channels.

In addition, the role of tourism clusters is also very important since the local economic structure with numerous organizations in the same industry are the basis for the creation of knowledge and innovation. Although the efforts of individual facilities to improve their products, services and processes are significant and contribute to raising the competitiveness of Serbian hospitality, as an important segment of the tourism industry, such actions by individual hotels are still localized, which is often not enough for a regional success. Therefore, in the coming period it is necessary to provide a higher level of interaction and cooperation between organizations at the level of tourism clusters, but also between hotels belonging to different tourism clusters to ensure the transfer of knowledge and ideas.

Also, the opening of first and second-category hotels, attracting international hotel chains, fostering entrepreneurship and ensuring a favorable investment environment, as well as the provision of formal and informal flows of knowledge are essential for the improvement of hotel offerings, but also offers of a specific destination, a specific region and Serbia as a tourist destination.

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# ENFORCEMENT OF EU REGULATIONS AS BASIS OF EFFICIENT MANAGEMENT OF HOSPITALITY COMPANIES

*Nina Maksimović<sup>1</sup>; Dejan Sekulić<sup>2</sup>;*

## Abstract

*The tourism in the European Union represents the most suitable homogeneous factor in achieving economic and social development goals of the EU. The European Union in recent decades dedicates a great attention to the development of instruments and measures in tourism development and the harmonization and continuous operation of hotel and tourism companies. In this regard, EU suggests guidelines, to the governments of member and candidate states, in order to make the laws and regulations, which will provide better and efficient managing of the hotel and tourism companies. The aim of this paper is the analysis of harmonization with European regulations, which should not mean only the adoption of numerous laws and regulations, but also the successful implementation of the same in business. The adoption of these regulations contributes to increasing service quality, guest satisfaction competitiveness and profitability. In analyzing these regulations, the authors will pay special attention to the work of the European Commission in this area.*

**Keywords:** *European regulations, European Union, European Commission, management, hotel and tourism companies.*

## Introduction

The tourism industry includes all types of business entities that provide services to travelers and tourists. Within the tourism industry are four segments: hospitality, which includes hotels and restaurants, retailing,

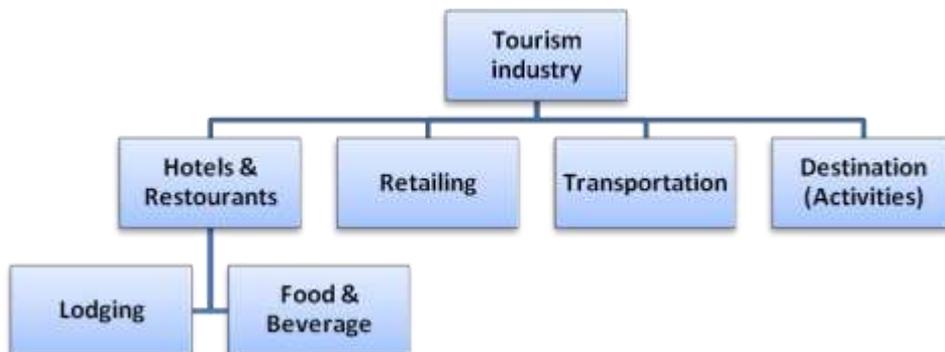
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1 MSc Nina Maksimović, Assistant, Modern Business School, Terazije 27, 11000 Belgrade, +38162206642, nina.maksimovic@mbs.edu.rs

2 MSc Dejan Sekulić, Assistant, University of Kragujevac, Faculty of Hotel Management and Tourism in Vrnjacka Banja, Vojvodjanska bb, +38162602902, dejan.sekulic@kg.ac.rs

companies that provide transportation services and companies engaged in various activities in the tourist destination.

**Figure 1:** *Segments of the tourism industry*



**Source:** Hayes, D., Ninemeier, J. (2006). *Hotel Operations Management*. Prentice Hall, New Jersey.

Hotel and restaurant activity includes accommodation, food and beverages. Retailing (retail sales) is carried out in many stores, souvenir shops, shopping centers and similar establishments who sell their goods to the local population as well as those who have arrived here. Transport services are carried out by plane, rent-a-car, trains, ships and other means of transport, which allow people to get from their homes to the desired destination. Destinations (activity sites) include sports, entertainment, folklore, cultural and other events (Hayes, Ninemeier, 2006).

**Table 1:** *The number of enterprises, employment and total income in the tourism and hospitality industry*

| 2011                   | No. of companies | Share % | No. of Employee | Share % | Total revenue (mil. din) | Share % |
|------------------------|------------------|---------|-----------------|---------|--------------------------|---------|
| Economy                | 83.787           | 100,00  | 1.746.000       | 100,00  | 6.303.515                | 100,00  |
| Hotels and restaurants | 2.259            | 2,70    | 20.467          | 1,17    | 38.041                   | 0,60    |
| Travel agencies        | 818              | 0,98    | 2.993           | 0,17    | 8.357                    | 0,13    |
| Total                  | 3.077            | 3,67    | 23.460          | 1,34    | 46.398                   | 0,74    |

**Source:** Sekulić, Maksimović, 2012

According to the data of the Statistical Office in 2011, total number of employees in Serbia amounted to 1.746 million, of this number in hotels and restaurants worked 20.467 workers, and business travel agencies

employed 2.993 workers. The share of workers in the tourism and hospitality industry in the total number of employees is 1.34%. The total number of enterprises in this branch is 3.077, out of 2.259 hotels and restaurants and 818 travel agencies. Taking into account that Serbia has 83.787 active companies, the share of tourism and hospitality industry in the total number of the company is 3.67%. These companies are participating in GDP with only 3%. (Sekulić, Maksimović, 2012).

Touristic product of the Republic of Serbia is consisted of a large number of resources, whether natural or anthropogenic nature, but also a variety of structures holders of tourism offers (hoteliers, travel agencies, transport companies, tourist organizations, etc.). Though Serbia has a wide range of resources, conditions and destinations for the tourism development, the quality of tourism offer is not on the enviable level. Non-compliance of tourism offer with the requirements of tourists, insufficient monitoring of trends in the international tourism market, as well as an inadequate ratio of prices and values of services are the main reasons for this situation. (Podovac et. al 2013).

According to the data of the Statistical Office of the Republic of Serbia in 2015. the total number of tourist arrivals in the Republic of Serbia amounted to 2,437,165 (an increase of 11.2% compared to 2014), of which the domestic consisted 1,304,944 (an increase of 12,2%), and accounted for 53,5% of total arrivals. Number of foreign tourists was 1,132,221 (an increase of 10,1% compared to 2014), which represents a share of 46,5% of total tourist arrivals.

**Table 2:** *Arrivals of tourists in Serbia*

| Year  | Arrivals  |           |           | % of total number of arrivals |         |
|-------|-----------|-----------|-----------|-------------------------------|---------|
|       | Total     | Domestic  | Foreign   | Domestic                      | Foreign |
| 2010. | 2.000.597 | 1.317.916 | 682.681   | 65,90%                        | 34,10%  |
| 2011. | 2.068.610 | 1.304.443 | 764.167   | 63,10%                        | 36,90%  |
| 2012. | 2.079.643 | 1.269.676 | 809.967   | 61,10%                        | 38,90%  |
| 2013. | 2.192.435 | 1.270.667 | 921.768   | 58,00%                        | 42,00%  |
| 2014. | 2.192.268 | 1.163.536 | 1.028.732 | 53,10%                        | 46,90%  |
| 2015. | 2.437.165 | 1.304.944 | 1.132.221 | 53,50%                        | 46,50%  |

**Source:** *The Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia, Department of Tourism, Information on tourist traffic for the period January-December 2015*

Looking at the data in Table 2, we can see that in 2015 recorded 6,651,852 overnight stays (an increase of 9,3% compared to 2014), of which domestic tourists accounted for 4,242,172 nights (an increase of 8,1% compared to 2014), and accounted for 63,8% of the total number of overnight stays, while foreign tourists accounted for 11,5% of overnight stays (2,409,680) compared to 2014, ie. accounted for 36,2% of the total number of overnight stays.

**Table 3:** *Nights of tourists in Serbia*

| Year  | Nights    |           |           | % of total number of nights |         |
|-------|-----------|-----------|-----------|-----------------------------|---------|
|       | Total     | Domestic  | Foreign   | Domestic                    | Foreign |
| 2010. | 6.413.515 | 4.961.359 | 1.452.156 | 77,30%                      | 22,70%  |
| 2011. | 6.644.738 | 5.001.684 | 1.643.054 | 77,40%                      | 22,60%  |
| 2012. | 6.484.702 | 4.688.485 | 1.796.217 | 75,30%                      | 24,70%  |
| 2013. | 6.567.460 | 4.579.067 | 1.988.393 | 69,70%                      | 30,30%  |
| 2014. | 6.086.275 | 3.925.221 | 2.161.054 | 64,50%                      | 35,50%  |
| 2015. | 6.651.852 | 4.242.172 | 2.409.680 | 63,80%                      | 36,20%  |

**Source:** *The Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia, Department of Tourism, Information on tourist traffic for the period January-December 2015*

The average length of stay of tourists in Serbia in 2015 was 2,73 days, with the continued stay of 3,25 and 2,13 Foreign days.

**Table 4:** *Tourist arrivals by type of tourist destinations*

| 2015.              | Arrivals  |           |           |
|--------------------|-----------|-----------|-----------|
|                    | Total     | Domestic  | Foreign   |
| Republic of Serbia | 2.437.165 | 1.304.944 | 1.132.221 |
| Belgrade           | 775.521   | 142.944   | 632.577   |
| Novi Sad           | 139.651   | 53.320    | 86.331    |
| Spas               | 427.456   | 348.539   | 78.917    |
| Mountains          | 446.189   | 366.829   | 79.360    |
| Other              | 546.377   | 333.782   | 212.595   |

**Source:** *The Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia, Department of Tourism, Information on tourist traffic for the period January-December 2015*

The most visited destinations in the Republic of Serbia, Belgrade, Novi Sad, spas and mountain resorts. The largest number of visits recorded as Belgrade (775 521) and Novi Sad (139.651). In the mountain region has

recorded a total of 446,189 arrivals, an increase of 19,7% compared to 2014. In the spas there was a rise in the total number of tourist arrivals (427,456) of 10,6%, of which foreign tourists (78,917) recorded an increase of 25,8%, while the number of domestic tourist arrivals (348,539) recorded an increase of 7,7%.

Terms of the number of overnight stays in 2015 had the biggest turnover spas (1854582 night). In Belgrade was an increase of the total number of overnight stays of 12,9% compared to 2014, with domestic tourists (262,175) recorded an increase of 13,4%, and foreign (1,247,029) of 12,7%. According to the registered number of nights, domestic tourists are after spa centers, the most visited places in the mountain. Foreign guests, who in 2015 recorded 2,409,680 overnight stays in the Republic of Serbia, the most visited Belgrade (1,247,029). The largest increase in the color of foreign tourists was recorded in spas (14,7%).

**Table 5:** *Tourist nights by type of tourist destinations*

| 2015.              | Nights    |           |           |
|--------------------|-----------|-----------|-----------|
|                    | Total     | Domestic  | Foreign   |
| Republic of Serbia | 6.651.852 | 4.242.172 | 2.409.680 |
| Belgrade           | 1.509.204 | 262.175   | 1.247.029 |
| Novi Sad           | 274.380   | 96.555    | 177.825   |
| Spas               | 1.854.582 | 1.623.761 | 230.821   |
| Mountains          | 1.661.487 | 1.419.156 | 242.331   |
| Other              | 1.130.209 | 701.221   | 428.988   |

**Source:** *The Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia, Department of Tourism, Information on tourist traffic for the period January-December 2015*

Following the tourist traffic leads Vrnjačka Banja in number of tourist arrivals accounted for 41,0% of the total number of tourist arrivals in spas, or by the number of overnight stays accounted for 30,3% of the total number of overnight stays in spas Serbia. Planinsa the most visited cities in Serbia are Zlatibor (446,189 arrivals, 556,751 overnight) and Kopaonik (102,198 arrivals, 427,383 overnight).

The largest number of foreign tourists in Serbia in 2015. came from Bosnia and Herzegovina (87,397), Bulgaria (70,891), Montenegro (70,861), Croatian (65,886) and Slovenia (65,754). With the exception of the former Republic of Yugoslavia, the largest number of foreign tourists came from Turkey, Germany, Italy, Romania, Greece and Russia.

## Legal regulation of tourism

Tourism is an activity that is essential for the life of the nation, because of its direct effects to the social, cultural, educational and cultural sector of each country and society (Manila Declaration of World Tourism, 1980). Travel economic activity is part of the complex social relationships that represents the appropriate legal regulation. Despite the complexity and breadth of scope of tourist activities in the sector still lacks a source of law in an appropriate range. Legislation at the national level, even with the large tourist force is often characterized as unilateral, free, unmodified tourism legislation. (Vukićević, 1976)

Tourism legislation relates primarily to:

- Companies engaged in providing accommodation services, restaurants, complementary and intermediary services;
- Management;
- Consumers of tourist services. (Slavković, 2015)

Tourism due to its specific nature is subject to not only specific travel regulations, but also rules that primarily related to environmental protection, consumer, cultural and historical heritage, consequently, it is not enough just to know the tourist regulations, but also other general legislative measures. Tourism cannot be imagined without transport services, accommodation, food production, sales, and the sale of goods, insurance, postal services. In addition, legislation in the following areas, affecting the tourism sector (Slavković, 2015):

- Spatial Planning;
- Health protection;
- Work protection;
- Environment protection, etc.

The international character of tourism causes objectification and standardization of legal regulations, governing the provision of tourism services. Normative activities at the international level are a difficult, because of situation in the national legislation of individual countries. Legal regulation of tourist business at the international level is above the national regulations. (Vukićević, 1976) According to the Hague Declaration on Tourism on tourism, the security, the protection of tourists and respect for their dignity is a necessary condition for the development of tourism. It is recommended to pay particular attention to the

preservation of health, the environment and the protection of tourists against crime. Security and protection of tourists particular country or a particular tourist region are associated with a number of rules that must comply with both Tourism Administration, as well as parts of the administration in whose jurisdiction comes the maintenance of public order, the financial industry, health care, environmental protection, employment policy but primarily the private sector. (Slavković, 2015)

### **EU regulations in the field of tourism**

Tourism is complex activities, which affect many other areas of European law, the rights of consumers, employment, competition, and taxation, environmental protection through research, regional development and education. There are a very large number of directives and regulations with direct and indirect impact on tourism.

In addition to the founding treaties, in the structure of EU regulations stand out secondary sources, which are covered by regulations made by the authorities of the EU. According to the provisions of Article 288 of the Treaty on the Functioning of the EU, the EU institutions in the implementation of its jurisdiction bringing regulations, directives, decisions, recommendations and opinions, with the first three binding in different ways. (Treaty on the Functioning of the European Union) Failure to comply with the law, as well as their fragmentary character, create serious problems for whose solution required an energetic approach to security in the tourism industry on a global and systematic plan by all those who deal with this issue. The most interesting of the European directive relating to Tourism exercise greater influence on legislation in the field of tourism industry in different countries of the European Union. (Slavković, 2015)

EU directives and regulations related to tourism:

1. Regulation (EU) No. 692/2011 of the European Parliament and of the Council of 06 July 2011. On European statistics on tourism and on the repeal of Council Directive 95/57 / EC
2. Regulation (EC) No. 261/2004 of the European Parliament and of the Council of 11 February 2004 laying down general rules in compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights departed and repealing Regulation (EEC) No. 295/91

3. Regulation on the protection of consumers in respect of certain aspects of contract law in the time-limited use of the property, the long-term holiday product, resale and exchange
4. Regulation (EC) No. 852/2004 of the European Parliament and of the Council of 29 April 2004. Food hygiene
5. Directive 2004/35 / CE of the European Parliament and of the Council of 21 April, 2004. on environmental liability with regard to the prevention and repair of environmental damage.

According to the Lisbon Treaty (Article 195), tourism has become a specific competence of the EU. This treaty enabled later supporting and supplementing action by the Member States of the EU, thus promoting the creation of an atmosphere conducive to enterprise development in the field of tourism and cooperation between Member States, while which excludes any kind of harmonization of legal and regulatory provisions of the Member States. According to the European Parliament resolution of 27 September 2011., for Europe, the world's No. 1 tourist destination, was established a new political framework for tourism in Europe (INI / 2010/10/2206). Tourism has a horizontal cross-sectoral nature, and must be in cooperation with other related sectors and policies in order to achieve a system, which genuinely promotes tourism.(Lisbon Treaty, 2009)

The new Directive aims, with regard to the development of this market, to adapt to the protection, improve transparency and increase legal certainty for travelers and traders. It changes the functioning of the sale of tourist services and customer relationships. The new Directive represents official entry for tourism in the digital age, by including online sales channels and non-traditional packages that clients share their own choosing elements of his journey. Previous Directive 90/314 established a set of consumer rights in relation to the travel packages. However, since its adoption has significantly changed the market of travel services. Internet, in addition to traditional distribution chains, has become an increasingly important channel through which the travel services offered and sold. Travel services not only to combine the traditional form of predefined packages, but are often combined to adapt to the customer, and many of these combinations are in the "gray zone" or not clearly covered by the old directives.

The new Directive published on 11.12.2015 in the Official Journal of the EU and EU, Member States are obliged to harmonize national legislation

with the provisions of the Directive to 1.01.2018. Its application starts from 1.07. 2018. The umbrella-organizations of professional travel agencies in the EU, ECTAA (the European Travel Agents 'and Tour Operators' Associations) supported the revision of Directive 90/314 on package travel, and called for a level playing field between all market participants, both online, and offline.

HOTREC (the umbrella association of national trade associations representing the hotels, restaurants, cafés and similar establishments in Europe) is actively promoting the EU institutions flexible solutions of the new Directive, to catering and hotel business in Europe fit without load in the digital age.

### **EU instruments for developing tourism**

The European Commission, in cooperation with the Member States and associations representing the tourism sector, has invested considerable effort over a number of years in implementing a series of actions intended to strengthen European tourism and the realization of its greater competitiveness. (Communication on the renewed EU Tourism Policy Framework) The Commission has set up a highly developed system to protect passengers and consumers, including those with disabilities or reduced mobility for all means of transport. Over the years, the European Union has been able to lay the foundations for a European tourism policy, stressing those factors, which determine the competitiveness of tourism, and always taking into account the need for sustainable development. (Gasmi Ilić, 2010).

The European Union pays great attention to the development of instruments and for the continuous development of tourism. On the background of economic, social, political and other implications of the development of tourism has on this area in the first place, the guidelines suggest the governments of individual countries in order to clearly determine their roles and functions in the field of support to the development of tourism. It's about following guidelines: (Bakić, 2005)

- the government's decision regarding the length of the working week, the duration of paid annual leave, foreign exchange, customs regulations, etc;
- the special role of the Government in the field of market research tool, which should be the basis for making rational strategic decisions and in the private and in the public sector of tourism;

- general tourist propaganda and promotional campaigns of national importance);
- permanent indication of the responsibility for the construction and maintenance of "public goods" as a significant component of tourism development (traffic infrastructure, utilities), with a specific role and lower levels (regional or local government);
- special area of activity is that related to various incentives to stimulate tourism trends (simplified customs control of foreign and domestic tourists, a unique passport for all residents of EU Member States, and other benefits), as well as the effort to make a variety of seasonal adjustment measures demand;

Separate the significant financial resources to support the program "Philoxenia", which for different areas in the stimulation of tourism development. During the harmonization envisaged intensive construction of buildings that are in the function of tourist traffic, as well as facilities that primarily serve other industries, or affected to a larger tourist trade. Construction of tourist and other facilities that accompany them is provided in the context of existing institutions through the following financial instruments:

a) Designated financial assistance

Four funds, which funds directed to the faster development of less developed regions (regions), namely: the Cohesion Fund (for the development of the underdeveloped countries of the EU); Regional Fund (for the development of certain regions EU); Social Fund (various social programs related to tourism); Agricultural Fund (Development of rural tourism, particularly in mountainous areas and the EU). From these funds, funds obtained in the form of non-repayable loans, and to selectively and based on established criteria.

b) Special purpose loans

The funds for these loans provide the following institutions:

- European Investment Bank and
- European Coal and Steel Community
- Assistance to countries in the tourism sector
- New forms of intervention

The policy of joint financing strongly respects the principle of balanced regional development of tourism. Regional tourism development runs,

too, and in the context of other measures and activities. Traffic has been so integrally related to tourism it cannot expect progress in tourism if at the same time improving the traffic. Therefore, the EU transport policy is seen as a fundamental infrastructure in which to develop tourism. The importance of traffic impact is to provide a comprehensive change that will just contribute to faster development of tourist traffic. (Gasmi Ilić 2010).

The European Commission has adopted and published the report "The main directions of the sustainability of European tourism" - a document that is the basis for policy-making in the context of the development of tourism in the European Union. (Action for More Sustainable European Tourism, Report of the Tourism Sustainability Group) The European Commission called for action throughout the European Union in order to promote economic, social and environmental sustainability of European tourism. This report emphasizes the need for ensuring the consistency of various policies within the Community and measures affecting the sustainability of tourism and the competitiveness of the industry. They also call for a proactive cooperation among tourism enterprises, tourist destinations and national, regional and local authorities to deal with challenges such as increased demand and changing preferences and an increase in revenue. (Gasmi Ilić, 2010)

The intention of the European Union is to affect the sustainability of tourism refers to the policy of economic support to developing countries. It also seeks to strengthen cooperation in the field of sustainability of tourism with United Nations bodies and other international organizations. The overarching challenge for the tourism sector in the European Union is to remain competitive, but in the long term, competitiveness depends on sustainability.

There should be an emphasis on retaining and increasing revenue from tourism, but at a lower cost to the environment and specific cultural values. Tourists should also more actively encourage sustainability. This is partly about accepting responsibilities. Sustainability should be equated with quality-tourists should be aware that those places that care for the environment, their employees and local communities, the greater the chances are to get better care and the tourists guest.(Overview of EU Tourism Policy)

## **Tourism in legal framework of the Republic of Serbia - Harmonization with EU law**

The concept of harmonization means the process of adjustment of national legislation decision with the regulations of the Member States of the Community Law. The goal of harmonization of national regulations Member States to the extent necessary to achieve the objectives of the communitarian. (Nikolic, 2003) Harmonization is an instrument that allows the objectives, tasks and policies eu rights through law. The aim of harmonization is not to create unique solutions in all Member States (unification), but only an approximation (harmonization) or approach (approximation) solutions in national laws while maintaining certain differences. Every country if it wants to become an EU member forced to adapt to more integrated EU. (Nikolic, 2003)

When it comes to the Republic of Serbia, the harmonization of national legislation with the *acquis communautaire* is implemented on the basis of Article 107 of the Constitution, Article 72 of the Agreement on the two-Stabilization and Association Agreement and Chapter III of the Interim Agreement. In this way, our country has made a commitment in the future to achieve balance between current and future laws with EU legislation, to ensure proper in-menu legislation. The Republic of Serbia conducted intensive adaptation to European integration, and it is manifested as a strong growth in competitive capacity of institutions, companies and individuals.

The Republic of Serbia is on the way of defining development goals and economic sectors with the prospects for success, where they will independently and with the support of the international community will have to as soon as possible to build and implement competitive growth strategy. Tourism in this context is imposed as an unavoidable complex with increasing potential untapped. Serbian tourism potentials have not yet been sufficiently valued, because tourism has never been a serious issue of the development policy of the Republic of Serbia. (Tourism Development Strategy of Serbia, 2006)

Tourist policy must initially provide a clear picture of where he was going one destination, especially in the longer term. In parallel, it must provide a climate and conditions for cooperation of stakeholders. This mission tourism policy boils down to the following key features: (Tourism Development Strategy of Serbia, 2006)

Defining the conditions of the operators in the tourism sector must fulfill (laws and regulations);

Organization of control of acceptable behavior in the implementation of activities (inspection);

Adoption of common directives and / or instructions (regulations, standards, etc.) For all or most of the stakeholders in the tourism industry;

Management processes to establish consensus in special visions, strategies and objectives of development for individual clusters / destinations / products;

Definition of a framework for public / private debate about the role of tourism in the national economy and society;

Creation of conditions for effective interdependence with all other sectors of the economy and society;

The realization of day-to-day impact on the national marketing activities,

The organization of major events, attractions and key management programs.

### **Renews in the Act of tourism in Republic Serbia**

The Law on Amendments to the Act on Tourism was created as a result of analysis of the situation in the Serbian tourist market. Its observed problems, for actors of the tourism industry, and other entities that perform economic activity directly related to tourism. These amendments to the Act came into force on 14.10.2015. This Act introduces novelties in the business tourism market. The tourism organization for the promotion of tourism was obliged to harmonize their operations in the part relating to the conditions to be met by directors until 01.01.2017. Tour operators were required to harmonize their actions with the provisions of the Act within 30 days of its adoption. Travel guide and travel companion are no longer required to reside in the territory of the Republic of Serbia, instead of proficiency required by active knowledge of the same. The novelty is that a tour guide and travel companion and is considered a national of a Member State of the European Union and the European Economic Area who meet the conditions for tourist guide or tourist escort laid down in the Law on Tourism (Off. Gazette of RS, No. 36/2009, 88/2010, 99/2011 - dr. law, 93/2012 and 84/2015), due to the obligation of compatibility with the services Directive 2006/123 / EC / her there was a transposition into the legal system of the Republic of Serbia. Prescribes that the travel guide and travel companion in the provision of services must have with you the

proper and valid identification card and carry it in a proper way, which the Act has not been provided for those, but only for a local tour guide who had to bring your ID card and label.

The Law sets forth the changes in terms of tourist tax and penalties with regard to the use of the priority tourist destinations. Stipulates that the assets from the charged residential tax, in addition to the prescribed purpose, can be used for financing the activities of tourist organizations of local governments. With regard to penalties for the use of the priority tourist destinations provides that the determination of spatial entities and prescribing the conditions that certain establishments for accommodation should fulfill, as well as the possibility of charging penalties, entrusted to the local authority to act closer to its offices.

Local government declared a tourist destination and the second category can be its act to determine:

- The tourist zone,
- Tourist destinations and Tourist places.

In these geographical areas, catering facility for accommodation type hotel and motel must meet the standards for classification in a particular category, in conformity with the charter of local self-government.

Act local governments in particular contain:

- Description of spatial entities with defined borders,
- Method of conformity assessment,
- Harmonization of deadlines and other requirements to catering facility type hotel and motel should fulfill,
- The height of a penalty,
- Way of collecting penalties,
- Subject to payment and others.

It also contains the prescribed requirements for establishments that were first categorized the type of hotel and motel. If the payer established government unit does not act within the prescribed period, the competent authority of a local government shall issue a decision for that person establishes the obligation to pay a penalty on an annual basis in the prescribed amount.

Obligations established government unit does not refer to objects for which proceedings have been initiated privatization until the end of this procedure. It stipulates that the funds collected from penalties budget revenue local governments on whose territory the facility is located, and that the funds collected from penalties are used to finance the same activities as well as the funds collected from the tax. So far, the penalties were budget of the Republic of Serbia, but never charged, or the budget of the Republic of Serbia has not realized income on this basis, and in the period of validity of this provision was not established any payer.

In addition to the register of tourism travel agencies - tour registered and:  
- travel agencies - brokers, as well as, among other I - Controls tourist area - destination management organizations - destination management company I - a professional congress organizer. The final solution adopted by bodies under the authority of this Act shall be registered or recorded in the Register of tourism in the manner prescribed by this Law and other regulations issued under this Act. Prescribed data should be entered in the Register of tourism. This applies to all records prescribed by the Law. These changes made it legal, technical revision of the text, as well as harmonization resulting changes to the existing law. All parties have obligations to collect, hold, process and use personal data or information of public importance, to perform in accordance with this Law and laws governing the protection of personal data and the free access to information of public importance. Due to the need to reduce the gray economy in tourism, there was a redistribution of rights, duties and powers of the inspection services. (Mrvić–Petrović, 2015)

To ensure effective implementation and payment of prescribed penalties, this Act determines new powers of inspectors introduced the possibility of issuing a misdemeanor warrant - fines fixed amount for all operators. This institute is, in many cases, contributed to violators assume the obligation to pay the fine, how are faster and more economically achieved the purpose of punishment, positive effect on the budget and relieve the misdemeanor authorities. In determining the sentence, especially for legal entities, account was taken of the amount which offenders are willing to pay immediately. Very high amounts when the misdemeanor warrant does not lead to the desired effect, especially as this order included "minor" offenses.

## Conclusions

The Republic of Serbia has a comparative advantage in tourism, because it has a diverse structure of the tourist offer, is close to traditional and new tourism markets, has a long history and a general recognition, preserved natural resources, commensurate with good communication and has a huge human potential. The process of transformation of comparative into competitive advantage in tourism of the Republic of Serbia is part of the overall reform process towards EU accession. (Stanković, 2002) Due to the closed market delayed the process of restructuring and privatization, there has been significant investment from home and abroad, so there has been no development of new forms of tourism. Due to the high centralization of lost investments in infrastructure, maintenance inherited tourist destination because local communities are not financially able to meet the requirements of their particular maintenance and new development. The value chain in tourism of the Republic of Serbia, unless somewhat in Belgrade, was not built. This raises the question of standards, quality of service and loyalty to the Republic of Serbia as a tourist destination.

In the WB region, there are a number of institutional barriers, which make it impossible to take advantage of the most important resources in the function of tourism development. The absence of legislation regulating relations in the context of a resource, which has a strategic importance for the development of tourism, prevents and slows the feasibility studies for the development and activation of resources in the tourist commercial purposes. It takes initiative to change the legal framework that would allow that if a resource is important for tourism development of the region in order to fast-track approaches feasibility study. Regulation should define standards that allow you to do a feasibility study on an accelerated basis and to remove all barriers that slow down the process of developing the first phase of the investment in the second phase. The norm should regulate the following activities: (Guide to EU programs 2014- 2020)

- Development of planning documents in zones that have historically cultural importance; or under the law on the protection of the environment;
- Obtaining the necessary permits;
- Coordination with the various institutions that have jurisdiction over resources;
- Distinction between the responsibilities of different institutions;

- Definition of deadlines for the implementation of the required activities;
- Coordination and monitoring of the work;
- Monitoring of investment projects.

It is necessary to establish a legal framework that allows the tourist attractions betting adequately the function of tourism development may be noted that at least legally establishes a regulatory framework, which provides for sanctions in case of violation of legal norms, is one of the prerequisites for achieving sustainable development. Because of the great importance of tourism, the international community through more legal enactments set of legal standards in this area that our country has to implement in their national legislation. (Radojković, et al, 2013)

Serbia's membership in the EU certainly contributes to improving the image of the country, which will increase tourist visits and revenues from tourism. It includes new investments, investments in municipal infrastructure, which to some extent contributes to the attractiveness of the country for tourist visits, and on the other hand, due to the improvement of the image, transport links and utility infrastructure, membership in the EU reinforces the interest of private capital for investment in the tourist industry. Accession to the EU entails certain costs associated with the adoption of the EU acquis, they refer to the rise in the cost of tourism for downloading significantly stricter and stricter measures of safety at work, consumer protection and environmental.

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# MODERN CONCEPT OF TOURISM DEVELOPMENT AND NORMATIVE PROTECTION OF NATIONAL PARKS

*Gordana Bejatović<sup>1</sup>; Jelena Ristić<sup>2</sup>;*

## Abstract

*During last few decades tourist industry, as one of the key sectors in economy in many countries among which is Serbia as well, is global phenomenon. Negative experience from past had terrible consequences, resulted in deterioration of natural environment and led us to necessary transformations of existing concept of tourism industry. Sustainable tourism means any kind of tourism that contributes to environmental protection, realization of social and economic integrity and improvement of natural resources, but also all manmade and cultural values on an ongoing basis. National parks as most important part of the natural environment, enjoy protection both on international and national level. That idea was followed in Republic of Serbia as well, in Innovated Law on National parks. In the article special focus is put on Law on Nature Conservation that directly regulates management, use and preservation of natural resources because only healthy and well-preserved natural environment allows successful tourism industry in the long run.*

**Keywords:** *tourism, nature protection, national Parks.*

## Introduction

One of the key economic sectors in great number of countries, including the Republic of Serbia, is the tourism industry, which in the last decades has taken on a global dimension, since the concept of massiveness is considered a key attribute of the tourism market. From the historical point of view, attention was not paid to the scope and methods of exploitation of natural resources in the initial stages of tourism development, and environmental protection by legal means was done selectively, partially

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1 Gordana Bejatović, PhD, doo Mia Media, Director, Belgrade; telephone: 060/600-060  
e-mail: gordana.bejatovic@yahoo.com

2 Jelena Ristić, PhD, Business School of Professional Studies Blace, Serbia; telephone:  
063/404-202, e-mail: jelenazristic@yahoo.com

and almost always urgently when it was already too late. The multidisciplinary nature of tourism comes from its incorporation in all spheres of economic and social life, and its rapid development leads to enormous use of all natural resources, which had resulted in the disruption of the natural and living environment, especially in the second half of the twentieth century, when the concept of mass tourism was dominant. Since the World War II, tourism has been constantly developing and progressing at the existing pace. In addition to technological innovations, social changes were also significant stimulating factors of the dynamic development of tourism (Ristić, 2012, p.15), especially in economically developed countries. This particularly relates to the increase in living standard of the people and the increase in real wages and paid leave.

### **Sustainable Development and Tourism**

The concept of sustainable development first emerged in the 70s, and after two decades became one of the most important phenomenon of economic development planning. It is actually a dynamic process that meets the needs of the present without compromising the ability of future generations to meet their own needs (Shelton, 2004). In fact, this is a very complex concept (Todić, 2007), whose most important function is provision of friendly relations between environmental protection interests and economic development interests. On that basis, in addition to the economic and social factor, the sustainable development also includes the factor of environmental protection. Environmental protection is an instrument of great importance for regulation and management of sustainable development, which implies that are prohibited all procedures causing damage to the environment by endangering or harming the protected goods. In late 2004, the Republic of Serbia adopted a series of legal texts, based on which is created a general legal framework for environmental protection. A special place is occupied by the Law on Environmental Protection (Official Gazette of RS no. 135/04, 36/09, 36/09 – state law, 43/11 - decision of the Constitutional Court and 14/16), which regulates the integral environmental protection system that ensures the realization of the human right to life and development in a healthy environment and balanced relationship between economic development and environmental protection in the Republic of Serbia. According to the Law on environmental protection, sustainable development is a harmonized system of technical and technological, economic and social activities in the over all development, for which are used natural and

created values of the Republic based on the principles of cost-effectiveness and reasonableness, with the aim to preserve and enhance the quality of the environment for present and future generations. Sustainable development is achieved through the adoption and implementation of decisions, which enable compliance between environmental protection and economic development interests (Art. 9, paragraph 1, item 4).

In the 1980s, there were also some large changes in the tourism industry. The changes in tourism development appeared as a result of a number of factors that caused the crisis in the so-called mass tourism, which relate primarily to the significant changes in consumer demands and also to the appearance of a series of limiting factors that derive from natural and social environment, since tourism development could no longer take place in conditions of intensive use of resources typical for mass tourism. The establishment of certain measures and standards for tourist services leads to a situation where those tourist services that include high energy consumption and damage the environment are no longer acceptable. This proves that tourism development is closely connected with the environmental protection.

### **Concept of sustainable tourism development**

The concept of tourism development that took into account solely the achievement of economic objectives, i.e. the achievement of maximal profit was abandoned, although the achievement of economic interest nowadays has priority. Because of the negative consequences from the past, the need for necessary transformation of the existing concept of tourism development was aimed at finding appropriate development alternatives that had the task to establish a positive relationship between tourism development and environmental protection, i.e. a complete harmony between economic and environmental interests.

A prerequisite for tourism development, in the first place, is preserved and high quality environment, i.e. healthy environment. Uncontrolled development of tourism has negative effects on the environment, on one hand, and major disruption of the environment leads to the growing awareness of the need for its preservation and protection, on the other hand. The concept of sustainable development of tourism was developed as a result of such relationship.

The sustainable development of tourism nowadays relates to the construction of national parks and protected areas (so-called ecotourism) and it is aimed at the protection and conservation of flora and fauna. According to the data of the International Union for Conservation of Nature, the number of national parks in the world is constantly increasing, while in the twentieth century in Europe it was increased from 2 to 300.

Sustainable tourism is considered a form of tourism that has the smallest impact on the environment and local culture, and which at the same time contributes to the opening of new work places, creates economic benefits and conserves local ecosystems. In simple terms, it is a highly responsible tourism, which has friendly relations with natural environment and cultural heritage (Cooper et al., 2008, p. 218). The concept of sustainable tourism incorporates in its content three most significant dimensions of sustainable development, namely: economic, environmental and social dimension, since there is a necessity to improve the quality of life. This means that sustainable tourism is a form of tourism aimed at increasing environmental protection, providing social security and economic integrity and preserving natural, man-made and cultural values on a permanent basis (Bramwell & Lane 1993).

### **National Parks in the World**

The problem of endangering nature and its parts has become more important in the end of the 19<sup>th</sup> century when, in many parts of the world, people started taking numerous protective measures aiming at protecting it. These activities resulted in rising awareness about the fact how necessary it is to protect parts of nature in order to keep them natural and original. By *selecting* the most precious parts of nature with the view to protect them from degradation and absolute destruction, we take one measure of nature protection.

The term *national park*, as the greatest and most complete way of protecting nature in the history of human kind was used for the first time in the second half of the 19<sup>th</sup> century. Since then these natural goods have been expanding all around the world and at the same time have become symbols of national pride and prestige in the international community. This, actually, confirms rising of awareness about the importance of protection of certain natural areas, and the very announcement of a *national park* is an actual activity that preserves a certain area in its natural state, at the same time abolishing private usage since it serves for

vacation and recreation both to citizens and tourists. That is why national parks are the most valuable parts of nature, natural wealth and pride of each nation and almost every country that has been endowed with national parks has its favourite among them. For example, each citizen of Canada has to visit their Banff at least once in their lives. People have similar feelings for Yellowstone in USA, Royal in Australia, Tongariro in New Zealand, Gran Paradiso in Italy, Olympus in Greece, Plitvice Lakes in Croatia and the like.

**Table 1:** Basic data about national parks in some countries

| Country                            | No NP | Area (km <sup>2</sup> ) | Country area (km <sup>2</sup> ) | % of NP's area with regard to the total area |
|------------------------------------|-------|-------------------------|---------------------------------|--|
| Austria                            | 9     | 2356.08                 | 82445                           | 2.86   |
| B&H                                | 3     | 404.00                  | 51187                           | 0.79   |
| Bulgaria                           | 3     | 1930.48                 | 110994                          | 1.74   |
| Great Britain and Northern Ireland | 33    | 22880.50                | 310813                          | 7.40   |
| Greece                             | 15    | 7238.10                 | 130647                          | 5.54   |
| Italy                              | 24    | 15376.00                | 294140                          | 5.23   |
| Hungary                            | 10    | 4826.00                 | 89608                           | 5.39   |
| Macedonia                          | 3     | 1032.00                 | 25433                           | 4.06   |
| Germany                            | 15    | 10395.58                | 348672                          | 2.98   |
| Slovenia                           | 1     | 839.80                  | 20151                           | 4.17   |
| Serbia                             | 5     | 1593.25                 | 88499                           | 1.80   |
| Croatia                            | 8     | 979.70                  | 55974                           | 1.75   |
| Montenegro                         | 5     | 1069.30                 | 13452                           | 7.95   |
| Spain                              | 15    | 3807.17                 | 498980                          | 0.76   |
| Switzerland                        | 1     | 170.33                  | 39997                           | 0.43   |
| Total                              | 150   | 74906.29                | 2160992                         | 3.47   |

**Source:** <http://www.protectedplanet.net/> (visited on February 24th, 2016); <http://www.germany.travel/> (visited on February 24th, 2016); *The Law on National Parks "Official Gazette of RS", No. 84/2015)*

At the 10<sup>th</sup> General Assembly of IUCN meeting held in New Delhi in 1969, the term national park was defined as: "a relatively large area where one or several ecosystems are not materially altered by human exportation and occupation, where plant and animal species, geomorphological sites and habitats are of special scientific, educative and recreative interest or which contains a natural landscape of great beauty".

The beginning of protecting nature in the world is connected to Yellowstone as the first national park, established by the U.S. Congress' act on March 1<sup>st</sup>, 1872. The term national park was then officially used for the first time, and it is interesting that only two years later, in 1874, Obedska bara (Obedska pond) in Srem was protected. This act provided the pond with a prestige determinant of one of oldest protected areas in the world.

The first national park in Europe was proclaimed by Switzerland and its law in 1914, and it was Engadin, and we now have two types of national parks – American (Yellowstone) and European (Swiss).

The development of national parks and taking care of them in Europe led to founding of Federation of Nature and National Parks of Europe in Sabriken in 1973. Today, the Federation is called EUROPARC federation, the headquarters of which is in Grafenau in Germany.

The first national park in the Republic of Serbia was proclaimed in 1960, and that was National park “Fruška Gora”, and after that, in 1981, National parks “Kopaonik” and “Tara” were proclaimed. Two years later, that is, 1983, National park “Đerdap” was proclaimed, and in 1986 National park “Šar Mountains”.

When we look at the location of those parks, National park “Fruška Gora” is in Autonomous Province of Vojvodina, National park “Šar Mountains” is in Kosovo and Metohija, whereas the remaining three National parks are in central Serbia- National park “Kopaonik”, National park “Tara”, and National park “Djerdap”. The total area of national parks in Serbia is 1502.24 km<sup>2</sup>, which is 1.7% of total area of the Republic of Serbia (88499km<sup>2</sup>).

From the above listed data, it can be concluded that the largest national park in Serbia is National park “Djerdap”, spreading over 42.46% of the total area of all national parks. After National park “Đerdap”, there are National park “Fruška Gora” with 17.75% and National park “Tara” with 16.64%. National park “Šar Mountains” spreads over 15.18% of the total area of national parks in the Republic of Serbia. The smallest national park in Serbia, when it comes to area, is National park “Kopaonik”, with its share of 7.97% in the total area of all national parks.

**Table 2:** National Parks in the Republic of Serbia

| No            | National park | Area (km <sup>2</sup> ) | %             | Altitude (m) |
|---------------|---------------|-------------------------|---------------|--------------|
| 1.            | Djerdap       | 637.86                  | 42.46         | 70-806       |
| 2.            | Šar Mountains | 228.05                  | 15.18         | 1220-2640    |
| 3.            | Fruška Gora   | 266.72                  | 17.75         | 100-539      |
| 4.            | Tara          | 249.92                  | 16.64         | 1000-1591    |
| 5.            | Kopaonik      | 119.69                  | 7.97          | 640-2017     |
| <b>Total:</b> |               | <b>1 502.24</b>         | <b>100.00</b> |              |

**Source:** *Statistical Yearbook of the Republic of Serbia for 2015, p. 271. and The Law on National Parks “Official Gazette of RS“, No. 84/2015)*

### Protected areas

The International Union for Conservation of Nature (IUCN) has defined six protected area categories since 1994: Ia – Strict Nature Reserve; Ib – Wilderness Area; II – National Park; III – Natural Monument; IV – Habitat/Species Management Area; V – Protected Landscape/Seaside and VI – Protected area with sustainable use of natural resources (www.iucn.org). The mentioned protected area categories have largely been established by our Law on Nature Protection (Official Gazette RS, no. 36/09, 88/10, 91/10-corrected and 14/16). According to this categorization, national parks in Serbia are classified into categories II, IV and V (Table 1).

According to this, it can be concluded that “Tara” and “Šar Mountains” meet the IUCN criteria which a protected area belonging to protection category II should have – National Park. According to IUCN criteria, national park “Djerdap” meets protection category IV - Habitat/Species Management Area, while national parks “Fruška gora” and “Kopaonik” meet the conditions of V protection category - Protected Landscape.

**Table 3:** National parks of Republic of Serbia according to IUCN protection level

| No. | National Park | Protection category |
|-----|---------------|---------------------|
| 1.  | Fruska gora   | V                   |
| 2.  | Kopaonik      | V                   |
| 3.  | Tara          | II                  |
| 4.  | Djerdap       | IV                  |
| 5.  | Šar Mountains | II                  |

**Source:** <http://blog.protectedplanet.net/>

## **Regulations which directly regulate management and use of natural resources**

Areas which are characterized by significant geological, biological, ecosystem and landscape diversity are declared as protected areas of general interest. According to the scientific and technical basis, the study of protection determines the value of a specific area which is proposed for protection, as well as the management of that area. Depending on the identified natural, created and landscape characteristics of a specific area, that area is classified into a certain category of protected natural areas by the Act of Declaration of Protected Areas, so that a National Park is declared by law, protected area of first category declared by the Government based on the proposal of the Ministry which has jurisdiction, and second category by the Government or the competent authority of the autonomous province in case when the protected area is located on the territory of an autonomous province, while a protected area of third category is declared by the local self-government authority, except in the case when protected area includes the territory and real estate of Republic of Serbia or the autonomous province; in the process of promulgation, the approval of the Ministry is required (Article. 41a).

The most valuable protected natural areas are *national parks*, which represent areas “with a large number of various natural ecosystems of national importance, prominent landscape areas and cultural heritage where people live in harmony with nature, intended for preservation of the existing natural values and resources, total landscape, geological and biological diversity, as well as meeting the scientific, educational, spiritual, aesthetic, cultural, touristic, health-recreational needs and other activities in accordance with the methods of nature protection and sustainable development” (Article 30 item 1). Therefore, protection of national parks, as the most representative natural areas, the range and uses are more closely defined by a special law, as *lex specialis*.

### **The Nature Protection Act**

The most significant legislation in the field of nature protection in the Republic of Serbia is the Nature Protection Act (Official Gazette of RS ", Nos. 36/09, 88/10 , 91/10 corr. and 14/16), which precisely defines the protection and conservation of nature, biological, geological and landscape diversity as part of the environment. According to this act, nature, regarded as a general interest is subject to special protection.

The main objectives of the Nature Protection Act of the Republic of Serbia are precisely defined in Art. 2, as follows:

- protection, preservation and enhancement of biological, geological and landscape diversity;
- the harmonization of human activities, economic and social development plans, programs, and projects with sustainable use of renewable and non-renewable natural resources and long-term conservation of natural ecosystems and the natural balance;
- sustainable use and/or management of natural resources and goods, ensuring their functions while preserving natural resources and the natural balance of the ecosystem;
- timely prevention of human activities and the activities that can lead to permanent depletion of biological, geological and landscape diversity, as well as disorders with negative consequences for nature;
- establishing and monitoring the state of nature and
- improving the situation of damaged parts of nature and landscapes.

All the foregoing shall not apply in the case of eradication and prevention of imminent danger to life or health of people or property, as well as the rescue of people and property, and only as long as the risk persists (Art.3).

The natural resources under the protection of this Act are:

- protected areas;
- protected species and
- protected mobile natural documents.

Protected areas are all those areas that have a strong geological, biological, ecosystem and / or landscape diversity and, consequently, they may be:

- strict and special nature reserve;
- National park;
- Natural Monument;
- protected habitat;
- area of exceptional importance;
- Nature Park.

In the national park only actions and activities that do not threaten the authenticity of nature are permitted, as well as the performance of activities that contribute to the educational, health, recreational and

tourism needs, continuing the traditional way of life of local communities, and in a way that does not threaten the survival of wild species, natural ecosystems and landscapes, in accordance with the Law on Environmental protection and management Plan adopted by the managing entity.

Forests in national parks are managed by the legal entity that manages the national park. Forests in national parks are not included in the forest management area.

The protected areas have established regimes of protection of the I, II and/or III degree. I degree protection regime - strict protection is carried out in a protected area or part of the original or slightly changed ecosystems of exceptional scientific and practical significance, allowing for a process of natural succession and preservation of habitats and living conditions of communities in the wilderness. II degree protection regime - active protection, carried out in a protected area or part of the partially altered ecosystems of great scientific and practical importance, and particularly valuable landscapes and geological heritage facilities. III degree protection regime - proactive protection is being implemented in the protected area or part of the partially altered and/or modified ecosystems, landscapes and objects of the geological heritage of scientific and practical importance.

The procedure for declaring protected natural areas includes: a category of protected areas, designation of protected areas, protected species and mobile protected documents.

Categories of protected areas, depending on the value and importance of protected areas, include:

- I category - protected area of international, national or great importance;
- II category - protected area of the provincial or regional character, or of high importance;
- III category - protected area of local importance.

The competent minister shall prescribe the criteria and procedure for evaluating the categorization of protected areas.

The declaration of protected areas is based on scientific and/or expertise elements - study of protection, which establishes the value of the areas

proposed for protection as well as a way to manage the area. The protection procedure is initiated when the Institute for Nature delivers a study of the protection project to the competent authority and the Ministry informs the public about the process of launching the protection of natural areas of the I, II and III categories on the website of the Ministry, but also in at least one daily newspaper distributed on the entire territory of the Republic of Serbia and also in the local newspaper of the local government where the area of the intended protection is based. This publication contains all the information about the time and place of public scrutiny and public debate.

After completing the procedure the act of declaration of a protected area is brought and published:

- In the Official Gazette of the Republic of Serbia when it comes to the national park and protected area category I;
- In the official gazette of the autonomous province when it comes to a protected area category II and
- In the official gazette of the local self-government when it comes to a protected area category III.

### **Law on National Parks**

The legal basis for the adoption of the Law on National Parks - Djerdap, Tara, Kopaonik, Šar Mountains and Fruška Gora is contained in Art. 30, paragraph 7 of the Nature Protection Act according to which measures to protect the national park and the manner of its use is specified in Article 41a, paragraph 1 of the law according to which "a national park is proclaimed by the National Assembly of the law."

Accordingly, on 6 October 2015, the Law on National Parks was adopted (Off. Gazette of RS, no. 84/15), which regulates the goals, values, size, boundaries and regime of protection, management and sustainable use of national parks to the territory of the Republic of Serbia. Since the tasks of protection, development and management of a national park are of general interest (Ristić et al., 2014, p. 337), it is provided by this Act that a national park is managed by a public company that implements the protection arrangements in a national park and manages natural resources, construction land, buildings and other real estate (Ristić et al., 2013, p. 344).

**Table 4:** *Surface and protection regimes of national parks*

| National park | Area in hectares | Regime of protection |           |            |
|---------------|------------------|----------------------|-----------|------------|
|               |                  | I degree             | II degree | III degree |
| Fruska Gora   | 26 672.00        | 800.16               | 17 870.24 | 8 001.60   |
| Kopaonik      | 11 969.04        | 1 481.77             | 3 583.53  | 6 903.74   |
| Tara          | 24 991.82        | 3 336.41             | 8 514.71  | 13 140.70  |
| Djerdap       | 63 786.48        | 5 109.30             | 13 714.09 | 45 154.45  |
| Šar Mountains | 22 805.43        | 7 359.31             | 2 998.91  | 12 447.20  |
| in total      | 150 224.77       | 18 086.95            | 46 681.48 | 85 647.69  |
| %             | 100              | 12.04                | 31.07     | 57.01      |

**Source:** *Law on National Parks ("Off. Gazette of RS ", No. 84/2015)*

With the Law on National Parks becoming official, the provisions of Articles 6 and 7, as well as the description field of the National Parks Law on National Parks ceased to apply ("Off. Gazette of RS", Nos. 39/93, 44/93 - correction, 53/93 - dr. law, 67/93 - dr. law, 48/94 - dr. law 101/05 - . the law and 36/09 - dr. Act).

The provisions of the Nature Protection Act are applied in the management, use, preservation and presentation of the National Park, if the Law on National Parks as a *lex specialis* does not specify otherwise.

**Table 5:** *The percentage share of areas under regime I, II and III level of protection in national parks (in %)*

| National park | I degree | II degree | III degree | TOTAL |
|---------------|----------|-----------|------------|-------|
| Fruska Gora   | 3        | 67        | 30         | 100   |
| Kopaonik      | 12.38    | 29.94     | 57.68      | 100   |
| Tara          | 13.35    | 34.07     | 52.58      | 100   |
| Djerdap       | 8.01     | 21.5      | 70.79      | 100   |
| Šar Mountains | 32,27    | 13,15     | 54,58      | 100   |

**Source:** *Law on National Parks ("Off. Gazette of RS ", No. 84/2015)*

The protection and development of the National Park is carried out according to a National Park Management Plan (hereinafter: Plan). This Plan applies for a period of 10 years and for its adoption it is necessary to have the approval of the Government of the Republic of Serbia with the prior opinion of the competent ministries.

As for the National Park Management Plan for "Fruška gora", the approval is given by the Government of the Autonomous Province of Vojvodina. Local governments and local residents have an active role in the process of adoption of the Plan. The plan is realized by an annual program management, in which the local government and local residents also have a primary role, which includes:

- activities that are envisaged for implementation;
- dynamics of execution of work;
- amount of the necessary funds, as well as the financial plan, which must be in accordance with the regulations.

Given that the management of the national park is of general interest, the management is entrusted to the public company that implements the protection arrangements in a national park and manages natural resources, construction land, buildings and other real estate.

In the process of planning and implementation of plans and programs for national park management the public company is obliged to provide the participation of local governments, interested public, as well as the citizens residing in the area of the national park.

The objectives of this law should ensure that:

- preserve and enhance the value of biodiversity, geo-diversity as well as cultural and historical value;
- preserve and promote ecologically important areas and the diversity of landscapes;
- preserve geological heritage facilities;
- preserve and improve habitat, types of habitats and populations of wild flora and fauna;
- preserve the cultural and historical heritage;
- preserve the traditional way of life;
- enable and facilitate the preservation and promotion of an adequate quality of life in the National Park through the development of social, cultural and economic activity;
- provide visitors an impressive experience of nature, education and possibility of research, and
- preserve natural processes and maintain a balance between natural processes and human activities.

The realization of the activities above should ensure sustainable development of national parks.

**Table 6:** *Area and forms of property in national parks of Serbia*

| National park   | Area in hectares  | State property   |            | Private property and other types |             |
|-----------------|-------------------|------------------|------------|----------------------------------|-------------|
|                 |                   | ha               | %          | Ha                               | %           |
| Fruška Gora     | 26 672.00         | 19 308.00        | 72.39      | 7 364.00                         | 27.61       |
| Kopaonik        | 11 969.04         | 9 862.60         | 82.4       | 2 106.98                         | 17.6        |
| Tara            | 24 991.82         | 13 588.51        | 54.37      | 11 403.36                        | 45.63       |
| Djerdap         | 63 786.48         | 45 454.87        | 71.26      | 18 331.60                        | 28.74       |
| Šar Mountains   | 22 805.43         | 10 359.00        | 45.42      | 12 446.00                        | 54.58       |
| <b>in total</b> | <b>127 272.16</b> | <b>89 365.37</b> | <b>702</b> | <b>37 064.21</b>                 | <b>29.1</b> |

**Source:** *Law on National Parks ("Off. Gazette of RS", No. 84/2015)*

Protection regimes in the area of the national park include regimes of protection I, II and III, which are directly subjected to prohibitions and restrictions on work and activities that are determined by the regulations on the protection of nature, which may be detrimental to the basic characteristics and other properties by the national park.

Management and sustainable use of the national park includes:

1. determine the management of the national park;
2. implementation of concrete actions in order to protect and improve the natural values of the national park;
3. adoption of the following acts:
  - Management Plan,
  - Annual program control,
  - Spatial plan of special purpose areas,
  - Specific plans and programs,
  - Urban plan for the national park,
  - Report on the state of natural resources and created value for the previous year.

Management of national parks of Serbia is entrusted to:

- Public Enterprise "Fruska Gora National Park" to manage the National Park "Fruska Gora";
- Public Enterprise "National Park Kopaonik" to manage the National Park "Kopaonik"

- Public Enterprise "National Park Tara" to manage the National Park "Tara"
- Public Enterprise "National Park Djerdap" to manage the national park "Djerdap"

In the process of adopting active role of the local government , the local population , citizens' associations and all other interested parties have an active role in adopting the national parks management Plan for a period of ten years (hereinafter: the Plan). The Plan is adopted in order to achieve: conservation, improvement and sustainable use, development and presentation of natural and other values of the area of the national park, which include:

- prohibition measures and limitations of works and activities in accordance with official protection regimes;
- incentives and other benefits for the local population and local authorities in order to develop those activities that favor the preservation of national parks;
- defining the ways of implementation of the works and activities of legal and natural persons performing activities in a national park.

The Annual national park management program makes the realization of the Management Plan possible in the year for which it is passed. Local governments, local residents, civic associations and other interested parties have an active role in the decision making. The adopted national park management program shall be submitted to the competent ministry for approval. The Annual management program includes:

- Activities and dynamic execution of operations;
- Necessary financial means and
- The financial plan.

The Spatial plan of special purpose for the national park area defines the regimes of protection I, II and III. The Act clearly established the rights and duties of the national park in the implementation of tasks of protection, promotion and development of the national park.

The Law on National Parks predicts the existence of:

- the National Park Experts Council and
- the National Park users Council.

The National Park Experts Council is a professional and consultative body, composed of five experts in the field of nature conservation and sustainable use of natural resources, which monitors and analyzes the plans, programs and projects in the field of nature conservation and sustainable use of natural resources.

The National Park Users Council makes recommendations, significant at the local level, relating to the national park in order to ensure not only the interests of users of the national park, but the local population as well. This council is composed of representatives of local governments, organizations and associations whose activities take place in the area of a national park or in a protected zone.

### **Conclusion**

The negative effects that the mass tourist movements left to certain destinations have influenced the new phase of tourism development which is characterized by substantial changes to the environment.

Tourism needs hardly reach saturation point, because one can always visit a new destination, or use another form of accommodation, transport ... In addition, the specificity of tourism demand are: heterogeneity, mobility, inability storage of tourism services, the seasonal nature ... All this has, compared to the last century, influenced the emergence of new trends on the demand side, which is reflected in the need for individuals to seek for more diverse and attractive vacation, while the increased use of new technologies leads to better and faster information to potential tourists of the most diverse tourist offers (Ristić, 2013). Investing in construction and human resources training, in modern conditions, is becoming a key competitive advantage (Djurić et al., 2013).

Certainly the most valuable protected areas are national parks, which are the symbol of national pride and prestige of any country because they serve for recreation of both local population and tourists, but their resources are permanent capital for all members of the society. Innovative legal texts directly regulate the management, use and storage of the "most important" parts of nature as the confirmation of the fact that only healthy and well-preserved nature enables successful tourism business in the long run.

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# SOME PRACTICAL ASPECTS OF BUSINESS INFORMATICS EDUCATION IN HOTEL MANAGEMENT AND TOURISM

Vladimir Kraguljac<sup>1</sup>; Danko Milašinović<sup>2</sup>;

## Abstract

*We live in a digital era. There are many examples of degree in which our everyday life and business are dependent upon computers and similar devices. Information and communication technologies have significant impact on modern education and business environment. Practical education has important role in the learning process in informatics. If our goal is to prepare students for modern business environment, the emphasis should be given to practical training. This study briefly shows some aspects of practical education on the teaching course of Business Informatics that the authors find useful.*

**Keywords:** *information and communication technology, education, business informatics, tablet computer, devices with touch screen*

## Introduction

Information and communication technologies (ICT) is extended term for the information technologies (IT), which emphasizes the role of unified telecommunications, computer systems, necessary software, information storages and multimedia systems which all together allow access, storage, transmission and processing of information to the users.

Information and communication technologies have changed almost all spheres of life of the modern man. Even the life itself nowadays is dependent on these technologies, primarily because of their application in medical diagnostics and treatments (Krsmanovic et al., 2012; Filipovic et al., 2011a; Filipovic et al., 2011b). The influence of modern ICT is major

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1 Vladimir Kraguljac, B.Sc. dipl. ing., Faculty of Hotel Management and Tourism, University of Kragujevac, Vojvođanska 5a, Vrnjačka Banja, Serbia, 036 515.00.24, vladimir.kraguljac@kg.ac.rs

2 Danko Milašinović, Ph.D., Faculty of Hotel Management and Tourism, University of Kragujevac, Vojvođanska 5a, Vrnjačka Banja, Serbia, 036 515.00.24, dmilashinovic@kg.ac.rs

in all forms of business, and consequently in the areas related to hospitality and tourism. Therefore, two objectives are clearly differentiated in the information education of the students of hospitality and tourism. The first concerns deepening the existing and acquiring new general IT knowledge and skills needed in everyday life. The second is teaching students of the importance and role of information systems and communication technologies in modern business, the basic principles of information systems development and examples of their use primarily in the hospitality and tourism, but also in other areas of modern business.

The impact of ICT on the extremely rapid development in all spheres of human activity is obvious. Although the education is activity whose real results cannot be so easily measured and seen, it is certain that ICT has a great influence on them. In addition, the speed of ICT development is amazing - processor speed is doubling every 18 months, data packing density is doubling every 12 months, whereas fiber-optic cables data transfer speed is doubling every 9 months.

What answer to rapid technical evolution has a today's higher education to offer?

### **Initial conditions**

According to the entrance survey conducted on a sample of 94 first-year undergraduate academic studies (UAS) students at the Faculty for Hotel Management and Tourism in Vrnjačka Banja which assessed the general IT knowledge, the average number of correct answers was about 14 out of total 24.

**Table 1:** *Percentage of correct answers*

| <b>Text processing</b> | <b>Spreadsheet calculation</b> | <b>Presentations and multimedia</b> | <b>General topics</b> | <b>Total</b> |
|------------------------|--------------------------------|-------------------------------------|-----------------------|--------------|
| 24%                    | 73%                            | 69%                                 | 66%                   | 58%          |

**Source:** *Entrance survey of first year UAS students, 2015*

In addition, the e-mail was used by 85% of students, 66% of which are active. As a primary activity in the use of ICT, 94% of students confirmed the use of social networks.

In the computer classroom, every student can use a desktop computer with the Internet access. Tablets are also available, while wireless access to the Internet is enabled at the Faculty premises.

### **Skills for the 21st century**

The term "skills for the 21st century", in its broadest sense, refers to knowledge, skills, work habits and personal characteristics that are important for success in today's world. This applies not only to the academic life, but it is usually related to it.

The above-mentioned skills include (Stephen & Abbott, 2015):

- Critical thinking, problem solving, reasoning, analysis, interpretation and synthesis of information;
- Research skills and procedures, survey;
- Creativity, skill, curiosity, imagination, innovativity, personal expression;
- Perseverance, independence, planning, self-discipline, adaptability, entrepreneurship;
- Skills of oral and written communication, public speaking and presentations, listening;
- Leadership, teamwork, collaboration, cooperation, the ability to use virtual workspace;
- ICT literacy, literacy in the media and on the Internet, skills in interpreting and analyzing data, and computer programming skills;
- A sense of civic, ethical and social justice;
- Economic and financial literacy, business skills;
- Global awareness, multiculturalism, humanity;
- Scientific literacy and reasoning, respect of scientific methodology;
- Protection and preservation of the environment, understanding the ecosystem, and
- Health and wellness literacy, including nutrition, diets, exercise and public health and safety.

There is so much available information today, that it is almost impossible to learn everything about a topic.

Analyses (Manyika et al., 2011) show that firms and other organizations are already faced with a lack of analytical and managerial staff, which is necessary to take advantage of a large amount of data available. Only in

the USA, there is a need for 140,000 to 190,000 of professional data analysts, and 1.5 million professional managers who will make decisions based on their findings.

In addition, information changes so rapidly that what is now considered as true would soon be seen as disputable. Therefore, it is important that students learn how to collect, process and interpret information. In addition, it is necessary to gain flexible skills that can be applied in different fields of work and everyday life.

These give a completely new role to teachers in relation to the traditional one, which involves the communication of information and preparation for good results in tests.

### **The role of information and communication technologies in higher education**

The mistake that often makes when choosing the role of information and communication technologies in education is that the emphasis is on technological capabilities, rather than on educational needs, although ICT really make it possible to put the focus on students. An additional problem is that it still happens that some teachers and students show resistance to the use of ICT (Sukanta, 2012).

Regardless of whether the use of ICT in teaching is as an object of study or as an aid for the acquisition of knowledge in other areas, its application can certainly help in all four important aspects of learning and teaching (Vasović & Milašinović, 2014):

- What is learned,
- How it is learned,
- When and where the learning takes place and
- Who is learning and who is teaching.

By accepting the Bologna Declaration in Serbia, changes occur in these areas so that the focus from the learning content moves to its use, the aspect of problem solving is emphasized in developing certain competences; teachers are becoming less responsible for the presentation of information, as their new role implies encouraging students to seek them; along with an increased use of modern technology, the time and space limitation of learning become reduced; at the same time, more and

more people is getting a chance to find themselves in the role of teachers as well in the role of the students (Vasović & Milašinović, 2014).

Basically, in the educational context, ICT, develops skills for (Sukanta, 2012):

- Collecting and identifying information,
- Classification and organization,
- Summarizing and synthesizing,
- Analyzing and evaluating and
- Estimation and forecasting.

In addition, proper use of ICT makes it possible to increase the students' enthusiasm and commitment to learning and, at the same time, makes contribution to the abilities of teachers. This is how you generate a positive change in the environment that, ultimately, leads to students' better preparation for the working environment. A special feature is the fact that ICT today allows that classes should not be based solely on printed materials, as it enables teachers to make materials and education available through the Internet. In addition, at any time, a wide variety of additional materials for learning about any subject is also available.

### **The problems of the ICT use in higher education and the possible solutions**

Teachers today meet students who are highly skilled in the use of computers, multimedia, smart phones and similar devices, because they surround them from the very birth. Teachers can face various difficulties in the transition from traditional ways of presenting educational content to the use the modern tools if they do not adopt new skills of technology use (Aksoy, 2003).

It is no longer a question if it is necessary to use ICT in teaching, but how to use it in the most appropriate way, how to select and procure them, how to manage them, and how and what effects of their use to monitor, and how to react to the results. This includes the use of these technologies in the education of teachers, institution management, and contacts with parents and the wider community (Sari & Mahmutoglu, 2013).

We are at the beginning of a long journey in the use of technology in the education system. Thus, every investment in technology requires new skills in workforce (teachers, instructors, etc.). Indeed, it is imperative for

every institution to carry out the appropriate training of teachers before investing in technological equipment.

### **Web 2.0 technologies in higher education**

The name of Web 2.0 describes how the Web sites on the Internet are made and used, where the focus is on user-generated content, usability and cooperation. Users communicate and collaborate, create content independently or as members of virtual communities. Examples of Web 2.0 sites are social networks, blogs, wiki collection, folksonomies (user-defined metadata collections), and sites for sharing video content, web applications, and combinations thereof.

In education, ICT tools can enhance social cooperation and cooperation among students. The platforms on which the information from the lectures is regularly updated help to quality learning and facilitate communication between students and teachers (Venkatesh et al., 2014). Studies have shown that the most frequently used ICT tools in higher education are global network – the Internet, e-mail and various increase productivity tools (Kirkwood & Price, 2005; Conole et al., 2008).

Students find that searching the Internet increases the quality of learning and allows them to explore beyond the borders of the available literature. The most frequently mentioned Internet sites are Wikipedia and Google (Kirkwood & Price, 2005; Tang & Austin, 2009). The use of available ICT desktop tools should be added to these two.

On the other hand, poorly prepared and used multimedia presentations, creating badly structured sites too rich in contents, as well as insisting on mandatory participation in the forums are often cited as negative examples.

It is clear that the introduction of ICT in higher education is important, but its proper use is of primary importance. The results of analysis of 300 studies that measured the effects of combined modes of learning shows that students very positively evaluated the integration of ICT in teaching in the course of higher education (Sharpe et al., 2006). Students especially emphasize the usefulness of merging technology with classical teaching, and equipping the workspace with ICT resources.

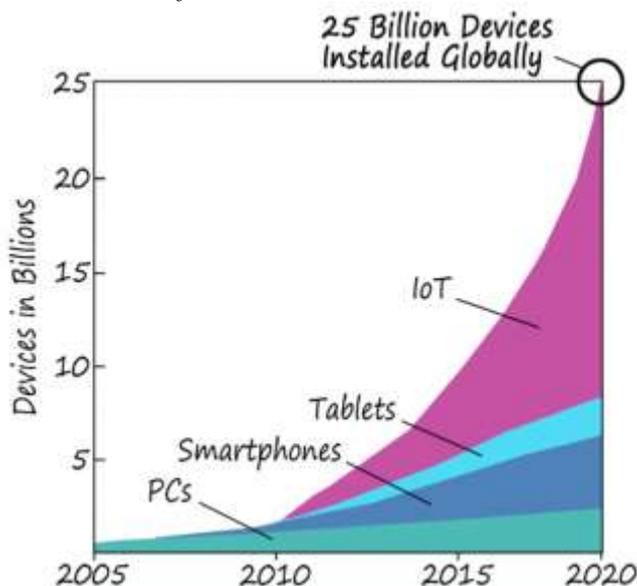
Several studies have examined how students evaluate the effectiveness of using ICT in the classroom. According to students, tools for multimedia

presentations proved to be the most useful ICT, with positive effects on learning and motivation (Tang & Austin, 2009). One study shows that there are significant positive changes in the acquisition of skills of oral presentation in class when using multimedia, hands-on activities and feedback (De Grez, 2009). Students widely used productivity tools for the preparation of written papers, charts or oral presentations (Conole et al., 2008). The most commonly used tools are tools for word processing, spreadsheets and graphs (Kirkwood & Price, 2005). Virtual learning environments are particularly useful for students because it allows them to keep up with teaching content, information and tasks and gives them more freedom in choosing the way that suits them best to access the information they need (Conole et al., 2008).

### Touch sensitive devices in modern business

The development of ICT today leads to the expansion of the Internet of Things (IoT) and touch sensitive devices. According to estimates (Gartner, 2014), till 2020, up to 25 billion interconnected devices will be on the Internet. Of that, 13 billion devices will be in the category of general consumption, and 8 billion will have business use. Touch sensitive devices will have a significant impact on both groups.

**Figure 1:** *The structure of devices connected to the Internet*



**Source:** *Integrated Computer Solutions, Inc. (Shamonsky, 2015)*

Even today, touch sensitive devices with their capabilities provide important support to daily operations. Higher education, as a last step before students enter the working environment, must quickly adapt to these trends.

### **Touch sensitive devices – the use of tablet devices in learning and teaching**

In a study (Fabian & MacLean, 2014), the advantages and potential pitfalls of using mobile devices in learning and teaching activities are evaluated. This included the use of multimedia tools, applications, document sharing and the use of online content.

The received feedback was very positive, but there were problems with the use of tablets and administration, i.e. settings related to security and applications.

We have come up with similar results after the use of tablet devices in the teaching exercises of Business Informatics at the Faculty of Hotel Management and Tourism. Thirty tablets were used for this purpose. During practical sessions, each student had a tablet.

Despite the fact that students live with similar devices, they experienced problems in using the tools on the tablet. The problems in the operating system and wireless connectivity to the Internet also occurred. Such problems are relatively easily resolved by restarting the device that takes less than a minute, but it disrupts the continuity of work. While students in cooperation with the assistant solve the resulting problems immediately, they have the opportunity to link theoretical teaching materials with the practice connected to modes of operation and use of computer networks. This experience is something that will be certainly expected in the workplace.

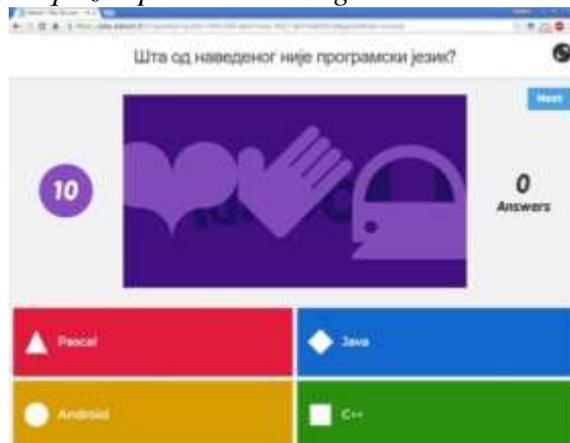
Tablets, smart phones and other mobile devices are designed as personal devices. The good side of that is that over time the device adapts to the user and allows easier and faster work. The problem occurs when you need more students to interchangeably use the same device. Most personalized applications and settings for data protection and security must be switched off or to be locked thereby lose all their benefits. It is necessary to make additional network configuration to ensure that the Internet use remains within the limits acceptable for academic use.

Despite problems in these settings, it is necessary to constantly remind students that, after completion of the work, pictures and other personal documents should be manually deleted, and that they should logout the sites on which they are registered. During one semester, in using a tablet in practice, if it happened that someone is logged in after the completion of the work, there was not a greater invasion of privacy, because the students behaved in accordance with the set rules.

Preparation of tablets, setting of the environment, updating applications and regular deletion of personal data request quite engaged administrators and teaching personnel. It is expected that some of the technical issues with which we meet now will be resolved in the near future when the operating system manufacturers become more dedicated to the use of such devices for educational purposes, which should enable simpler administration and application management through centralized control.

Regarding the use of tablets in teaching, the emphasis is placed on the uses which are most likely to be met in the students' future working environment. This has necessitated some changes in the content of the exercises to be performed. For example, tablets are not adapted for text processing. The keyboard on the tablet typically has the same layout as the standard one, but the way of typing is very different. In addition, the tablet usually has spelling correction, which can be annoying.

**Figure 2:** *Online quiz implemented using the site [www.kahoot.it](http://www.kahoot.it)*



**Source:** *Screenshot from the exercises on the subject Business Informatics*

On the other hand, tablets proved to be the ideal tool in activities that required easy sharing of certain content, with the online quizzes and tests and in all cases when the teacher needed a quick insight into the degree of their attainment of some matter. In addition, all kinds of activities that require joint decision making and dialogue between members of the group were facilitated using a tablet.

In general, all activities related to the use and sharing of existing content is alleviated, while the activities in which it is necessary to create content are weighted using the tablet. It is particularly positive that the students said that the use of tablets in teaching and the new activities encourage them for more after-school self-study and for using their mobile devices.

It turned out that for this type of teaching, the teacher's extensive work is crucial, because the activities that the students best accepted were those that required major changes compared to traditional teaching. The applications used on the tablet generally have no accompanying detailed instructions for use, so it takes a lot of time and effort to find and try out the appropriate applications for the planned activity.

The experiment, where two students share one tablet, has quickly demonstrated that this is an extremely impractical solution. The students said that it was very hard to concentrate on reading and work, because it constantly happens that one student who is faster has to wait for the other, slower one. The result was that one of the students is more active, while the other withdraws from activities.

### **Practical exercises in teaching of business informatics**

Below are a few examples of tasks that have been used in exercises in the main areas covered by the syllabus of the subject Business Informatics.

#### **Hardware, Windows**

1. Create a new administrator account under your name.
2. Create an account with limited privileges under the name "Student".
3. The account under your name changes to the following:
  - a) Change the name of the account so that, besides the name, it contains surname, too
  - b) Change the image of your account
  - c) Add the password to your account.

4. Delete the account under the name "Student" and all documents created under that account.
5. Change the desktop background.
6. Set the Screen Saver so that after 1 minute of inactivity starts the animation and after the re-activation the login screen appears.
7. Change the theme to "Windows Classic". Set Window Color to "Leaf".
8. Set the system to automatically update and clean the hard disk of unnecessary data.
9. Add the Serbian language and the Cyrillic script to the keyboard.

### **The Internet, the use of touch sensitive devices**

1. Create a folder and name it after your name.
2. Within the created folder, create a text file called Impresije and enter your general impressions of the Faculty of Hotel Management and Tourism in Vrnjačka Banja, in up to 10 words.
3. Find a picture on the Internet, which, in your opinion, best describes Vrnjačka Banja and save it to the created folder.
4. From your Gmail account, send an e-mail message to a colleague, and a copy of the e-mail send to poslovna.informatika.hitvb@gmail.com, where the message should:
  - a) have subject Proba
  - b) contain a link that you think is interesting and relates to Vrnjačka Banja, hotel industry or tourism, as well as its short description
  - c) contain as an attachment a file whose contents match that of the originally created folder
  - d) contain a welcome message.
5. Check the Inbox, read incoming text messages, and view any attachments.
6. Respond with messages of gratitude, where these messages should be visible to all participants of communication.
7. To the contacts, add poslovna.informatika.hitvb@gmail.com under the name Business Informatics.
8. Wipe created from a computer.

### **Word Processing**

1. On the Internet, on some of the specialized websites for employment mediation, find a template for writing CVs (resumes).
2. Based on the template write your CV. It should contain a photo, and the file which contains CV, name it by yourself.
3. Send CV to poslovna.informatika.hitvb@gmail.com.

## Presentations

1. Create a new Microsoft Office PowerPoint document.
2. For presentation's design, choose a theme Concourse.
3. Set the presentation title as "Vrnjačka Banja".
4. The subtitle should be "Tourist Attractions".
5. The title of the second slide is "Bridge of Love", and the slide appears with the effect Wedge.
6. The second slide should contain some information about Bridge of love, no more than 30 words, and 2-3 images, where the presentation style Rotated, White should be allocated to one image.
7. To the slide, as well as to all the information and pictures assign arbitrary entry effects, whereby each information should appear after clicking, except the images which could appear simultaneously.
8. The title of the third slide is "Carnival of Vrnjci".
9. The third slide should contain at least two positive pieces of information about the event, which appear one after another, after clicking, with different entry effects, as well as the image that is displayed simultaneously with the first information.
10. The fourth slide of the same title should include an illustration that appears on the slide, after clicking, which after the next click slowly disappears from the slide and then reappears.
11. The fifth slide of the same title as the previous two contains information on awards received by this event with accompanying images, along with slide presenting the effect Dissolve.
12. Last is the Gratitude slide with text created using WordArt.
13. Name the presentation by your name and index number, save it in .pptx format and send it to poslovna.informatika.hitvb@gmail.com.

## Spreadsheets

| Šifra proizvoda | Naziv         | Kategorija     | Nabavna cena | Porez | Cena sa porezom | Marža | Predajna cena | Količina u magacinu | Ukupna vrednost | Zarada | Potrebna nabavka (da/ne) |
|-----------------|---------------|----------------|--------------|-------|-----------------|-------|---------------|---------------------|-----------------|--------|--------------------------|
| 1111            | hleb          | prehrana       | 15.50 Din.   | 20.0% |                 | 8.0%  |               | 40.00               |                 |        |                          |
| 1112            | mleko         | prehrana       | 16.00 Din.   | 22.0% |                 | 8.0%  |               | 35.00               |                 |        |                          |
| 1113            | jabuke        | prehrana       | 55.00 Din.   | 20.0% |                 | 12.0% |               | 25.00               |                 |        |                          |
| 2111            | sapun         | higijena       | 23.30 Din.   | 18.0% |                 | 10.0% |               | 30.00               |                 |        |                          |
| 1115            | pavlača       | prehrana       | 15.84 Din.   | 20.0% |                 | 8.0%  |               | 25.00               |                 |        |                          |
| 3111            | mala sveska   | školski pribor | 12.25 Din.   | 25.0% |                 | 10.0% |               | 30.00               |                 |        |                          |
| 2112            | šampon        | higijena       | 43.89 Din.   | 22.0% |                 | 10.0% |               | 40.00               |                 |        |                          |
| 2113            | pasta za zube | higijena       | 39.55 Din.   | 22.0% |                 | 10.0% |               | 45.00               |                 |        |                          |
| 3112            | olovka        | školski pribor | 12.20 Din.   | 25.0% |                 | 10.0% |               | 55.00               |                 |        |                          |
| 3113            | gumica        | školski pribor | 13.25 Din.   | 25.0% |                 | 10.0% |               | 60.00               |                 |        |                          |

Broj prehrambenih artikala  
 Ukupna vrednost prehrambenih proizvoda  
 Broj proizvoda skupljenih od 20 din  
 Najveća marža


Vrednost robe u magacinu  
 Ukupna zarada

1. Create a new Excel document and name it by your name and index number.
2. Create and format a table, and then enter the data as shown above. The row height is 16, except for the header. Font is Times New Roman, 12pt.
3. Calculate the value of the empty cells. Earnings are calculated as the difference between the total value of the sales price and the total value of the purchase price. The purchase is needed if the quantity in storage is less than 10.
4. Send the result to e-mail [poslovna.informatika.hitvb@gmail.com](mailto:poslovna.informatika.hitvb@gmail.com).

### **The achievements of students**

Two tests are taken as a part of the pre-exam requirements for the subject Business Informatics.

The theoretical part of the first colloquium covers the following areas: hardware, Windows, Internet, use of touch sensitive devices, image processing and word processing. The practical part is mainly related to word processing program Microsoft Word.

The theoretical part of the second colloquium covers the following areas: Multimedia presentations, spreadsheets, information security and a free alternative to Microsoft Office software package. The emphasis of practical part is on creating spreadsheets.

**Table 2:** *Percentage of points in colloquiums*

| <b>First test</b> |                    |              | <b>Second test</b> |               |              |
|-------------------|--------------------|--------------|--------------------|---------------|--------------|
| <b>Theory</b>     | <b>Practically</b> | <b>Total</b> | <b>Practically</b> | <b>Theory</b> | <b>Total</b> |
| 43%               | 74%                | 66%          | 38%                | 75%           | 66%          |

**Source:** *Results of the colloquiums for the subject Business Informatics, 2015*

In addition to the pre-exam colloquiums students have one practical work related to the presentations, multimedia, marketing and social networks. The percentage of points on practical work in 2015 was 83%.

These results show that students in the areas that are most common in the modern working environment, word processing, spreadsheets, presentations, and multimedia, achieved very significant results in practical work.

A significant indicator of readiness of students of the Faculty for the work in modern business environment is the estimates they receive on the professional practice. Students UAS at the Faculty of Hotel Management and Tourism in Vrnjačka Banja, starting from the second year have a mandatory work placement for a minimum of 30 days. Professional practice is carried out within the hotel industry, travel organizers, travel agencies and tourism organizations in the country and abroad (Sekulić et al., 2015). After the professional practice, mentors evaluate them. For years now, the average score is close to the maximum of 10, and from year to year it increases.

**Table 3:** *Average scores on professional practice*

| 2012/2013 | 2013/2014 | 2014/2015 |
|-----------|-----------|-----------|
| 9.85      | 9.91      | 9.97      |

**Source:** *Documentation of the Faculty, 2013-2015*

## Conclusion

Due to the large amount of data available, it is important that students learn how to collect, process and interpret information, as well as to acquire the knowledge, skills, work habits and personal characteristics that are important for success in today's world. Teachers have a completely new role that is different from the simple transfer of information and preparation for good results in tests.

ICT should ensure that the focus of teaching is set to educational needs of students through all the important aspects of learning and teaching. It is necessary to serve to the strengthening of the teacher's competence to enable efficient use of modern educational tools. A particularly important role of ICT tools today is to enable effective cooperation among students and teachers and to improve the quality of learning using virtual learning environments and different platforms on which the information from lectures are regularly updated while preserving the irreplaceable quality of classical education.

Touch sensitive devices are an ideal tool in teaching activities that require content sharing, with the online quizzes and tests, when the teacher needed a quick insight into the degree of their attainment of some matter and when it requires joint decision making and dialogue between members of the group. In order to better prepare students for the working

environment that awaits them, it is necessary to insist on the use of these devices in various activities related to the use and sharing of the existing content. Their mass introduction to teaching will lead to students who do more self study after class, using their mobile devices for that.

The further steps in using tablets in teaching may relate to seeking ways to increase the use of these devices to create new content, as well as to facilitate their administration.

### **Acknowledgements**

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# THE ROLE OF E-COMMERCE IN TOURISM DEVELOPMENT OF THE REPUBLIC OF SERBIA \*

*Svetlana Sokolov Mladenović<sup>1</sup>; Đorđe Ćuzović<sup>2</sup>;*

## **Abstract**

*Tourism belongs to the group of information-intensive sectors and the development of information-communication technologies significantly changed its structure. The development of e-commerce has influenced its implementation in tourism where it is observed like a tool for improving the efficiency of business activities. However, the intensity of e-commerce use in tourism depends on many factors, such as institutional, technological and organizational. This paper aims at analysing the role of different e-commerce models in creating the business performance of companies. The initial assumption in this paper is that introduction of e-commerce has positive effect on business performance of tourism companies. The assumption is tested on a sample of 32 tourism companies that operate on the Serbian market, regarding the relevant statistical methods. The observed period is from 2010 to 2015.*

**Keywords:** *e-commerce, tourism, efficiency, business performance*

## **Introduction**

The appearance and development of information-communication technologies has caused the implementation of e-commerce in different areas of business and society. As a result of that, various models of e-commerce have continuously been developed. E-commerce has an effect on business operations of enterprises in many fields of economy. Tourism, as an innovation-intensive sector of economy, has indicated the adequate potential for implementation of e-commerce. The introduction

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1 Svetlana Sokolov Mladenović, Assistant Professor, PhD, Faculty of Economics-University of Nis, Trg Kralja Aleksandra Ujedinitelja 11, Niš, +381641344492, svetlana.sokolov@eknfak.ni.ac.rs

2 Đorđe Ćuzović, PhD, Visoka poslovna škola Novi Sad, Vladimir Perić-Valter 4, Liman I, 21000 Novi Sad, cuzovic@gmail.com

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of e-commerce in tourism influences the change of task planning and control, communication with customers, as well as monitoring of business performance. Thus, e-commerce in tourism is observed as key instrument for development of global marketing, attracting and retaining customers and improving business performance. Taking into account these facts, the aim of this paper is to undertake the analysis of possibilities of e-commerce implementation in tourism. This paper analyses the influence of e-commerce on tourism development in the Republic of Serbia, regarding numerous studies that deal with e-commerce influence on business performance in tourism enterprises. The paper is divided into two parts. The first is theoretical one and it analyses the development of e-commerce concept. The starting point is different definitions of this phenomenon considering all benefits of e-commerce implementation. The latest results of research on topic relationship of e-commerce and tourism are also analysed in the theoretical part of paper. The second part of the paper is a practical one. The sample of the research, time framework and research methodology are defined here. Analysing the sample of 32 companies in tourism field in period 2010-2015 by use of regression models, hypothesis concerning influence of e-commerce on business performance of companies in tourism sector is tested.

## **Literature overview**

### **The development of e-commerce concept**

The definition of e-commerce is not simple, because this field has rapidly changed. Besides the technological aspect, it is necessary to stress the economic one and define e-commerce as a new market that offers new types of commodities and services, for example digital products through digital processes. The sellers of physical commodities are involved in digital processes like on-line ordering, market research and payment which are all parts of this new market.

Chronologically observed, e-commerce has evolved in its development (Ćuzović & Sokolov Mladenović, 2013a). This evolution has come the way since “Sputnik” launching that indicated transition of industrial to post-industrial or informatics society. With the development of satellite and cable television the epoch of global communication was created. Scientific and technological progress in the field of micro-electronics and implementation of information-communication technologies like EAN, EPOS, EFTPOS, EDI and EDIFACT, leads to reengineering the trade and

other actors in commodities trade and affirm innovation strategy concept (Ćuzović & Sokolov Mladenović, 2013b). Although this strategy brings many types of functional innovation in business operation of traditional trade institutions, with Internet development there comes a new trade institution – e-commerce (Ćuzović & Sokolov Mladenović, 2014). It is budding scientific discipline that has developed since the nineties of the last century, while its real expansion happened with the Internet started to be used in business. Although the IT as the base of e-commerce was developed in technical science, ARPANET (*Advanced Research Project Agency Network*) was the beginning of the Internet within the United States Department of Defence where e-commerce was treated as a field with interdisciplinary character related to numerous sciences and disciplines. The interdisciplinary nature of e-commerce with other disciplines like business informatics, distribution marketing, information systems, e-business, IT in economics, e-marketing, etc., is the subject of discussion in the academic field (Turban & King, 2011).

The relevant literature in the field of e-commerce agrees with the statement that it is a term with multiple meanings. Having more meanings makes it difficult to give a unique definition of e-commerce. Therefore, the particular meaning of e-commerce is to be reviewed relying on modern theory and progressive practice. Turban, McLean and Wetherbe (2011, p. 168) define e-commerce like doing business transaction through telecommunication network, primarily the Internet.

In a narrow sense, e-commerce could be observed like transaction based on digital market. Because of that, various theorists and practitioners use the term *e-business*, like a synonym for e-commerce, which includes not only sales and purchase, but customer services, cooperation with business partners and electronic transaction within an organization as well. However, e-commerce should not be identified with e-business. They are two rather different business activities (Ćuzović et al., 2012).

The still present question in definitions of e-commerce and e-business is: Why theorists from Anglo-Saxon speaking countries, where these word originate from, did not put an equal between these two terms? As an argument, it is emphasized that it is a new (young) science, the so called digital economy, which draws information obtained by computer and other sciences. That is why technical aspect prevails in e-commerce definition (Ćuzović & Sokolov Mladenović, 2012; Ćuzović & Sokolov Mladenović, 2013c).

E-commerce refers to business activities of traders who offer customers what other produced or services which other provide. On-line trader is intermediary between producers and customers, which makes it especially interested in own website and focus on market. The advantage of e-commerce can be:

- fast access to information – better availability of products and services on a market,
- fast and simple transfer of documentation between stakeholders,
- liability of market place thanks to information,
- more possibilities for analysis of product and services and exchange of experience,
- the possibility of market research and sales according to market demand and
- developing new business activities.

In contrast to the advantages offered by e-commerce, the most common risks of e-commerce result from misuse and destruction of data and invasion of privacy of clients. Finally, e-commerce is often identified with e-business, which essentially is not true, although e-commerce is the part of e-business. E-commerce and e-business are overlapping within digital system of organization, where, for example, internal system of organization is linked with suppliers and customers (Sokolov Mladenović & Ćuzović, 2015; Ćuzović & Sokolov Mladenović, 2015). E-business implementations turn into e-commerce when value is exchanged.

There are numerous basic models of e-commerce. According to relevant literature, the following models stand out (Turban et al., 2010):

- *Business-to-Business B2B* (electronic trade between business systems). The subject of trade activity and other subjects in this model perform their activity through EDI as information-communication technology or extranet through the Internet.
- *Business-to-Consumer B2C* (electronic trade between business system and customers digitally) includes all business transaction between business subjects and customers. This model of e-commerce is focused on marketing sales of products and services. The best-known companies in the world are: Dell, Amazon.com and eBay.
- *Business-to Administration B2A* means exchange of commodities between companies and public bodies.

- *Consumer-to-Administration C2A*. This model is promoted by the European Union with aims to reduce complex administrative procedures on relations administration-citizens. Based on the EU directives, this model is a platform for development of the project of “information society”.
- *Consumer-to-Consumer C2C*. In this case, an individual sells products and services to other individuals. Specificity of this model is “P2P” (*Peer to Peer*). Electronic auctions are the most famous activities of C2C commerce. e-Bay is the well-known auction website.
- *Consumer-to-Business C2B model*. In this case, a customer expresses interest in a certain product or service and business system tends to provide the requested product or service.
- *Government-to-Consumer G2C*. In this case government (administration) provides services to citizens and other consumers by electronic way.

According to some authors, it is possible to distinguish the following models of e-commerce, such as (Kenmeth et al., 2004): a) *Business to its employers B2E* (trade inside company). It is a business system which uses intern electronic transaction in order to improve level of efficiency of an employee. Although it is classified in the model of e-commerce, it is the e-business. b) *Collaborative commerce (c-commerce)*. In this model of e-commerce, business partners collaborate electronically and the example is supply chain management (SCM). c) *Mobile commerce (m-commerce)*, when e-commerce is performed in a wireless environment and use mobile phone for the Internet access.

### **E-commerce and tourism**

Information technologies have greatly transformed tourism (Werthner & Klein, 1999). With the development and use of the Internet in 1990s, tourism has become surrounded with intensive implementation of information technologies that open up numerous opportunities and challenges (Buhalis & Law, 2008). E-commerce developments come with the Internet application and affect the change in the way of collecting and using information by tourists (clients). Firstly, the Internet includes a large amount of information which for many people represent “external memory”, that is an integral part of everyday life (Xiang et al., 2015). Accordingly, a number of advanced search tools become the dominant approach to products in tourism. Secondly, enormous growth of social network has greatly changed the dynamics of on-line communications

(Bizirgianni & Dionysopoulou, 2013). Thirdly, development of mobile computers, especially smartphones and applications for travel, creates new opportunities for making decisions about travel and choice of tourism destinations. Starting from the previous facts, authors Xiang et al. (2015) identify the tendencies in tourism based on the Internet and e-commerce implementation: 1) the Internet use for travel planning with a positive tendency, 2) notable contrasts and similarities in the behaviour of different generations regarding the use of the Internet, 3) social networks, mobile phones and new channels of communication support new customer behaviour, 4) customers are continually observed in order to obtain an adequate tourist product.

Internet and e-commerce implementation in tourism leads to the creation of the global tourism industry which shows the following characteristics (Travel & Tourism-Economic Impact 2016, Annual Update Summary):

- Travel & Tourism's direct contribution to the world gross domestic product (GDP) and employment in 2015 was US\$2.2 trillion (2015 prices) and 108 million jobs, respectively.
- Taking its wider impacts, including both indirect and induced contributions, Travel & Tourism's total contribution to the global economy in 2015 was US\$7.2 trillion (2015 prices), which equates to 9.8% of the total GDP. In terms of employment, in 2015, the Travel & Tourism sector supported 284 million jobs, or 1 in 11 of all jobs in the world.
- 2.5 million new jobs were generated directly in the sector in 2015, taking the number of direct jobs to 108 million. In total, 7.2 million new jobs were created as a result of direct, indirect and induced activity.
- The total contribution of Travel & Tourism to employment grew by 2.6% in 2015, while the total GDP contribution grew by 3.1% – faster than wider economic growth (2.3%) for the fifth consecutive year.
- In GDP growth terms, the Travel & Tourism sector outperformed several other major economic sectors in 2015, including manufacturing and retail. In employment growth terms, the Travel & Tourism sector outperformed various other select industries in 2015, including the financial services, education and health care sectors.
- At a country level, direct Travel & Tourism GDP growth outpaced economy-wide GDP growth in 127 out of 184 countries covered by the annual Economic Impact Research in 2015. Examples of economies where Travel & Tourism most markedly outperformed the

wider economy in 2015 included Iceland, Japan, Mexico, New Zealand, Qatar, Saudi Arabia, Thailand, and Uganda.

- The sustained demand for Travel & Tourism, coupled with the sector's ability to consistently outperform the wider global economy and be resilient in the face of shocks, continues to underline its great significance and value as a key sector for economic development and job creation throughout the world.

Numerous studies point to the fact that the Internet and e-commerce changed consumer (clients) needs, who are now becoming less loyal, often go on shorter trips and have less time between the selection and consumption of tourist products (Chan et al., 2015; Cheng & Cho, 2010; Zehrer et al., 2011). Also, the Internet and e-commerce create new way for satisfying consumer needs and enable computerization all over tourism value chain, which results in numerous value-generated strategies (Gretzel, 2011):

- Value extraction – the example of this strategy, that increases business efficiency and reduces expenditures, is the use of an automation process, like self-registration of guests in hotels;
- Value capture – the example is data collecting in order to estimate and manage income, where client supports marketing aims;
- Value addition – this strategy includes linear combination of products and services in order to create product bundles. The example is relationship between services through mobile phones and websites in order to provide information during travel;
- Value creation – this strategy is focused on network effects, including the tourists share in defining the services and destination planning.

On the other hand, the implementation of these strategies leads to gradual “removing” of limits inside tourist destination. In addition, each of the participants in the value chain is experiencing some changes, such as (Gretzel, 2011):

- The tourists are referred to a large number of market participants where they alone have active role in defining the service,
- Travel agents put more emphasis on more complex services,
- Web sites increasingly offer the option of purchasing a package electronically with a focus on personalized offer for clients, and
- Globalization of the supply and demand side.

It is observed that the implementation of e-commerce in tourism has the following advantages for its participants (Molla & Heeks, 2007): 1) collection of information, thanks to the Internet portals on tourism, 2) the integration of information, thanks to the development and implementation of information technology and tourism portals, 3) presenting the information, 4) recommendations, thanks to a recommendation system that suggests products and provides information to enable easy decision making and 5) greater mobility, thanks to the development of mobile applications.

The implementation of e-commerce in tourism provides the above advantages. In addition, in numerous studies (Zhu & Kraemer, 2005; Zhu et al., 2006; Molla & Heeks, 2007), there is the open question of how e-commerce implementation in tourism influences the business performance of enterprises which use e-commerce, particularly their cost efficiency, as well as coordination activities with business partners. The most of these studies quantify e-commerce effects with using financial measures like profitability, cost reduction and the efficiency of inventory. The common facts direct to conclusion that intensive use of the Internet and e-commerce lead to improvement of efficiency of business in the fields of tourism and travel.

## **Research methodology**

### **Hypothesis, data and methodology**

Starting with the theoretical approach, the research question in this paper is whether it is possible to construct an econometric model which links the implementation of e-commerce in operations of tourism enterprises and results of efficient business. According to this research question, in the null and alternative hypothesis are tested in the paper. Null hypothesis H0: Implementation of e-commerce within business entities in the field of tourism in Serbia has no positive influence on dynamics of business activities. Alternative hypothesis H1: Implementation of e-commerce within business entities in the field of tourism in Serbia has positive influence on dynamics of business activities.

In order to test these hypothesis, further step in the paper is to define the sample, time of observation, research methodology and used variables. Business entities in the field of tourism are observed in the period 2010 to 2015. This five-year period is sufficiently long for a valid observation, but

also represents a period in which there was an expansion and contraction of the level of economic activity. The method that is used is multiple regressions. The research sample is 32 enterprises in the field of hotel industry, as the most representative segment of tourism activity. These 32 enterprises are selected among the top 200 companies that have the highest income. The selection criterion is uniformly value of the coefficient of coverage of long-term capital assets. More precisely, the sample comprises the companies that operate in hotel industry whose assets are financed by equity. In other words, there are companies that have adequate long term financial equilibrium. In this way, attempt is made to exclude potential negative influence on business, due to financial character.

The observed parameters in the defined time period are adjusted to research question. In this regard, the dynamics of business activities is followed-up by operating income per employee in million RSD. This value represents a dependent variable. On the other hand, the independent variable will talk about e-commerce implementation in business. This is without doubt the possibility of booking and paying over the world or its own web portal, such as booking (booking.com). Precisely, in the years when an electronic system of booking is implemented within the observed enterprises, the value of dummy variable is 1. In other years, where there was no implementation, the value was 0. All data are taken from official financial reports, companies' websites and world web service [www.booking.com](http://www.booking.com).

As highlighted, the multiple regression model is used for the analysis of 32 enterprises, where the number of enterprises is  $i = 1 \dots 32$ . These enterprises are observed in period 1 to 5 years,  $t = 1 \dots 5$ . By using the panel data the regression model is:

$$y_{it} = \alpha + x'_{it}\beta + c_i + u_{it} \quad (1)$$

where:  $y_{it}$  is dependent variable,  $\alpha$  je constant,  $x'_{it}$  is row of vector which is related to independent variable,  $\beta$  is column of vector parameters with independent variable,  $c_i$  is the effect of specificity of the observed enterprise and  $u_{it}$  is 1. If we take into account the fact that the number of the observed period is 5 years, then  $T = 5$ , and the observation for each enterprise is summarized with the following matrix:

The dependent variable  $y_i$ , is shown with the following matrix:

$$y_i = \begin{bmatrix} y_{i1} \\ \cdot \\ \cdot \\ y_{i3} \\ \cdot \\ \cdot \\ y_{i5} \end{bmatrix}, y_i = [5 \times 1].$$

The independent variable  $X_i$ , matrix would be:  $X_i = \begin{bmatrix} \hat{x}_{i1} \\ \cdot \\ \cdot \\ \hat{x}_{i3} \\ \cdot \\ \cdot \\ \hat{x}_{i5} \end{bmatrix}$ ,  $X_i = [5 \times 1]$ ,

because it is observed 1 independent variable in regression model.

Residual matrix in analysed model would be:

$$u_i = \begin{bmatrix} u_{i1} \\ \cdot \\ \cdot \\ u_{i3} \\ \cdot \\ \cdot \\ u_{i5} \end{bmatrix}, u_i = [5 \times 1].$$

If the latest analysed company  $i$  in a string is marked with  $N, a$  ( $N = 32$ ) and the latest observed year  $t$ , with  $T, a$  ( $T = 5$ ), then with  $NT$  would represent the complete observation in all companies for the whole period of observation:

The dependent variable  $y$ , is presented like the matrix:  $y =$

$$\begin{bmatrix} y_1 \\ \cdot \\ \cdot \\ y_i \\ \cdot \\ \cdot \\ y_{32} \end{bmatrix}, \text{reda } y = [NT \times 1].$$

The independent variable X, is presented like the matrix: 
$$X = \begin{bmatrix} X_1 \\ \cdot \\ X_i \\ \cdot \\ X_{32} \end{bmatrix},$$

reda  $X = [NT \times 1]$ .

Residual  $u_i$  is presented with the matrix: 
$$u = \begin{bmatrix} u_1 \\ \cdot \\ u_i \\ \cdot \\ u_5 \end{bmatrix}, \text{reda } u = [5 \times 1].$$

The question that arises in the model shown in equation (1) is: whether there is a correlation between residual  $u_{it}$  (where specific effect of observed company  $c_i$  is included), from one part and independent variable on the other hand. In mathematical terms, is there  $E = (u_{it}|X_i, c_i) = 0$  , when there is no correlation or  $E = (u_{it}|X_i, c_i) \neq 0$  , where correlation exists.

In theoretical terms, this is about setting a multiple regression model with a random or fixed effect (Schmidheiny, 2015). Multiple regression models with a random effect in this particular case would mean that specificity of the observed enterprises (marked with  $c_i$ ) is not in correlation with independent variable and does not changes over time, independently from one enterprise to another. This is an extremely rigorous assumption which is rarely applied by economists in such a research. Multiple regression models with fixed effect means that specificity of the observed company could be in correlation with independent variable and does not changes over time, actually it undertakes the specificity of a business entity with characteristics for each enterprise individually. This assumption is more realistic and it is presented in economic research. In this paper, a multiple regression model with fixed effect is selected, in order to perform adequate statistical tests to verify its validity compared to a random effect model.

## The results and discussion

The result of the selected research methods, multiple regressions with fixed effect, is presented in Table 1.

**Table 1:** *Multiple regression models with fixed effect*

|                                   |           |                     |          |
|-----------------------------------|-----------|---------------------|----------|
| Fixed-effects (within) regression |           | Number of obs       | 160      |
| R-sq: within                      | =0.2582   | Number of groups    | = 32     |
| between                           | =0.1308   | Obs per group: min= | 5        |
| overall                           | =0.2289   | avg=                | 5.0      |
|                                   |           | max=                | 5        |
|                                   |           | F (1,127)           | 7.85     |
| corr (u_i, Xb)                    | = -0.0309 | Prob > F            | = 0.0059 |

| Operating income per employee in million RSD | Coef.              | Std. Err. | t    | P >  t | [95% Conf. Interval |                                    |
|--|--------------------|-----------|------|--------|---------------------|------------------------------------|
| Dummy (Implementation of e-commerce)         | 3.57               | 1.27      | 2.80 | 0.006  | 1.047               | 6.086                              |
| _cons  | 1.65               | .91       | 1.81 | 0.050  | -.151               | 3.459                              |
| sigma_u                                      | 8.162              |           |      |        |                     |                                    |
| sigma_e                                      | 7.019              |           |      |        |                     |                                    |
| rho  | .574               |           |      |        |                     | (fraction of variation due to u_i) |
| F test that all u_i=0:                       | F (31, 127) = 6.75 |           |      |        |                     | Prob > F = 0.0000                  |

**Source:** *Author's calculation*

The results in Table 1 show that independent variable in model has statistical significance. In other words, with the probability of 99.6%, the hypothesis that independent variable (implementation of e-commerce in analysed enterprises) determinates dependent variable (operating income per employee in million RSD) is accepted. The statistics of F-test has an adequate level of probability and shows that all variable's coefficients are different than null, which indicates an influence upon dependent variable (in this case income per employee). The correlation between independent variable and residual is different than null, in this case -0.0309. The negative value shows that variables are adequately adapted within the constructed model. More precisely, if independent variables effectively determine the value of the dependent variable, than the value of residual (statistical error) is less.

Based on the above, it can be concluded that there is an adequate econometric model:

$$\begin{aligned} & (\text{Operating income per employee in million RDS})_{it} = \\ & 3.57 (\text{Dummy (Implementation of e-commerce)})_{it} + 1.65 + c_i + u_{it} \quad (2) \end{aligned}$$

The results of model presented in equation 2 indicate that implementation of electronic payment and booking within an enterprise in one year, causes operating income per employee to increase for 3.57 million RSD with application *ceteris paribus* (if the other circumstances are not changed). The model is presented with the mentioned theoretical postulate and alternative hypothesis. The model has coefficient of determination  $R = 0.258$  that means that it is applicable in 25.8% of the overall observation in 32 enterprises in the period 2010 to 2015. The relatively low coefficient of determination does not diminish the importance of proving alternative hypothesis H1 and that implementation of e-commerce in enterprises in the field of tourism in Serbia has a positive influence on dynamics of business activities.

### **Hausman test for model endogeneity**

The constructed multiple regression model has started with the assumption that there is a correlation between residual  $u_{it}$  (in which it is contained and the specific effect observed enterprise  $c_i$ ) and an independent variable. In mathematical terms,  $E = (u_{it} | X_i, c_i) \neq 0$ . More precisely, it is a constructed multiple regression model with fixed effect. It means that specificities of the observed enterprises have endogenous character and represent internal determination of operation income per employee which is in correlation with independent variable. In order to verify the validity of assumption and constructed econometric model, Hausman test is performed.

The null hypothesis in this test is: there is no correlation between residual  $u_{it}$  and (in which it is contained and the specific effect observed enterprise  $c_i$ ) and independent variable. In other words, the model with a random effect should be used. Alternative hypothesis is that there is correlation and the model with fixed effect is adequate. For this purpose, a model with a random effect is constructed (Table 2) and results of test are presented in Table 3.

**Table 2: Regression of a model with random effect**

|   |         |                     |          |
|---|---------|---------------------|----------|
| Random-effects GLS regression                         |         | Number of obs       | 160      |
| Group variable:                                       | Company | Number of groups    | = 32     |
| R-sq: within  | =0.258  | Obs per group: min= | 5        |
| between   | =0.162  | avg=                | 5.0      |
| overall   | =0.218  | max=                | 5        |
| corr (u <sub>i</sub> , X <sub>i</sub> ) = 0 (assumed) |         | Wald chi2 (1)       | 7.82     |
|   |         | Prob > chi2         | = 0.0052 |

| Operating income per employee in million RSD | Coef. | Std. Err.                                      | z    | P >  z | [95% Conf. Interval] |       |
|--|-------|--|------|--------|----------------------|-------|
| Dummy (Implementation of e-commerce)         | 3.477 | 1.243  | 2.80 | 0.005  | 1.039                | 5.915 |
| _cons  | 1.704 | 1.621  | 1.05 | 0.293  | -1.473               | 4.882 |
| sigma_u                                      | 7.659 |  |      |        |                      |       |
| sigma_e                                      | 7.019 |  |      |        |                      |       |
| rho  | .5434 | (fraction of variation due to u <sub>i</sub> ) |      |        |                      |       |

**Source:** Author's calculation

**Table 3: The results of Hausman test**

|                                      | - Coefficients - |            |                  |  |
|--------------------------------------|------------------|------------|------------------|--|
|                                      | (b) fixed        | (B) random | (b-B) Difference | Sqrt (diag (V <sub>b</sub> -V <sub>B</sub> )) S.E. |
| Dummy (Implementation of e-commerce) | 3.567049         | 3.477758   | .0892906         | .2715568   |

b = consistend under Ho and Ha; obrained from xtreg  
 B = incosistent under Ha, efficient under Ho; obrained from xtreg  
 Test: Ho: difference in coefficients not systematic  

$$\chi^2(3) = (b-B)' [(V_b - V_B)^{-1}] (b-B) = 0.99$$
  
 Prob>chi2 = 0.098  
 (V<sub>b</sub>-V<sub>B</sub> is positive definite)

**Source:** Author's calculation

The results of Hausman test with probability of 91.2% reject null hypothesis, that model with random effect is proper. This clearly suggests that the alternative hypothesis is proved. Specifically, there is correlation between residual  $u_{it}$  (in which it is contained and the specific effect

observed enterprise  $c_i$ ) and independent variable. Mathematically, it is  $E = (u_{it}|X_i, c_i) \neq 0$ . It means that the constructed multiple regression model with fixed effect is entirely acceptable.

In this way, the posed hypothesis is tested and proved: The implementation of e-commerce within enterprises in the hotel industry has positive effect on the volume of operating income per employee. The constructed multiple regression model clearly shows that the implementation of e-commerce within the selected companies in one year in the observed period has the positive effect on operation income in the same year, regarding the clause *ceteris paribus*.

### **Conclusion**

As tourism is information-intensive activity, the implementation of e-commerce has found its role here. Introduction of e-commerce in tourism enterprises has created new opportunities for the application of innovative business practices. The impact of e-commerce on cost reduction and productivity improvement are the key reasons for its introduction. In addition, the use of e-commerce provides possibilities for increasing the value of products and services offered by tourism enterprises. With the market globalization, the usage of e-commerce is easier with expanding the business on new markets with increasing the database of consumers and their better serving. Started with numerous researches on topic relationship of e-commerce and tourism, this paper aimed at analysing e-commerce implementation in tourism with focus on improvement of business performance of enterprises that use e-commerce. The first part of the paper analysed the theoretical aspect of e-commerce with focus on different definition of this phenomena, the role of state in e-commerce development, as well as research about relationship between e-commerce and tourism. The second part of paper researched how e-commerce affected business performances of tourism enterprises, based on the selected sample. The paper tested null and alternative hypothesis. Null hypothesis (H0) is: The implementation of e-commerce within business entities in the field of tourism in Serbia has no positive influence on dynamics of business activities. Alternative hypothesis (H1) is: The implementation of e-commerce within business entities in the field of tourism in Serbia has positive influence on dynamic of business activities. Based on the sample of 32 tourism enterprises in the period 2010 to 2015 a multiple regression model with fixed effect was constructed. The constructed multiple regression model clearly shows that implementation

of e-commerce for the selected companies in the observed period, in one year effects on intensification of operation income per employee in the same year, regarding the clause *ceteris paribus*

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# VIRTUALIZATION OF INFORMATION RESOURCES IN TOURISM ORGANIZATIONS

*Langovic Zlatko<sup>1</sup>; Pazun Brankica<sup>2</sup>;*

## Abstract

*Virtualization of information resources is a fast growing technology in the business environment. Given technology is the basis for the development of the industrial sector, telecommunications, cloud computing and other socio-economic structures. This concept could be approximately defined due to virtual systems in the business environment (i.e. virtual machines, virtualized processor systems, virtualization of memory system and I/O system virtualization, as well as virtualized network structures such as network function virtualization (NFV) and software defined network (SDN)). This technology converges with Internet of Things (IoT) and Big Data into a modern information system. The aim of the research is to show that this concept provides flexibility and fast implementation of new business solutions, that is, positively affects the increase of productivity and efficiency in firms. There is the necessity that tourism organisations in Serbia become aware of contemporary trends, in order to improve their business.*

**Keywords:** *virtualisation, IoT, Big Data, virtual CPU, virtual memory system, virtual machines*

## Introduction

The trend of data amount growth rate is present in the tourism industry, as well as in the whole socio-economic system, that is, information systems (IS) development which could manage given data is of huge importance. Managers in tourism systems at all levels need to have information about new trends in information and communication technologies. In that way

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1 Zlatko Langović, Ph.D., Associate Professor, John Naisbitt University, Faculty of Business Studies, Goce Delčeva 8, 11070 Belgrade, Serbia, Phone: +381 11 220 30 29, E-mail: zlmegatrend@gmail.com

2 Brankica Pažun, Ph.D., Assistant Professor, University Union Nikola Tesla, Faculty of Engineering Management, Bul. vojvode Mišića 43, 11000 Belgrade, Serbia, Phone: +381 11 41 40 420, E-mail: bpazun@gmail.com

companies could create new systems through the process of information system development, or two perhaps the most important stages in the mentioned process, in the form of analysis and design of IS.

There are two parallel processes in the social system. The first one defines the increasing amount of data in the economy, and the second one refers to the process of development of information and communication technologies (ICT) in order to manage information, that is, knowledge, as the most important resource nowadays.

The process of ICT development is defined through a number of directions, such as:

- mobile systems that are defined by rapid penetration of mobile technology in the market, as well as their implementation in the business environment,
- virtualization, modern concept that enables productivity increasing of information systems,
- Cloud computing, a contemporary model that carries flexibility and ability to deliver services on demand,
- Big Data, new generation of technology that is able to process (manage) huge amount of data,
- new network technologies, such as: Internet of Things (IoT), 5G network, optical technology, Software Defined Network (SDN) and Network Function Virtualization (NFV).

In this paper we are trying to handle the virtualization process that represents core methodology which converges with the above-mentioned concepts, as well as with modern architecture, resulting in a contemporary architecture. First, we process the lower layers' components of information systems that are defined by processor systems, memory systems, network structures, and thereafter the upper layers containing platforms in the form of Cloud computing and Big Data.

The present day challenges include the design and implementation of infrastructure and services for processing and storage of large amounts of data, their searching processes, analysis, sharing and visualization, which presents the lower layers of the information system.

As it is mentioned above, the starting point are processors.

## Processor systems

Processor systems provide a platform for all layers of an information system. Their significance is huge, so we can say that the development of processor technology affects all aspects of information systems, as well as the virtualization concept of all IS resources. Lower structures are independent in relation to the business system functions, in this case the travel organization.

*NX/XD, LAHF and SAHF instructions.* Hypervisors are applications which enable virtualization process. Given platforms require powerful processor components. Analyzing the processors' characteristics, as well as VMware vSphere ESXi hypervisors enables the definition of important aspects.

Vital aspect of virtualization is represented as aspect of isolation that enables managing of virtual machine access towards its memory space. This type of isolation could help more efficient VM, as well as protection from external negative influences. Here the focus of analysis is switched to CISC architecture represented by companies Intel and AMD. (Langovic, Pazun & Tomic, 2015).

Processors isolate this kind of memory space using the so-called non-executable bit that defines a specific area of memory. AMD processors render NX (never execute) bit, while Intel processors provide the XD (execute disable) bit. Given bits are functionally the same, and could be displayed as NX/XD. In situation where the memory area is defined using NX bit, the processor refuses to initiate any code in a given part of the memory. If code initialization in a protected area of memory happens, data generates, that is, information related to possible violation of memory space in order to alert administrators about non-standard activities. In this way, mutual influence of one VM to another virtual machine precludes, therefore, the computer system safety maximizes.

In x86 processors (CISC architecture) the AH register is known as the "battery". AH register is used to access Input-Output (I/O) ports due to floating-point operations and interrupts enabling. These functions are essential to the virtual environment, that is, to the virtualization process. Processors could accelerate the management of the mentioned activities using SAHF (Save this Flags AH) and LAHF (Load AH from Flags) instructions, which enable direct registers control.

Hypervisor can use LAHF/SAHF instructions in order to manage i/o processes, as well as interrupting processes, with high quality. Given control on lower levels of computer systems can improve virtual machine performance in the processor core. AMD and Intel companies define virtualization capabilities with Intel-VT and AMD-V technologies.

Characteristics of virtualization are usually controlled through BIOS. Therefore, it is necessary to check whether functions are implemented in respective processors.

**The concept of RVI.** Rapid Virtualization Indexing (RVI) is a part of the function set for virtualization, including technology AMD-V. The given term can be defined as the nested page tables (NPT), that is, the second level address translation (SLAT). Intel's term for RVI concept is Extended Page Table (EPT).

Processor uses the page table, that is, TLB buffer, in order to translate relative into physical addresses, after data processing requires access to physical memory.

When a virtual machine delivers access to physical memory, which is necessary to translate addresses (first for the host computer, then the second translation for virtual machine). This address translation generates process that adversely affects the CPU performance.

Tools that enables IT professionals to determine whether the processor enables SLAT function are present nowadays. One of used is Core Info tool which serves for EPT, NPT or RVI fuctions detection.

The information on whether processor has the ability of virtualization or not, can be obtained in the following example (due to coreinfo tool developed by Microsoft):

- coreinfo.exe -v
- HYPERVISOR - Hypervisor is present
- VMX- \*- Supports Intel hardware-assisted virtualization
- EPT- - \*- Supports Intel extended page tables

Line means “no”, while star equals to “yes”. Therefore the hypervisor is not enabled in this case, while the processor supports virtualization and extended page tables. In other words, SLAT feature is supported.

**The concept of HTT.** One more characteristics that improves virtualization process is described by HTT. Hyper-Threading Technology (HTT) refers to an Intel technology that enables better parallelism process on processor. One physical processor can generate two virtual processors utilizing given technology. Hyper-Threading requires that an operating system supports multi-core processors. In the case that HTT function is not activated, the 6-core Intel Xeon processor provides server with six physical processors. Otherwise, when the function is switched on, the server detects each thread as a physical processor (for example, in this case the server registers 12 physical processors).

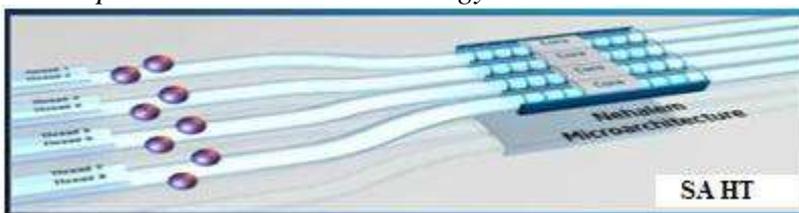
Generally, a virtual processor can support four to eight virtual machines.

**Picture 1:** *A processor without HT technology*



**Source:** According to source: [www.intel.com](http://www.intel.com), (accessed 1.4.2016.)

**Picture 2:** *A processor with HT technology*



**Source:** According to source: [www.intel.com](http://www.intel.com), (accessed 1.4.2016.)

Further, it is necessary to consider possibilities of RISC architecture and its representatives, ARM.

The aim of RISC technology is power and performance improvement through reduced instruction set (Langović, Milićević, and Pažun, 2015). RISC consists of small number of instructions, therefore, in this case processor has a smaller number of transistors and shorter data path, which generates lower power consumption, that is, leads to performance improvement. RISC server should use ARMv8 or similar processors that are capable of virtualization supporting.

One of the examples of RISC concept utilization refers to the processors manufactured by Qualcomm. The company has started with sampling of the new ARM processor, which is used in large data centers. It is about 24-core system-on-chip (SoC) based on the instruction set, type ARMv8-A. SoC is designed for hyper scalar data centers, platforms, Big Data, as well as machine learning processes. Further, it supports virtualization, OpenStack cloud systems, virtual machines, and so on.

**NUMA technology.** Memory significantly affects the performance of virtual machines. Non uniform memory access (NUMA) defines characteristics of processor access to all parts of memory in reading and writing process. For example, for different processors certain parts of memory have high speed access, while other memory spaces have low speed access.

For example, we can consider a server with two eight-core processors with a total of 128 GB memory. In NUMA architecture each processor has access to 64 GB, so that each of the eight cores in a processor disposes to 8 GB.

The objective to be achieved by applying NUMA concept is maintenance of better organization with large amount of memory, as well as usage of multiprocessor systems (analog to virtual processors, i.e. virtual machine on a physical multi-core processor), while each has its own interface.

Coreinfo is a tool that represents topology of logical and physical processors, NUMA node, socket and cache that is assigned to each logical processor. It uses GetLogicalProcessorInformation Windows function in order to obtain the information.

### **Central and graphical processing unit integration**

Generally, there should be taken into account solutions that include CPU and GPU development integrated in the form of a SoC system. The main advantages of the integration are reflected in simplicity. Graphical resources are available for server machines without adding any graphical devices that increase consumption. Following two processors belong to mentioned group: Xeon E3 and AMD Opteron X, as well as some newer models.

Given integration could be improved to a certain extent of graphics functions, with low energy consumption and financial investment. GPU isolated on the graphics card does not overload computer resources, but investment is higher and consumption could be significantly increased. (Langovic, Pazun & Tomic, 2015) On the other hand, it should be taken into account the fact that virtualization process comprehends graphical processors, as well, such as NVIDIA GRID vGPU. This processor enables simultaneous direct access of multiple virtual machines to one physical GPU using NVIDIA driver. Thus, characteristics of a computer system are improved.

AMD has reached the fifth generation APU processor, enhanced with HSA technology, which consists of two technologies in the form of hUMA and hQ. hUMA (Heterogeneous Unified Memory Access) enables the CPU and GPU to see full RAM and virtual memory. The system for the first time does not separate certain amount of RAM for the GPU, but the central processor and graphical processor unit access equally to the memory and “see” it as a whole. hQ technology (heterogeneous Queuing) provides possibility that modules independently create certain processes, as well as communicate within themselves as needed.

Above-mentioned technologies enable the creation of memory system architecture discussed below.

### **Memory systems**

There is a necessity for larger storage systems. Memory system technology is presented in form of the following concepts: directly related storage areas (DAS - direct-attached storage), storage systems connected to the network (NAS - network-attached storage), modern optical architecture (FC -Fibre Channel), as well as iSCSI SAN network and technology of flash memory system (flash storage array). The latest developments shift to the process of virtualization, which is defined as software defined storage (SDS), or software defined data centers (SDDC). Management of above-mentioned systems can be controlled by artificial intelligence due to automate the protection and recovery process. Software defined storage can be built using traditional storage area network (SAN) and network attached storage (NAS) solutions, or it can be formed on the Object-based storage solutions.

The process of separating hardware from software in storage systems users gets more efficient management. VMware has used the expression “software defined data center” (SDDC). The given term represents more general concept in order to define resources, as well as storage system functions, using software. Certain companies have adopted the expression “software defined storage” (SDS). SDS can be an element within the software data center. At the same time it can function as a independent technology.

### **Virtualization process and network systems**

Accelerated development process and more general acceptance of the computer networks concept leads to more complexity and more difficulty in their architecture maintenance. (Langovic, Pazun & Tomasevic, 2014) As a result of network systems complexities increasing there have been developed virtualization processes of network resources, defined through the following concepts: software-defined networks, virtualization of network functions and network virtualization system.

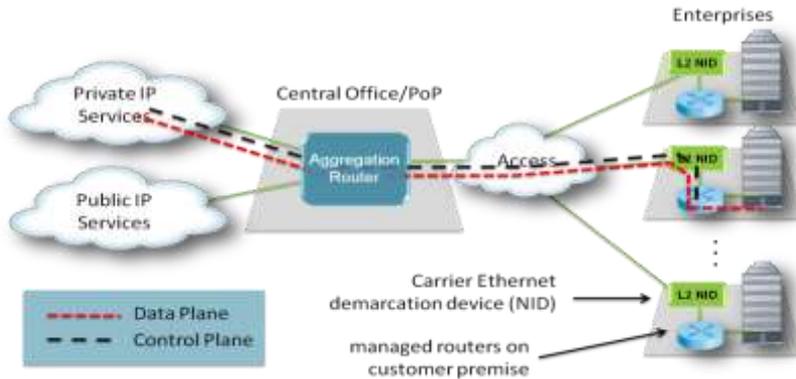
The concept of software defined networking (SDN) as a relatively new way of network resources managing, separates network control layer from the forwarding processes. This concept enables better organization and automation of network resources. (Pažun, Grujčić, Langović & Ralić, 2015; Langovic, Pazun & Tomasevic, 2014)

On the other hand, the concept of network virtualization function (NFV) is focused on the network services optimization. Due to network functions separation such are DNS, caching, etc. from hardware devices, given platform enables their capability to operate in the software layer. (Pažun, Langović & Milićević, 2015; Pažun, Grujčić, Langović & Ralić, 2015)

Network system virtualization technology (NV) provides the possibility of virtualization, and therefore the integration of network resources with virtualized environment.

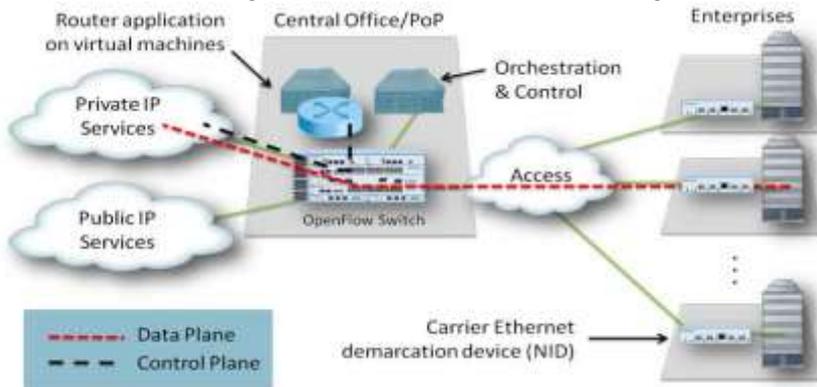
These concepts can function separately, however, the reality is that both concepts represent the best characteristics after their integration into whole, one unit.

**Picture 3:** Router management without SDN and NFV usage



**Source:** <https://www.sdxcentral.com/articles/contributed/nfv-and-sdn-whats-the-difference/2013/03/>, (accessed 4.4.2016.)

**Picture 4:** Router management with SDN and NFV usage



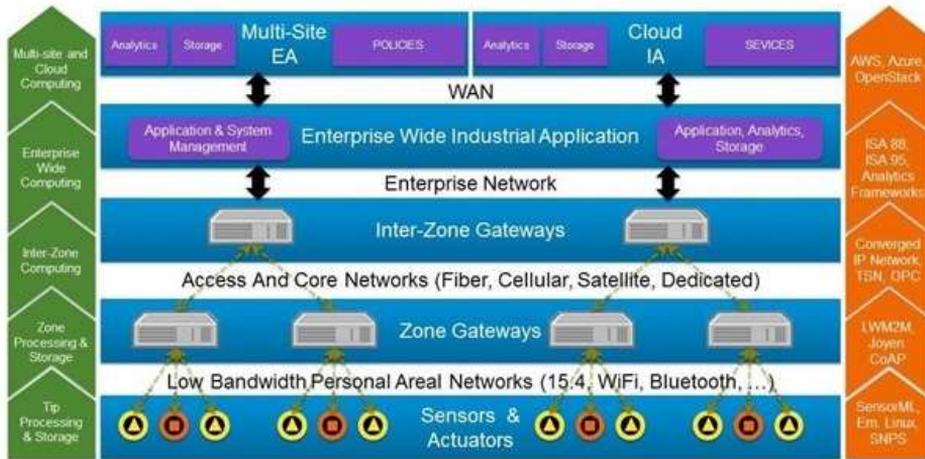
**Source:** <https://www.sdxcentral.com/articles/contributed/nfv-and-sdn-whats-the-difference/2013/03/>, (accessed 4.4.2016.)

Nowadays, one of the most used software tools called Frenetic, presents an integral part of SDN technologies. The programming language is designed for network programming, that is, for OpenFlow/NOX systems that are part of SDN, as well. Frenetic consists of a set of functional abstractions that enable modular program development. This platform that enables the implementation of the following managing phases: network traffic monitoring, policy management for packets forwarding and efficient policy updating.

Further, the concept Internet of Things (IoT) should be mentioned, which is at the present time more used in the business environment. These are

devices so-called “things”, which in their structure consist of processor systems and other components, with the possibility of data exchange. Predictions of International Data Corporation (IDC) are that by the year 2018 about 40% created IoT data will be stored, managed and used by systems that are near or at the network edge.

**Picture 5: IoT architecture**



**Source:** <http://www.industrial-ip.org/en/industrial-ip/internet-of-things/3-steps-for-evolving-iot-architectures>, (accessed 5.4.2016.)

### Cloud computing and Big Data virtualization in tourism

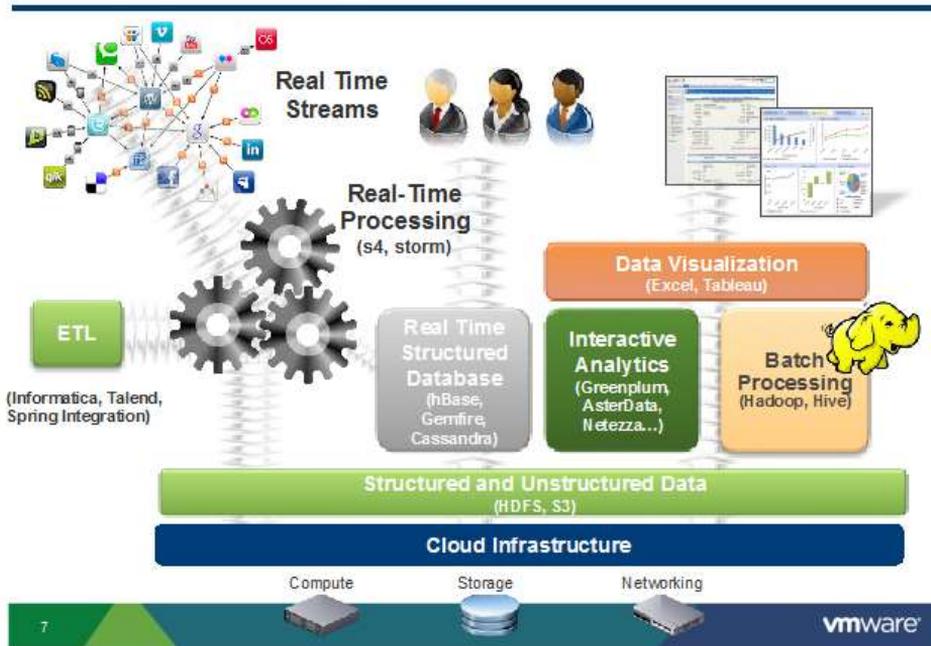
Virtualization represents practically the first step in the creation of cloud computing. It is the process of separating the hardware layer and virtual machines that represent a platform for computer systems, storage and network resources. Integration of technologies mentioned in this paper, at this point does not end, that is, it is continuing followed by Big Data technology, analytical platform that closes the circle in the process of information system creating.

High speed growth of data in economy, public administration and all socio-economic structures is presented. Analyzing the tourist branch of the economy amounts of data creates the need for strong and modern information systems.

The upper layers of information systems are more directly related to the functions of the tourist system, therefore, in this case we are going to

define explicitly relations of concepts Big Data and Cloud computing with travel systems.

**Picture 6:** *Holistic view of Big Data system*



**Source:** <http://blogs.vmware.com/vfabric/2012/08/4-key-architecture-considerations-for-big-data-analytics.html>, (5.4.2016.)

Cloud computing is present everywhere in the modern business environment. The World Tourism Organization of the United Nations (UNWTO) has recently signed an agreement with Microsoft on the use of Cloud services for the development of tourism (UNWTO, 2012). According to Microsoft, this partnership will affect the 155 UNWTO member states and more than 400 representatives of the private sector, educational institutions, tourism organizations in the implementation of Cloud technologies. Microsoft, through its Centre for Tourism, based in Majorca, Spain, is responsible for the development and application of this technology. Finally, it should be mentioned that Microsoft is planning to contribute in education of human resources in the tourism industry, given the cooperation with the UNWTO Themis Foundation.

On the other hand, Big Data is a term that represents a huge and complex amounts of data, for which the classical data management systems are not effective sufficiently. One of infrastructure solutions of given concept is a

combination of the analytical platform Hadoop with NoSQL system. Big Data technology provides the ability to process data in real time, with the option of search using the Map Reduce framework.

For example, Big Data systems provide analytical processing of data collected on banking transactions, communications between passengers and travel agencies, etc. The resulting knowledge is transferred to potential passengers/ tourist organizations in order to define decisions/ strategies.

The following example indicates the challenge for mentioned platforms, in form of capacity issue, that is, information to be processed per unit of time. According to the US business magazine Forbes, building Big Data system, the German tourism companies are now capable of processing 1,000 queries per second during the search, ie. over 18 billion offers, with more than 20 parameters, as well as at the end providing an answer.

According to data from the British magazine TravelWeekly, 92% of visitors to a particular site can not choose for a given tourist service, while 60% never return after the first visit. Potential customers and users of their services, due to implemented concept of Big Data, could be opportunely provided by more useful information that can reduce above-mentioned percentage.

The research conducted by the company Phocuswright indicates that almost a third of potential travelers make their reservation through other websites (as an intermediary). Unlike them, slightly less than 25% of potential customers have been decided for the option of booking accommodation directly through the website belonging to the service provider of hotel services. When it comes to booking flights, there is a trend of direct communication with the tourism organization, as well, as about 37%.

One of the main reasons is that users are allowed to carry out a comparison between the prices of a large number of hotels, airlines and travel arrangements included in the online agencies offer. At the same time, they are enabled to plan their trip using a few clicks of.

It is necessary to mention Hopper application that uses tools of Big Data platform. It is sufficient that a potential passenger enters only his wish as an input, and as a result gains complete proposed itinerary.

On the other hand, FLYR application, with new algorithm for prediction, helps users in decision making. For example, the system can advise the customer whether to buy a ticket or to wait for a more favorable moment, for example, cheaper prices. In forecast creating process FLYR algorithm uses previous patterns and historical trends that are defined by millions of individual cases. Hopper creators claim that the accuracy of their forecasts as high as 95%.

## **Conclusion**

The development of tourism industry encourages the creation of huge amounts of data that need to be processed. As a result of the high speed growing data in nowadays business environment, new technologies for data management are being developed and implemented on the market. The technologies that come into tourist market are present both in the lower and in the higher layers, that is, all layers are of the same importance, integrated by the process of virtualization. Higher levels of modern technologies require complex platforms. The concepts of Big Data and Cloud Computing have been processed.

In contrast to them, the lower levels are weakly coupled (independent) in relation to functions of the business system. The paper deals with following concepts of lower layer, which enable the process of virtualization:

- processors architectures,
- memory system architecture and
- network systems.

Therefore, the information system can not be considered as „black box“ for managerial resources in tourism industry. In other words, adequate knowledge/education that enables the development of an information system has been required from managers at all managerial levels, acquired by attending vocational courses, or through post-secondry education process.

The challenge for the tourism industry consists of connecting the given platform, whose integration into a single system as a whole leads to improvement of a business system productivity and efficiency.

How important is the computerization of the tourism sector, as well as following the latest developments in the field of information and

communication technologies, could be seen through the fact of increasing the share of this industry in the global GDP. According to the WTTC (World Travel & Tourism Council) from 2015 (WTTC, 2015) contribution to total world GDP amounted to 10% in 2014, with 277 million jobs, that is, in every eleven positions one belongs to the tourism sector. It also states the fact that in this is the fastest growing field of today, compared with e.g. the automotive industry, the financial sector, the health care industry, etc.

Considering domestic tourism market, according to Statistical Office of the Republic of Serbia, there has been trend of increasing income (from tourists, both domestic and foreign). In March 2016, compared to March 2015, the number of tourist arrivals was higher by 14.8%, while the number of tourist overnight stays increased by 21.4%. (RZS, 2016).

This is information that emphasizes the necessity of keeping track of the world trends in the field of information and communication technologies.

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# HALAL TOURISM – A NEW CHANCE FOR SERBIA

*Željko Tiosavljević<sup>1</sup>, Marija Tiosavljević<sup>2</sup>*

## **Abstract**

*The aim of the current study was to investigate the importance of halal food as a factor in choosing a tourist destination for vacation of Muslim tourists. The sample consisted of 200 respondents from Novi Pazar, Tutin and Sjenica and Belgrade. For assessment of the factors that influence the choice of tourist destinations a special questionnaire has been used. We collected basic socio-demographic characteristics of respondents as well. The results show that the halal food takes first place among the factors influencing the selection of a tourist destination, ahead of the prices and positive experience of tourists with accommodation. These findings are consistent with the assumptions and indicate that the halal feature of tourism is of great importance for the consumers of this kind of food. Meeting the needs of citizens should be one of the most important factors in attracting tourists from the Islamic world to Serbia.*

**Keywords:** *halal food, touristic potential, Islam*

## **Introduction**

We live in a multiethnic and multicultural world, which will be even more diverse. The task of every nation in the world is to find its place and to become acquainted with other cultures, their languages and customs. In this regard, today's tourists demand from the tourism sector to respect the customs and habits of different population groups.

Halal tourism includes food, miscellaneous goods and services (Akyol & Kilinç, 2014). This is a dynamic market with an increasing number of Muslim tourists and the global halal industry is rapidly developing. On

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1 Željko Tiosavljević, the Faculty of Hotel Management and Tourism in Vrnjačka Banja (Master studies), Vojvodjanska bb, 36210 Vrnjacka Banja, Serbia, +38166333020, zeljko.tiosavljevic@gmail.com

2 Marija Tiosavljević, the Association of Psychologists of Novi Pazar, Mitrovačka bb, 36300 Novi Pazar, +381642058938, marijat.np@gmail.com

the other hand, halal tourism is a segment of the market that is rapidly growing not only in Muslim countries, but globally as well (Chookaew et al., 2015). Non-Muslim countries such as Australia, Taiwan, Korea, Japan, countries in Europe, pay special attention to Islamic tourism as an important tourist segment. It is estimated that Muslims represent a fourth of the world's population. Also, a large number of members of this religion is becoming richer, thus able to afford traveling with family and friends. Due to high demands for halal products on the market and the growing mass of trade in these products, food manufacturers who intend to sell their products in these markets, should present evidence of their halal status.

Production and distribution of halal food and halal tourism itself as a service branch is interesting because it has religious significance, which attaches greater attention towards production and distribution of food. The issue we are dealing with in the current study is to examine the role and importance of halal food as a factor in choosing a tourist destination for vacation among Muslim tourists. The guiding principle in the preparation of the study was nowadays recognized potential of meeting the tourists' needs, while referring not only to the Muslim population in Serbia and what outside, but also to all those who want to live a healthy life.

The subject of the current research is to examine if halal tourism represents a development opportunity of Serbia, or whether the norms of behavior of people who are consumers of halal food are important factors in choosing a tourist destination for vacation among Muslim tourists.

### **Review of literature**

The term *halal* comes from the Arabian language and means permissible or relaxed. The opposite of halal is the Arabic word *haram*, which means forbidden or illegal. These two words within members of the Islamic religion are guidelines to distinguish right from wrong, ie. allowed from unauthorized. Islam, as one of the major monotheistic religions, includes the concept of food that should be followed by all Muslim believers.

In other monotheistic and polytheistic religions food has great importance as well. Members of the Jewish religion have a similar principle of a diet as Muslims. They do not eat pork or drink alcohol, too. The Jews, like the

Muslims, have maintained their nutrition practice until today, and it is called *kosher*.

A product that is not allowed for Muslims to consume is called *Haram product* (Jašić et al., 2007). The products included in this group are composed of one of the following components:

- alcohol,
- pork,
- fats from prohibited animals,
- enzymes from prohibited animals,
- gelatin derived from prohibited animals,
- additives derived from prohibited materials.

A product that is suspicious according to Islamic regulations called *Mushbooh*.

According to the definition of Halal standard BAS 1049: 2007 Halal product is the product that is allowed for consumption, in terms of Islamic regulations. Halal products include the following items:

- food,
- cosmetics,
- medications,
- general usage items.

Characteristics of halal products are as follows:

- no part of any ingredient which is forbidden for Muslims to use;
- in the production process requirements of Halal standard were applied and prohibited raw materials and other resources were not used;
- the product would be halal first if all regulations on health safety, hygiene and sanitation are met;
- it is marked by trademark of halal quality (Ćeranić & Bozinovic, 2009).

Competitiveness of the halal product refers to the fact that it comes to products that are tested and safe due to the fact that they meet the quality requirements. Also, halal product can be used by non-Muslims as it is not contrary to the regulations of other religions. In terms of reliability, hygiene and quality halal is getting the attention of non-Muslim consumers as well (Akyol & Kilinç, 2014).

The global market for halal products and services is estimated at 2.770 billion US dollars, and exponentially grows by 20 percent annually. At least 38 million consumers who prefer halal products and services live in Europe.

Halal market is divided into three groups (Ušćumlić & Kalač, 2011):

1. Arab-Islamic market, which consists of the richest countries such as Kuwait and Saudi Arabia to the poor such as Tajikistan. One of the potential markets within the group of the Arab-Islamic countries are the United Arab Emirates, which imports more than 90% of the food;
2. halal market of the European Union, that is estimated at 66 billion US dollars. The consumption of halal food is increasing in European countries as well, especially in France as the largest market. Halal market in that country is growing between 7 and 10% annually and consumption of halal meat per person in France is about 150 pounds, which is 30 percent more than the average;
3. regional market where there is Serbia and countries in the region (Croatia, Bosnia and Herzegovina, Montenegro, Bulgaria, Macedonia and Albania).

World Halal tourism market in 2013 was worth about 140 billion dollars, with approximately 13 percent of total global tourism industry, which is almost 60 percent higher than three years earlier (Ušćumlić & Kalač, 2011). In addition to being extremely fast growing, halal tourism is distinguished by guests who spend significantly more than the average, leaving on vacation about \$ 1,700, as opposed to the average Europeans which spend \$ 500.

Serbia takes only crumbs from this bountiful table. Guests from the Islamic world in the statistics are counted under "other", many of them do not even know for Serbia, and halal certification has only one hotel.

Strengthening offers, targeted advertising in the source markets, training of tourist guides, tour specialized fairs, with the obligatory association of all institutions following are the steps that Serbia should take in order to benefit from the enormous opportunities provided by halal tourism, especially in the area of spa, mountain and health tourism.

Numerous international examples show the broadness of services in accordance with halal that can attract this segment of guests and provide income. The Australian Gold Coast is one of the most attractive tourist

destinations because of its unique offer of Ramadan salon. Thai wellness centers offer special services for Muslim tourists, wanting to attract more tourists from the Middle East. One Indian Global Medical Center has offered halal service health tourism because of the increasing number of visits of Muslim patients. Precisely, medical and health tourism segments have the most potential, because prices in Serbia are much lower than in other international destinations. Halal tourists from the richest Islamic countries travel often with many family members and spend a lot. In addition, most of the guests from the Arab world comes to choose destination out of season, they are not interested in sun and sea because of that they already have too much. The 70 percent of guests from the halal market is coming from 15 countries, six Arabian Gulf states reached 37 percent of the guests, ten percent of Southeast Asia, 16 percent from Turkey and Iran and seven percent of the Western European countries (Turubatović, Vranić & Baras, 2002).

It is also interesting the fact that the half of the Muslim tourist population is under 25 years old, which ensures further growth of the markets (Ušćumlić & Kalač, 2011). Research Institute of Tourism conducted in Qatar and the United Arab Emirates showed that guests from halal markets generally do not know for Serbia and countries in the region, but desirable for them are our main competitors in the Mediterranean. France is pushing first on the list of the most desirable destinations, followed by Italy, Great Britain and Germany, which shares the position with Turkey. However, according to Muslim travel index in Europe in 2014, a quarter of guests who have visited this country describe availability of halal contents as average, which is finding that Serbia can convert into its comparative advantage (Chandra, 2014).

A positive example of successful implementation of halal standards for tourism are in neighboring Croatia. According to the Tourist Board of Zagreb, there were about 21,000 visitors from countries of the Islamic world (excluding Bosnia and Herzegovina) in Zagreb last year, generating a total of approximately 47,000 overnights. So far in Croatia the halal certificate is issued for 12 hotels in nine cities, four of which are from Zagreb, then in Rijeka, Dubrovnik, Umag and Varazdin.

In the terms of the Regulations on the categorization according to the requirements of halal quality, all hotels have a package label A, which includes the purchase and preparation of halal food from approved manufacturers, clearly labeled halal menu and a certificate at the

restaurant, in the rooms marked southeast (the direction of Qibla), secured mat prayer, as well as a mini bar without alcoholic beverages. Hotels in the bathrooms also have halal cosmetics, and tourists are offered wellness services in accordance with halal.

As for our country, halal standard as innovation in tourism of the Republic of Serbia was first introduced hotel "Solaris Resort" in Vrnjačka Banja.

Halal certification is a good opportunity for the development of not only recreation, but also medical and congress tourism in Serbia, as it is shown in the experience of the hotel "Solaris" in the short time since the hotel is certified. Thanks to the certificate, this hotel has so far hosted the delegations of Iraq and Malaysia, as well as the diplomatic corps of the Embassy of Indonesia. In the hotel also stayed Egypt's national handball team during the preparation period, junior football team of Kuwait, and several investors with business delegations from Saudi Arabia, too. After the certification, inflow of guests from Novi Pazar and surrounding towns has increased, and these are the areas where gravitates Muslim population that respects the standards of halal.

The policy of the Government of the Republic of Serbia in recent years is based and does everything to attract Arab investors. In order to meet such investors readily, it is important to create an environment where the whole system is rearranged in order to comply with market conditions. Therefore, the Agency for certification of halal standards has to be partner of the Government of Serbia and the Tourist Organization of Serbia.

The presence of a large number of diplomatic and consular representatives and international organizations of the Islamic world is a benefit that can be used to attract tourists from these settlement and thus to become competitive in this segment. Position of hotels, primarily in Belgrade and through a corridor, is a chance to be an ideal place for tourists from the Islamic world who are in transit on their way from the EU to Turkey and other destinations in the Middle East.

Considering the cultural and religious identity and way of living of people within areas of Turkey and other countries in the Middle East, Serbia in halal food has a chance to improve its tourist offer. In addition, halal tourism can encourage manufacturers to adapt their offer to the

requirements of halal, which would create opportunities to expand their markets beyond the borders of our country.

## **Method**

The main objective of the research is to examine the contribution, and the degree of influence on the selection of halal food tourism destination. Specific objectives of the research are to determine set of the factors influencing the choice of tourist destination, as well as to explore differences in factors influencing the selection of a tourist destination in relation to place of living of the subjects.

The basic hypothesis is that halal food is the most important factor influencing the choice of tourist destinations in the environment in which is the largest number of members of the Islamic religion. Therefore, it is expected that the highest percentage of respondents from the group of respondents who live in the Raška district estimates the halal food as the most important factor that influences the choice of tourist destinations for vacation.

The instruments used in the research are questionnaire that assesses the factors affecting the selection of a tourist destination, and questionnaire used for collecting basic socio-demographic characteristics of respondents.

The questionnaire for the assessment of factors influencing the selection of a tourist destination is constructed for the purposes of the current study, and modeled after the instrument used in the study by Araña and León (2013). It is intended to assess the importance of certain factors for selecting a tourist destination. The instrument consists of 11 items. Each of them is assigned four step scale (1 - "It is very important", 4 - "Irrelevant"). The task of respondents is to evaluate the importance of certain aspects when deciding on the choice of holiday destination.

General questionnaire is intended for the collection of general socio-demographic information about the respondents: gender, age, employment, education level, marital status, place of residence. This questionnaire evaluates the satisfaction with financial status and determines whether the respondents during the last year went on a journey as well.

The research is conducted on a sample of 200 respondents from the territory of Raška District and the City of Belgrade and its environs, 114 males and 86 females, mean age 36,4. The sample is stratified according to the place of residence, so that in each group is 100 subjects. The first group consists of respondents from Novi Pazar, Tutin and Sjenica, where lives the largest number of members of the Islamic religion in Serbia, while the second group comprises those living on the territory of Belgrade and its surroundings. Most of the respondents are employed, have university education and married. Sample characteristics are shown in Tables 1, 2 and 3.

**Table 1:** *Sex of the sample*

|        | N   | %    |
|--------|-----|------|
| Male   | 114 | 57.0 |
| Female | 86  | 43.0 |

**Table 2:** *Marital status of respondents*

|                   | N   | %    |
|-------------------|-----|------|
| Single            | 43  | 21.5 |
| In a relationship | 42  | 21.0 |
| Married           | 102 | 51.0 |
| Divorced          | 10  | 5.0  |
| Widowed           | 3   | 1.5  |

**Table 3:** *Education level and employment of respondents*

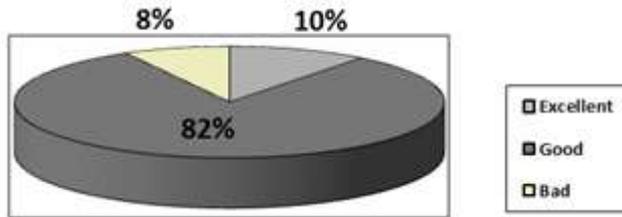
|                   | N   | %    |
|-------------------|-----|------|
| High school       | 37  | 18.5 |
| Higher school     | 24  | 12.0 |
| University degree | 132 | 66.0 |
| PhD               | 7   | 3.5  |
| Employed          | 160 | 80.0 |
| Unemployed        | 40  | 20.0 |

Data collection is conducted during January 2016. Questionnaires are given in individual contacts with respondents, as well as through on-line survey techniques. The survey was also held with the mediation of travel agencies, where the questionnaires were transferred to their clients. Respondents were informed about the purpose of research and guaranteed the anonymity of the data.

## Results

Using descriptive statistical measures (frequencies, mean, standard deviation, minimum, maximum) we obtained distribution of variables that were subject of this study. Considering financial status of the participants, most of them evaluated it as „good“ (81.5%), and significantly less as „excellent“ or „bad“ (Figure 1)

**Figure 1:** Evaluation of the financial status



When it comes about traveling during past year, majority of the subjects, 80.5%, stated that they have been traveling during past year. Table 4 to 14 show results obtained exploring the factors that influence the selection of tourism destination.

**Table 4:** Significance of halal food

|                | N   | %    |
|----------------|-----|------|
| Very important | 123 | 61.5 |
| Important      | 19  | 9.5  |
| Not important  | 23  | 11.5 |
| Irrelevant     | 35  | 17.5 |

We can see that halal food is the most significant factor that influences selection of destination for 61.5% of respondents in our sample. Further analyses showed that majority of them are residents of the areas of Novi Pazar, Sjenica and Tutin.

**Table 5:** Significance of price

|                | N  | %    |
|----------------|----|------|
| Very important | 85 | 42.5 |
| Important      | 76 | 38.0 |
| Not important  | 29 | 14.5 |
| Irrelevant     | 10 | 5.0  |

The price is the most important when it comes to choosing a touristic destination for 42.5% of the sample.

**Table 6:** *Significance of relaxation*

|                | N  | %    |
|----------------|----|------|
| Very important | 93 | 46.5 |
| Important      | 72 | 36.0 |
| Not important  | 24 | 12.0 |
| Irrelevant     | 11 | 5.5  |

46.5% of participants said that the relaxation is very important factor in choosing touristic destination for vacation.

**Table 7:** *Significance of accommodation experience*

|                | N  | %    |
|----------------|----|------|
| Very important | 77 | 38.5 |
| Important      | 85 | 42.5 |
| Not important  | 28 | 14.0 |
| Irrelevant     | 10 | 5.0  |

Experience that subjects in our sample during their stay in hotel or another accommodation object is for majority of them, 42.5%, important factor for selection of touristic destination.

**Table 8:** *Significance of sport activities*

|                | N  | %    |
|----------------|----|------|
| Very important | 29 | 14.5 |
| Important      | 65 | 32.5 |
| Not important  | 70 | 35.0 |
| Irrelevant     | 36 | 18.0 |

Sport activities are not important for most of respondents, 35% of them, when it comes to selection of touristic destination.

**Table 9:** *Significance of adventure experience*

|                | N  | %    |
|----------------|----|------|
| Very important | 53 | 26.5 |
| Important      | 78 | 39.0 |
| Not important  | 52 | 26.0 |
| Irrelevant     | 17 | 8.5  |

The most of participants in our sample, 39%, stated that experiences of adventure on holidays are important factor that influences their selection of touristic destination.

**Table 10:** *Significance of restaurants*

|                | N  | %    |
|----------------|----|------|
| Very important | 52 | 26.0 |
| Important      | 88 | 44.0 |
| Not important  | 41 | 20.5 |
| Irrelevant     | 19 | 9.5  |

For 44% of individuals that participated in our survey restaurants are important factor when it comes to selection of touristic destination.

**Table 11:** *Significance of transportation*

|                | N  | %    |
|----------------|----|------|
| Very important | 96 | 48.0 |
| Important      | 67 | 33.5 |
| Not important  | 23 | 11.5 |
| Irrelevant     | 14 | 7.0  |

The significance of transportation is stated as very important (48%) or important (33.5%) factor that influences selection of touristic destination by majority of participants.

**Table 12:** *Significance of night life*

|                | N  | %    |
|----------------|----|------|
| Very important | 41 | 20.5 |
| Important      | 58 | 28.5 |
| Not important  | 57 | 29.0 |
| Irrelevant     | 44 | 22.0 |

Night life is the factor that is evaluated and distributed most diversely among respondents in our sample. The most of subjects evaluated it as not important (29%), but the differences between percentages are slight. Not surprisingly, the security of touristic destination itself is the most important factor that influences selection of a destination for 71.5% of participants.

**Table 13:** *Significance of security*

|                | N   | %    |
|----------------|-----|------|
| Very important | 143 | 71.5 |
| Important      | 32  | 16.0 |
| Not important  | 12  | 6.0  |
| Irrelevant     | 13  | 6.5  |

In survey questionnaire participants had an option to write down and then evaluate factors that are important for choosing a touristic destination, in their own opinion. Some of the participants' answers are:

- company and contents of hotel accommodation
- good and active organization
- touristic attractions
- historical sights and their content
- good communication with touristic agency
- peace, silence, and high level of hygiene
- climate conditions
- good managerial-marketing organization that knows how to set both, accommodation facilities, as well as cultural and historical legacy, capacity for recreational and spa tourism, so that offer applies to all categories of potential users of these services
- highly significant historical sights
- program for children, starting from the feeding regime (in particular or joint restaurant) to the field of play and fun for the youngest
- wireless Internet speed.

### **Discussion**

The main goal of this research was to investigate the importance of halal food as a factor in choosing a tourist destination for vacation of Muslim tourists. The survey was conducted on 200 participants divided into two groups by place of residence (Raška district or Belgrade).

Considering the factors that influence selection of touristic destination, in our sample is shown that halal food is very important for most of the participants and majority of them come from the areas where are situated Muslim inhabitants (Novi Pazar, Sjenica and Tutin).

On general sample, the security connected to a certain touristic destination is found to be very important factor for selection of a destination.

Muslim customers are one of the fastest developing market segments and its needs cannot be ignored by destination marketers and tourism operators (Battour & Ismail, 2014; Battour et al., 2014). According to the State of the Global Islamic Economy report (Reuters, 2015), produced by Thomson Reuters in collaboration with DinarStandard, the global Muslim

travel market was worth \$140bn in 2013, which represents 11.5% of global expenditure. The same report predicts that the segment is expected to be worth \$238bn in 2019 and represent 13% of global expenditure. The tourism industry is increasingly competitive. Therefore, innovation is one of the success factors in this huge market. In developing new ideas and innovations, technology plays an important role in Halal tourism. In this regard, one of the best practices to make destination Muslim friendly is Muslim friendly application. One of the areas that needs more innovations and is neglected to make the destination Muslim friendly is 'Muslim-friendly airlines'. It is expected that Halal tourism industry could be competitive in the coming next years. Destinations, hotels and resorts, airlines, and travel agents are recommended to position itself in Halal tourism market.

The initiatives that are taken to make the destination Muslim friendly by some non-Muslim countries may motivate other destinations to be Muslim friendly. It is expected that worldwide global brands in hospitality industry may address this opportunity. Furthermore, many countries and businesses in Asia Pacific region are expected to increase attention to Halal tourism and may start to take initiatives to be Muslim friendly. In Muslim minority countries such as Taiwan, Vietnam, China, and South Korea, Halal tourism is considered a good business opportunity. Travel agencies could target Muslim travelers by customizing Halal tours to Muslim tourists; availability of halal food, an itinerary built around prayer timings, visits to mosques and Muslim tour guides. It could design programmes in Muslim minority countries to visit Islam related historical religious and cultural sites whereby Muslims can learn about other communities and share their faith. In general, travel agencies have many Halal tourism opportunities in areas such as Halal business travel, family-friendly packages, Muslim-friendly services, luxury Muslim market segment and Muslim heritage souvenirs. The numbers of Shariah compliant hotels and Halal resorts are still limited in non-Muslim destinations. Therefore, this is a business opportunity for further investment in tourism industry globally, especially in countries that have high inbound Muslim tourists. Education syllabus and training programmes are needed in hospitality industry to understand Halal issues and this could be an opportunity to universities and training centres to offer such programmes. Furthermore, Halal medical tourism could be a potential area that needs more attention for non-Muslim destination targeting Muslim tourists.

Undoubting, there are challenges in developing and marketing Muslim-friendly or Halal tourism. Therefore, standardization system is needed in Halal tourism to certify Halal friendliness in hotels, resorts, cruise, restaurant, airport and parks. The marketing of Halal tourism is not an easy task because of the variance between the demands of non-Muslim tourists and Muslim tourists. The non-Muslim tourist may decide not to travel to a particular destination in the absence of certain attributes (Battour et al., 2011; Battour et al., 2014). Therefore, the challenge for Muslim destinations is how to cater for the non-Muslim tourist and satisfy their needs without clashing with Islamic teaching. For example, some hotels declare on their website that they are Shariah-compliant hotel and this may not be attractive to non-Muslim guests. Therefore, Halal tourism practices could be seen as constraints to tourism destination development.

These constraints are critical and big challenge to tourism planning and destination marketers. However, this could be an opportunity for businesses to use their creativity and flexibility in catering to the different needs of Muslim and non-Muslim. Halal tourism practices and activities are affected by the political environment in Middle East. The Arab Spring affects the outbound tourists from Middle East. Although the Arab Spring proved beneficial for tourism industry in UAE, Turkey, and Malaysia where there was recorded an increase in demand for hotel rooms from Yemen, Syria, Iraq, and Libya. However, the numbers of Muslim tourist could be affected in terms of inbound tourists to non-Muslim countries. Another challenge is the fall in oil prices. It could be a short run challenge but it is one of the obstacles that affect Muslim-friendly or Halal tourism market. Moreover, using social networks and proper geographical marketing programmes is one of the challenges in this market. The fast process of information dissemination of Muslim friendly destinations through social networks or geographical proximity is still very weak. The geographical marketing programmes should be designed and disseminated to places where the majority of Muslims are located, both in non-Muslim and Muslim countries. These programmes should be designed not only for strict adherents as well as general Muslim tourists as well.

## **Conclusions**

Considering the factors that influence selection of touristic destination, in our sample is shown that halal food is very important for most of the

participants. However, majority of them are from the areas where are situated Muslim inhabitants (Novi Pazar, Sjenica and Tutin).

On general sample, the security connected to a certain touristic destination is found to be very important factor for selection of a destination.

These findings are consistent with the assumptions and indicate that the halal feature of tourism is of great importance for the consumers of this kind of food. Meeting the needs of citizens should be one of the most important factors in attracting tourists from the Islamic world to Serbia.

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# THE PROFILE OF CHINESE TOURISTS – RECOMMENDATIONS FOR THE DEVELOPMENT OF RECEPTIVE TOURISM IN SERBIA

*Milena Cvetković<sup>1</sup>; Sara Stanić Jovanović<sup>2</sup>;*

## Abstract

*With a population of over one billion, China is one of the largest countries in the world that generates tourists. Although the development of Chinese outbound tourism is a relatively recent phenomenon, China has quickly become a major tourist generative market. Chinese outbound tourism provides a number of business opportunities for foreign tourist destinations– not only in the number of visitors, but also in the incredible income from Chinese tourists. Chinese tourists are known as the biggest consumers of luxury goods. Today, the perspective that they bring is valuable and special attention is given to the needs and habits of Chinese tourists in the global tourist market. Both the economy and culture of a particular country benefits from that, because there is growing mutual understanding. According to some estimates, the Chinese will travel more in the future and they are a new hope for the international tourism industry. The purpose of this paper is to analyze the profile of Chinese tourists using theory and research that are relevant to this topic, which also represents the recommendations for the holders of tourism industry development in our country for penetrating the Chinese tourist market and receptive tourism development in Serbia.*

**Keywords:** *profile of Chinese tourists, tourism development.*

## Introduction

Potential Chinese outbound market is too big to be ignored. While many countries are struggling with a difficult economy, tourist destinations are eager to attract the Chinese to visit them. The Chinese government,

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1 Milena Cvetković, PhD student, Faculty of Geography, University of Belgrade, Belgrade, Serbia; + 381-6688-811-12, e-mail: milena.cvetkovic4@gmail.com

2 Sara Stanić Jovanović, PhD student, Faculty of Geography, University of Belgrade, Belgrade, Serbia, + 381-64-243-27-11, e-mail: sara.stanic.zemun@gmail.com

through the establishment of a system ADS (Approved Destination Status), allowed Chinese citizens to travel abroad for fun in the 90s. Yet some may argue that the starting point of China's outbound tourism can be traced back to 1983 when the citizens of mainland China were allowed to visit Hong Kong and Macao under special conditions (Qu & Lam, 1997; Zhang & Heug, 2001). The Chinese government formally revised its tourism policy in 1997 through the adoption of the document "Provisional Regulation on the outbound travel" so that citizens were able to travel abroad at their own expense (Arlt, 2006; Guo et al., 2007). There were 139 countries and territories with approved destination status, and 104 of these agreements were realized. In 2009, citizens from mainland China carried out about 47 million trips made outside their territory.

Current research of tourists is still limited. Recent years have been flooded with published literature on tourism and tourists. Disciplines such as sociology, anthropology and social psychology joined the economics and geography. Most authors agree that tourism should be the subject of multidisciplinary and interdisciplinary, or even extra-disciplinary studies. There is still lack of comprehensive studies that take the heterogeneity, complexity and dynamics of the phenomena into account.

### **The interpretation of Chinese culture**

This paper focuses mainly on Chinese tourists traveling to European countries. In the tourism industry, exploration of tourists' behavior is a fairly new area for the tourist academy, but it is necessary. There are several misunderstandings of Chinese tourists by the Western society.

Most Western researchers had forgotten about the existence of the geographical and cultural differences in China. The result is a generalization of Chinese culture as a whole. A typical criticism is that of Hofstede cultural dimension. His research has gained credibility by giving recommendations to industry, including the tourism industry, as people do their jobs across different cultures.

Hofstede does not take into account that within a culture there is the possibility of regional variations, subcultures and individual differences (Sun, 2006). China serves as the official home to 56 ethnic groups, each group has its own characteristics, culture and even their language. The largest group, the Han group, represents more than 92% of China's huge population, and it is the element of Han civilization that the world

considers to be “Chinese culture”. Another 55 ethnic minorities, situated further at the vast Chinese borders, maintain their rich traditions and customs. Despite this diversity, even within the Han culture, there are subcultures due to geographical and cultural reasons. Generalization and every cultural peculiarity of the nation seems to be illogical, particularly when applied to the execution of marketing strategies. The consequence can lead to business failure.

Most studies related to Chinese culture and Chinese tourists describe certain parts of Chinese tradition simply, calling them the Chinese culture, and try to explain the question: “what are the reasons for this phenomenon?” Almost all marketing books, guides and cross-cultural reference books made this kind of error. Pearce (1982) describes a Chinese tourist in his book “The Social Psychology of Tourist Behaviour” as a group orientation, plenty of time for shopping, selection of Chinese food, etc. The worst example which can be found in the article on Chinese tourists in Singapore, is that Chinese society is described as uncivilized and conservative and the Chinese described as the sole remaining in groups and making loud discussions in public places (Sun, 2006). Most research remains on the surface of Chinese culture similar to the abovementioned cases. Some of them lack information or they find it difficult to penetrate deep into Chinese culture. The term culture includes three forms: first, it is not limited to “high culture”, referring only to the painting, classical music, but also to the other products of human life. Secondly, culture is not a civilization; all human groups have a culture. Moreover, the culture cannot be condemned as “civilized” and “primitive”. Third, culture is not the same thing as society, although they are closely linked. The society consists of people; culture is a way of life that they have in common (Berry, 1992).

Every culture has its fundamental value, which is maintained and passed down from generation to generation. As noted above, culture is associated with the society. Culture coexists within the social environment and interacts with the social and economic status, age, marital status, race, religious preference, geographic location. Social transformations can change the cultural value. These types of transformations can be caused by social and demographic and even political reforms. The third level of misunderstanding is that most Western researchers do not take this kind of social transformation into consideration. Hofstede’s study was done in the 80s by comparing the current changes in Chinese society, especially in economics and social and structural reform (Sun, 2006). Most of its

dimensions are not as applicable to the current situation. Unfortunately, his theory is still used by many academic institutions and marketing companies.

The tourism industry is considered to be a mirror reflecting the transformation and progress of Chinese society with economic, political and technological improvement. Outgoing passengers or tourists in Europe are considered to be a special group that has a representative position of the current Chinese society. Generally speaking, tourism industry, tourism and society (including the culture, economy, social and demographic and political system) are already considered as one system, which is a complexity rather than simplicity.

### **Economic development and tourism**

The rapid expansion of tourism in the second half of the 20<sup>th</sup> century has its roots in the increase of global income, an increase in free time, increasing world population and a higher level of well-educated people globally (Wen & Tidsell, 2001). Economic development as a critically important part of modernization gradually provides all the conditions of development of the tourism industry in China.

China's economic development and the development of the tourism industry have had a parallel growth in recent decades. The tourism industry has benefited from sustainable economic development, both internal and external. Therefore, tourism development after 1978 was a positive response to the economic development and the result of liberal economic policy, which is carried out by China, which has in turn helped to create China's continued economic growth.

#### 1) The first initiative for traveling to Europe – money

China's economy is fundamentally based on the family unit; family as the smallest unit of the social economy is relatively different in the Western society. The Chinese have a philosophy of their daily consumption and it can be literally translated - clothes, food, house, traveling. These are the basic needs taken into account in order to survive in the Chinese society (Sun, 2006). The income of a Chinese family is unevenly distributed in these (4) aspects; according to the official survey – 30% for clothing and food (basic needs of daily life), 65% for housing and the last proportion of income is allocated to travelling, which is less than 5%. They will consider a holiday plan only after satisfying first three aspects (clothing,

food, housing); although a substantial number of tourists do not follow this traditional track for social and cultural reasons, even they cannot afford the cost of a holiday.

## 2) The second initiative is free time for a holiday

For most Chinese tourists, the crucial problem is not finance but time (Sun, 2006). Most people always complain about the lack of holidays, and it is difficult to make a schedule for the holiday with a two-week period, for example. This situation has had a great progress because of Chinese economic and political reforms.

## The socialization of the service industry

Service industry has improved and it has set family members free of heavy family responsibilities and obligations. This is taken into account as a change in the global lifestyle of the Chinese that destroys plain and traditional way of life. At the same time, the classification of individual roles in society requires that every member of society takes on the responsibility that corresponds to his or her classification. In the urban area of a large number of “family services” has opened during the past years and they provide services to an urban family such as a baby sitter and care for the elderly. In addition, in rural areas, service of mechanical cultivation was introduced; formation of professional cultivation companies provides effective and economical service throughout the harvest season.

## Benefits of tourist services

The development of Chinese tourism, especially the outbound sector, has completely changed the situation in the tourism industry. In the early 90s, three main companies CITS (China International Tourism Service), CTS (China Travel Service) and CYTS (China Youth Travel Service) controlled China’s outbound tourism. The price or the share of overseas travel were monopolized by these three companies (Sun, 2006). During this time, the Chinese very rarely traveled abroad. After the 90s, the Chinese government has taken the tourism industry as the initiative of economic reasons; tourist benefits such as transport and the opening of the airport, construction of rapid railway and highway brought more amenities to the citizens and benefits for the tourism industry. All these measures encourage the Chinese to begin travelling within the country. At the same time, the situation of the monopolized outbound tourism has changed. Outbound market is open to private companies and foreign

enterprises; this provides more accessibility and benefits for the Chinese who are planning to travel abroad.

### **General tourist policy**

Tourist policy has had several development steps. Generally speaking, the tourism industry drew attention from both the central and local governments. The industry has benefited from a number of incentive policies of the government. Due to the important position of the tourism industry in Chinese economy, Chinese tourism has had a tremendous development over several decades. Several time periods such as New Year, May the 1<sup>st</sup> and October the 1<sup>st</sup> are the peak of Chinese tourist season; this is due to the change in Chinese holidays policy. In 1995, a five-day workweek was introduced. Since then, urban citizens had one more day off. Basically, it makes the change in the situation of the outbound tourism. Chinese tourists follow the model of traveling – Spatial model of urban residents flow (Wu et al., 2000). According to this model, a Chinese tourist or a traveler presents a special concept in terms of space and distance. This model explains the improvement in the choice of destinations, short trips and excursions are preferred from the start, due to limitations in finance and time. With the increase in personal income, the budget is no longer the issue for most urban residents.

In September 1999, the central government announced another change in its holidays policy, which extended annual state holidays from 6 to 10 days (Sun, 2006). More importantly, it has deliberately created a three-week long holiday a year, combining and moving public holidays in their adjoining weekends. With the creation of a three-week long vacation, later called “Golden Week”, people are encouraged to travel and increased consumption. Significantly, outbound tourism had enormous benefits from this policy. People mostly travelled abroad during these three weeks. This holidays policy has still some negative impacts such as the cost of planning and transport congestion. The outcome of this policy met travel expectations. Not only does it promote 'holiday industry' but it also helps the Chinese people to change their attitude towards work and vacation.

As a developing country, China is committed to the priority of inbound tourism to achieve foreign currency earnings in the early stages of tourism. In the early stages, the Chinese government adopted restrictive policies against outbound tourism. Outbound tourism should develop in

an organized, planned and controlled manner. The mechanism was to limit the number of permits for several travel agency. It is anticipated that the outbound journey must be in the form of tourist groups. In general, the policy of outbound tourism constitutes a series of strict limitations on the ADS (Approved Destination Status), status of operators and operational procedures. Under this general policy, each province had a limited quota for outbound travel, which is why people who have the financial accessibility still do not have real access to outbound traveling, especially travelling to Europe.

Assuming that the holidays policy provides a time opportunity for the Chinese tourist, travel agencies are intermediaries. One characteristic of the administration of China's outbound tourism is ADS system (Approved Destinations Status). Status is given to those countries and regions that are China's political partners and rich in attractive tourist resources. It is not just the result of market choices. With the further opening of China to the outside world, in political and economic terms, more and more countries and regions were approved, with an average annual growth of 5 seats. By mid-2005, more than 90 countries and regions have become destinations for Chinese tourist groups. With the agreement between the EU and China, Chinese citizens have been allowed to travel to the EU (especially Schengen visa area) – a package tour provided by licensed Chinese travel agencies.

Tourism is one of the open sectors in China, and it has more favourable atmosphere for the development of environment, both inside and outside the country. At the present stage of China's outbound tourism, especially in Europe, the Chinese government and tourism authorities have adapted their policies and liberated the citizens from such political and administrative narrowing. With the economic development and increased demand of the market, the Chinese government, especially non-governmental bodies such as the CNTA (China National Tourist Association) and MOFCOM (Ministry of Commerce of the People's Republic of China) were preparing an openness to tourist affairs, they set administrative methods and regulated the industry with laws and acts.

### **Chinese Culture and Tourism**

While trying to understand the Chinese consumer in general or in a particular area such as tourism, culture as an important explanation will never be neglected, especially an incomparably rich culture such as

Chinese culture, history as long as China's and the most diversified society such as Chinese society. Chinese tourists as a very important social group are a strong correlation between the pattern of consumption and culture. The best method when trying to understand Chinese people is to understand Chinese culture. With its origins from more than 5,000 years, Chinese culture is a rare ancient civilization that has survived and is still vital. Since China has always been, in one way or another, isolated from other parts of the world, some features of its culture were developed independently.

Several common characteristics relating to consumers behavior (especially tourists):

#### 1) Collectivism orientation

In comparison with the Western culture, Chinese culture is more collective. Individuals are seen in relationships, and some of these connections are particularly important. Chinese cultural values are largely based on interpersonal relationships and social orientation. However, it should be noted that collectivism does not mean homogenous society. Collectivism operates in small social contexts such as the family, tribe, or labor unions, and the nation consists of these small units (Tian, 2001). All social activities should and can only be achieved in certain groups, whether it is between colleagues, friends or family members. Thus, several concepts should be brought into the discussion, which can help us to understand the reason for group travel. Confucius philosophy still has strong influence on the Chinese community today.

#### 2) Family orientation

Family is the main collective group in Chinese society. In traditional China, the ideal family consists of several generations living under one roof, sharing a common wallet and a common cooker, and with the head of the family (Game, 1999). Families organized on the basis of "coordinated" relations were discussed by the Confucian students to be fundamental to maintaining social harmony and political stability in China. Although the "One child policy" has changed the social demographic structure of China's population to a certain extent, this teaching has been passed on from one generation to another through the family and school education. Maintaining family ties with each member in harmony is very important in the Chinese family both the traditional and the modern. Family reunion is considered a tradition and the initiative of this harmony. Traditionally, several festivals are set for this purpose, such as the Lantern Festival (Chinese calendar, January 15<sup>th</sup>), Kinming

(Chinese calendar, April 4<sup>th</sup>), the festival of the full moon (Chinese calendar, August 15<sup>th</sup>) and the Spring Festival (Sun, 2006). The current government has already authorized all these festivals as national holidays, on the one hand it was for economic purposes, and on the other for a family reunion. Travelling with your family is considered to be the best way to improve family relationships along the way.

### 3) GuanXi (network) - organized social connection

Another important Confucian philosophy is the relationships among society members. Confucius emphasizes the hierarchy between different social groups within the government, organizations, even families. Most Confucian scientists believe that his philosophy is deeply rooted in Chinese society, especially in the remote areas. Another importance of his philosophy is "powerful distance," which was noticed by Hofstede (Sun, 2006). He did not know about the concept of GuanXi, which exists in Chinese society. GuanXi is an important factor of Chinese culture based on personal relations, which differ from the relationships in the Western culture (Sun, 2006). Network "GuanXi" can be formed with friends, relatives, colleagues, employers and high-ranking officials.

Due to the importance of this network, its maintenance and expansion is very difficult for the Chinese. The Chinese have a tradition of giving gifts as a way to achieve the abovementioned purpose. The choice of an appropriate and proper gift requires knowledge and sensitivity. There is a great suggestion - do not give as a present something that people already have. Valuable gifts should be given by an individual only in private and strictly as a gesture of friendship. European trip is considered as the best change to find some regular items as gifts, such as French perfumes, Italian wardrobe and German electronics. Of course, the selection of gifts also depends on the position of the recipients, in most cases, local souvenirs, which are representatives of local culture and traditions are welcome. Therefore, the Chinese spend a lot of money on shopping.

Most Chinese tourists are between 30-35 years old, and a certain percent of them are nouveaux riches, who began their careers during the poverty and lived in a period of shortage of material products (after the Cultural Revolution in 1978). When they get enough income, long-term pressure of the poor economic situation begins to explode. In most cases, this type of high expenses is intended as the boasting with their wealth, and it is called "the revenge for their poor life."

The other reason is the “symbol value” of branded items (such as branded suits for men, branded cosmetics for women) which reminds us of the social status and class, that help to tell the customer apart from others. Due to the lack of proper management of consumption, this kind of irrationality has a very negative impact on Chinese society. Chinese culture tends to avoid or interfere in the harmony of others, including the nature and other society members. Connecting with their travel pattern, most Chinese tourists are not willing to have interactive programs, such as festivals, beach resorts, where they can have more contact that is personal with the local or other tourists. Most programs are packed so that Chinese tourists have almost no contact with residents at the destination.

### **The expectations of Chinese outbound tourists**

Yu & Weiler (2001) analyzed the behavior of citizens from mainland China who travelled to Australia for pleasure and came to the conclusion that they preferred organized trips for their convenience and favourable price. They also concluded that the level of satisfaction of Chinese tourists varies between the sexes and educational profiles. Tourists from mainland China prefer an organized trip that includes more countries than a trip that includes only one destination (Guo et al., 2007).

Customer expectations of Chinese travellers differ based on their trips abroad (Wang et al., 2008). The survey results obtained by adapted SERVQUAL questionnaire show that Chinese tourists expect reliable service and adequate facilities, similar to what typical hotels in China offer. It was also found that customer expectations of Chinese tourists in restaurants are largely influenced by their previous experience in local restaurants.

Huang conducted a survey with tourists from mainland China in Canada. He summed up 55 expectations in 12 factors. According to his study, there are three forms of expectations of tourists from mainland China in Canada, relating to entertainment, variety and low prices (Li et al., 2011).

Moc & DeFranco (1999) proposed a conceptual model of Chinese cultural values and understanding of the behavior of Chinese tourists from several key Confucian values such as respect for authority, interdependence, group orientation and harmony.

In general, such overviews suggest that due to cultural, social, and economic reasons, Chinese travellers can have specific expectations and requirements on the journey that the Western marketing still does not understand. Several studies have systematically investigated the expectations of outgoing tourists from mainland China.

#### Hotel/accommodation

Cleanliness (hygiene) and safety are two important criteria for selection. Chinese tourists prefer to choose hotels in good locations, close to tourist sites. They prefer hotels with three stars or better. Chinese hotels traditionally provide a large set of “standard services” (for example toothbrush and toothpaste, combs, shampoo and lotion, slippers, even disposable razors and shaving cream). Chinese tourists (especially those who are “outgoing tourists” for the first time) generally expect the same things in foreign hotels. This expectation, if not met, could create a bit of frustration among Chinese tourists, who do not pack these things when travelling, and they may not be able to seek these items from hotel staff because of the language barrier.

#### Food and Restaurants

Chinese tourists are willing to try local food or a new cuisine, but they would not be able to do it for long or often. They find that Chinese food should be provided during the journey; if the lunch is in the western style, then the dinner should be Chinese. Many Chinese tourists have complained that Western food is too sweet, unhealthy (a large number of calories), fried and there is little fruit and vegetables.

#### Tour guides/routes

“Weather” is the most important criterion when residents choose a package deal (Wong & Kwong, 2004). Many Chinese tourists prefer a “less busy” schedule. This is also supported by the study carried by Zhu who found that relaxation was one of the primary motives of Chinese outbound tourists (Li et al., 2011). In addition, they consider that schedules are not always properly done; too little time is spent on tourist attractions and too much on shopping.

One of the reasons why people choose group travels when travelling abroad is that they expect to have fewer cultural and language barriers. Chinese tourists expect from their tour guides to have knowledge of the culture and the language ability. Furthermore, many have stressed the importance of professionalism.

### Entertainment/activities

Many Chinese tourists have shown interest in the local culture and customs, such as participation in local events, festivals and performances. For example, younger tourists who visit England want to go to a concert and the older tourists to the opera. As for the activities, some tourists are interested in shopping. They also believe that tour operators should have a better understanding of Chinese habits when it comes to shopping. For example – what gifts they prefer to buy for the elderly and what for the children? What is the type of product they usually buy abroad? Other activities include extreme sports, gambling, horseback riding, fruit picking, parties, etc.

Most Chinese tourists suggest that service providers in the Western countries have to know more about the Chinese way of life and their food. This is probably because they are not quite impressed with accommodation and food. Consumer habits of Chinese tourists and their motivation for the trip are two other things that the Western marketing must understand.

### **Chinese tourists in Serbia**

Always in groups, with the indispensable camera around their necks, Chinese tourists have already visited Europe's more developed half. Now it is time for the Eastern part of the continent to have its turn, including the countries of the former Yugoslavia. They come to Serbia usually with a large Balkan tour and go sightseeing around Belgrade, ethno villages, or Zlatibor Mountain as well as historical heritage, such as monarchist heritage at Oplenac. They save on the accommodation to spend more in branded stores, and give priority to Chinese food.

China is aware that its tourists present the economic power of the country all over the world, and they encourage travel and spending money abroad using various methods, including the increase in the number of days off. By 2020, according to pessimistic forecasts there will be 100 million Chinese travelling the world and according to the optimistic ones there will be even over 400 million. The Chinese have, for the first time, started coming to Serbia in an organized way in February 2012 and during that year, there was a growth of their visits by 39%, and the first two months of 2013 increased by 42% with extending their stay in the country (Đukić, 2013).

Chinese tourists are different from the European ones, and in the absence of clearly outlined what they want to see, their aim is to see as much as they can. Therefore, each tour includes several countries and the days spent in buses. They started coming to Serbia as they travelled the whole Western Europe, mainly within the tours which include Hungary or Croatia, Montenegro and Bosnia. Here they like well-known cities like Belgrade and especially Kalemegdan but their attention is drawn by the rest of Serbia too - Zlatibor, Drvengrad, national parks and Oplenac. "They particularly like Novi Sad because it is small, and as they say, pleasant" (Đukić, 2013). According to them, all European cities resemble each other but they still like to visit them, always organized, always in groups, and particularly when guides take them to places, where they have something to take pictures of. "Saint Sava's Temple is an inevitable item of every Chinese tourist, but not for the interest in our religion, but because they like something that has the superlative – when it is the most significant, the oldest, in this case, the oldest Orthodox building in the Balkans."

According to some estimates, young Chinese people will travel more in the future, and they are a new hope for our tourism industry. It is a generation that does not remember the permit requirements for travelling, which has travelled with their parents since childhood. They are much more similar to the Western tourists because they have a clear idea of what and why they want to see and their idea of a good time is more similar to our own. This part of the population will be interested in Belgrade's nightlife and they will look for the information on travel conditions on the Internet.

All generations of Chinese tourists now have a largely positive experience from our country. The biggest reproach are the strict visa regime and bad roads. If they had not been satisfied with touring our country, Tourist Organization of Serbia probably would not have won two prestigious awards at the Chinese tourist fairs in the past year (where it frequently performs with Montenegro, offering joint arrangements).

### **Chinese tourists - recommendations for the development of receptive tourism**

Tourism has shown itself, in practice, to be an effective instrument of the development emissive and receptive areas, especially in the case of economically disadvantaged areas of the country (Gajić, 2010).

Specifically, this activity is considered the driving force of the process of exporting economically disadvantaged areas to the threshold of economic development, but apart from this and the immediate effects of such tourism, it affects the level of society's conscious actions in the economic sphere of life (Barry, 2004). The classic division of the tourist market is emissive and receptive. Emissive tourist market is, according to the classic definition, the market from which tourists come and become tourist consumers, but also it is the market where the demand is formed which is then emitted to the receptive market that adapts its offer accordingly. Thus, the receptive market is the one that accepts tourists coming from emissive markets and it shapes and implements the offer under the influence of demand (Luković, 2007).

A new approach to understanding the Chinese market seems urgent to those who are interested in the Chinese market. Detailed and extensive research is a necessity for the formation of the market, especially for the Chinese one. Attempting to analyze the market from different and complex perspectives can help them to achieve a more complete understanding. Significant cross-cultural research has great significance for an entry strategy; improving services and designing tourist products.

While creating a new marketing mix –with the reform of the Chinese society and economy, the social and demographic structure also changed, and the transformation of this kind is quick and permanent. New consumer segments are emerging, new consumption patterns should be brought into the discussion about marketing. For example, the Chinese middle class or "white collar" class requires product marketing adapted specifically for them, and monitoring services for this group is necessary.

New market force brings different methods of targeting this market, reformulated products, price and promotion, and all this should be based on an understanding of Chinese tourists. In marketing, we should apply a different approach to different Chinese markets, whether in geographical, cultural or social structures. This requires a specific study of certain tourist groups. Promotion should not be organized only as the presentation and the exhibition, which are less accessible to ordinary citizens; we need to introduce internet sites, TV, etc.

Chinese tourists are not as sophisticated as the Western tourists; in most cases they are victims of tourist incidents due to the lack of acknowledgment or experience. Most tourists gradually build the correct

concept of travelling, such as the “period of relaxation”, “learning from other cultures.” A certain percentage still goes to “shopping tours” or “show of wealth” while travelling abroad. It cannot change in a day. An attempt to learn from the sophisticated Western tourists will be a good idea to improve this situation.

## **Conclusion**

Taking tourism in the systematic and processed context is a new approach in order to understand the complexity in China that is developing. The tourism industry as a system has many industrial fields, and a systematic concept should be considered at the global level, in which the external and internal factors affect the tourism industry.

Tourism development and social and cultural transformation have a very strong relationship, the economic situation, in particular, changes fond of basic accessibilities for outbound travel of Chinese citizens. The commercialization of social services and family responsibilities also approves another important element for the travelling– the weather. The economic reason is the fundamental reason that contributes to the success of Chinese traveling to Europe.

Tourism is also a powerful industry under the influence of politics, especially in a country like China, the administration and the government are centralized and hierarchically divided. The Chinese government is considering (sensitivity) of the outbound tourism and the importance of tourism development. Consequently, political reform has already given more freedom to the Chinese outbound travel market. This freedom is advancing gradually, a very positive sign for future development of outbound tourism.

Culture is a very fundamental reason when we are trying to understand the Chinese tourist, because of its long history and rich culture. Confucian philosophy, roots of religion and tradition make a simple trip very complicated. But culture is a key for the strategic victory in the marketing of this special group of tourists. Of course, globalization and modernization of technology are also important reasons that contribute to the success of China's outbound tourism, which is provided by external conditions. Comparison is always the best way to illustrate the differences and achieve a better understanding of Chinese tourists. Organized tourists were compared between the Chinese and the Westerners. This helped us

to understand some of the unique concepts that exist only in the Chinese tourism industry.

Chinese outbound tourists are quickly becoming a bigger and more sophisticated group of consumers. When they travel abroad, they expect quality services, quality travelling, and better understanding of their wishes and needs. Thus, a successful marketing should be well prepared to meet the basic needs of Chinese tourists during their first visit, as well as add social and psychological closeness and comfort to the products and services they offer.

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# QUALITY OF STAFF, THEIR TRAINING AND DEVELOPMENT - NEED FOR A SUCCESSFUL BUSINESS IN TOURISM

*Lidija Simonceska<sup>1</sup>; Toni Cvetanoski<sup>2</sup>;*

## **Abstract**

*Tourism represents a significant activity worldwide. The tourism business is a dynamic activity and its structure mostly consists of small and medium enterprises. The human resources in tourism have a significant role in providing quality services to tourists. Taking this into account, it is necessary to pay special attention to permanent training of personnel in the tourist business. The training and development of staff in the field of tourism represents one of the main conditions for successful working in the highly competitive travel market. If we take into account the importance of training and development of human resources in tourism, the aim of this paper is to point out the activities and actions implemented in Macedonia, as well as to point out their importance and the investments made by the companies in that direction, especially the investments made for that purpose, according to the statistics of the planning regions.*

**Keywords:** *human resources, quality, development, tourism business*

## **Introduction**

Tourism enterprises, especially the small and medium enterprises in the sector of tourism, carry out their activities in the highly competitive market of tourism.

When defining the small and medium enterprises worldwide, various criteria are being used: (number of employees, total revenue generated, value of total assets- balance sheet of assets). For example, if we take the number of employees as a criterion for division, then the division of the enterprises in Europe is as follows:

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1 Lidija Simonceska, PhD, Full Professor, Faculty of Tourism and Hospitality, Ohrid, R. Macedonia, +389 46 262 147, lsimonce@yahoo.com

2 Toni Cvetanoski, PhD, Manager, Enterprise Support Agency - ESA Ohrid, R. Macedonia, +389 46 271 112, tonicv@t.mk

- from 1–9 employees, micro enterprises
- from 10-49 employees, small enterprises
- from 50-249 employees, medium enterprises
- more than 250 employees, large enterprises.

Various legal entities, which are clearly legally defined in each country, are included in the working process in the tourism business.

Its structure consists of entities that perform small, medium and large business and are closely connected and mutually conditioned.

The small business is performed by Sole Traders and Limited Liability Companies in the field of hospitality- hotel-type accommodation, premisses for food and entertainment, individual catering shops, car rental companies, shops of specific products (souvenirs, tourist paraphernalia, etc.) travel agencies and agents

The medium business is run by various forms of Trading Companies in all fields of the tourism industry - the hotel industry, restaurants, tourism mediation and transport

The large business is typical for the integrative forms of tourism. Those companies are tourism companies of national and international character, arranged in horizontal and vertical integration of enterprises from the tourism industry, transport, banking and trade. These are chains of hotels and restaurants, tour operators, business systems of airlines with the travel agencies or with the hotel complexes and others. (Simonceska, 2010, 282).

Tourism is a dynamic activity in which businesses are faced with a permanent change and development according to the needs and desires of the tourists. The small and medium enterprises in tourism must offer a highly qualitative and innovative tourist product, so that they can meet the needs of the tourists, on one hand, and, on the other hand, to maintain and develop their competitiveness on the global tourism market. The quality of human resources available for the tourism business plays a significant role in this offer.

The human resources have a critical role in the successful operation of hotels, travel agencies and other stakeholders of tourism services. Considering the nature of tourism and hospitality as an activity dominated

by living labour, the employees put their efforts, knowledge, skills, creativity and enthusiasm in creating an atmosphere of kindness and hospitality, better service for the guests and creating conditions for satisfying the needs of tourists in a better way. Therefore, the provision of quality staff is a very important task for the managers in the human resources managing.

### **The quality of human resources as a factor for success in the tourism business**

Human resources in tourism are an important factor for successful business. Without high-quality personnel, a success in running a tourist business can not be expected. Without employment of quality personnel in the tourism enterprises, the owners cannot expect to reach higher revenues, and therefore higher profits.

The role of human resources is especially important in micro and small enterprises involved in tourism activity, because in the process of conducting their work they often need to "familiarize" with their customers.

An easier way to meet the needs and desires of customers is when we have regular clients, when the employees are familiar with their habits and the ways of meeting their needs. Unlike existing among new clients, the need to learn their habits, attitudes, behavior first, in order to deliver the role the best way. For these reasons, depending on the nature of the workplace, the employees should have good behaviour, skills and knowledge in various fields.

The quality of human resources affects the achievement of the expected results in tourism and therefore its contribution to the economic development of the country.

Skilled labour force in tourism implies a theoretical and practical "literacy", depending on the needs and nature of the workplace. The companies in the tourism industry are in need of an educated workforce, which will contribute to their competitiveness in the tourism market, in which the demand that prevails is extremely complex and rapidly changing.

There are two ways in which the training of human resources for work in the sector of tourism can be conducted, i.e.:

- through formal education;
- non-formal education, through training and education during the service life of the worker.

Formal education of tourist personnel in the Republic of Macedonia is conducted in secondary schools and colleges that operate in the country.

Secondary education for personnel, that is necessary for the tourism sector in Macedonia, is conducted in the following schools:

1. Secondary School "Lazar Tanev", Skopje, with the following profiles (<http://www.lazartanev.edu.mk>):
  - hotel and tourism technician,
  - waiter,
  - chef,
  - confectioner,
  - baker
  - vocational education, for students who do not attend classes regularly: waiter specialist, chef specialist, confectioner specialist, barmen specialist.

Among other things, the school also offers catering services, whose preparation and delivery teachers and school pupils take part in.

2. Municipal Hospitality and Tourism School "Vancho Pitosheski", Ohrid, with the following profiles (<http://www.mon.gov.mk>):
  - hotel and catering technicians,
  - waiter,
  - chef.
3. Secondary Municipal School "Josif Josifovski", Gevgelija, with the following profiles:
  - hotel and catering technicians,
  - waiter,
  - chef.
4. Municipal Secondary School "Naum Naumovski Borce", Krushevo, with the following profiles:
  - hotel and catering technicians,
  - waiter,
  - chef.
5. Municipal Secondary School "Kole Nehtenin", Shtip, with the following profiles:

- waiter,
  - chef.
6. Municipal Secondary School “Mosha Pijade”, Tetovo, with the following profiles:
- hotel and catering technicians,
  - chef.

From the conducted research in the educational system at a secondary level, where personnel are being educated for the purposes of tourism, it may be noticed that high schools turn to practical classes, as well as participation in competitions with international character, at the same time winning high rewards. This indicates that they follow the trends of modern theoretical - practical education, which enables the staff that is being educated to meet the demands of the tourism business.

If we take into account that tourism represents a complex phenomenon, it is necessary to introduce certain educational subjects in secondary schools (where training of personnel for tourism is not the core activity), especially in the authentic tourist regions in Macedonia, as for example, tourist ethics, which would increase the general level of behaviour of the local population towards the tourists, would stress the importance of hospitality and other similar features.

These are the university educational institutions that function in Macedonia in the field of tourism and hospitality:

1. Faculty for Tourism and Hospitality, Ohrid, University “St. Kliment Ohridski”, Bitola ([www.ftu.uklo.edu.mk](http://www.ftu.uklo.edu.mk)), which began its work as a higher school for tourism and hospitality. The institution was established by the Decision of the Association of Hospitality and Tourism Industry of SR Macedonia, in the spring of 1970. The Faculty has dispersed studies in Macedonia, and offers the following studies in tourism and hospitality:
  - four year university studies: Tourism, Management in the Service Sector,
  - three year university studies: Gastronomy, Nutrition and Dietetics
  - Hotel and Restaurant Management,
  - second cycle of university studies in the field of Tourism and Hospitality: Tourism, Gastronomy, Nutrition and Dietetics, Management of Sustainable Tourism Development,

- third cycle of doctoral studies in the field of tourism and hospitality: Tourism.
- 2. Faculty of Natural Sciences, University “Ss. Cyril and Methodius”, Skopje, Institute of Geography ([www.igeografija.mk/nasoka-Turizam](http://www.igeografija.mk/nasoka-Turizam)):
  - Tourism, four-year university studies.
- 3. Faculty of Tourism and Business Logistics, University “Goce Delcev”, Shtip ([www.ugd.edu.mk](http://www.ugd.edu.mk)):
  - three year and four year university studies: Tourism, Business Logistics, Gastronomy, Studies on Nutrition, Dietetics, Hotel and Catering Studies,
  - second cycle of studies: Business Logistics, International Tourism.
- 4. Faculty of Biotechnological Sciences, University “St. Kliment Ohridski”, Bitola” ([www.fbn.uklo.edu.mk](http://www.fbn.uklo.edu.mk)):
  - Studies of Farming and Agro Tourism, second cycle of studies.
- 5. University of Tourism and Management, Skopje ([www.utms.edu.mk](http://www.utms.edu.mk)):
  - Faculty of Tourism:
    - basic studies in tourism, hotel trade,
    - second cycle of the studies in tourism, hotel trade.
  - Faculty of Sports Tourism:
    - basic studies,
    - second cycle studies.
- 6. Private-public non-profit institution of higher education, South East European University, Tetovo, Faculty of Business Economics ([www.seeu.edu.mk](http://www.seeu.edu.mk)):
  - basic studies, Sustainable Tourism,
  - second cycle studies, Sustainable Tourism.
- 7. Faculty of Tourism Management, MIT University, Skopje ([www.mit.edu.mk](http://www.mit.edu.mk)):
  - basic studies in tourism.

From the data given above it can be concluded that there are secondary schools and higher education institutions in Macedonia which offer appropriate educational programs for quality staff in the sphere of tourism.

It is necessary to put special emphasis on the practical work of pupils and students in the educational process, and it should apply the positive international experiences, in which during the school year the pupils, on

certain days, work in the real sector. Pupils and students (e.g. in Switzerland) apply in the companies on their own, in which they would like to do practical work, and the company on the other hand pays them a certain financial compensation. In this way, quality practical classes are conducted during the school year, in a real surrounding in which the tourism enterprises function, while the companies have an opportunity to form their own data base, from which the company will recruit quality personnel for their own needs.

On the other hand, the new trends in the higher education which takes place in Macedonia, does not necessarily mean producing high-quality staff, which is necessary for the tourist business, but on the contrary this trend could have negative repercussions on a long term. This may result in the lack of specific personnel with secondary education, bearing in mind that in Macedonia the current educational policy proclaims wide access to higher education for all people who want to study.

From this point, the state institutions in charge of education, the educational institutions, the entrepreneurs and managers in the sphere of tourism should coordinate their efforts, in order to offer staff on the labour market that will qualitatively and quantitatively meet their needs.

The training of personnel should not be done only through classical education. Special attention should be paid to non-formal education, through training and education. In this way, by applying the system of lifelong learning, the personnel in tourism will have the opportunity to monitor and learn new trends in various spheres of tourism business through additional practical training.

Bearing in mind the sensitivity and the need of the employees in tourism to work, while others are resting, it is necessary for them to be stimulated, motivated, both materially and through development throughout the training process. It is necessary to form compulsory training programs in this field, regulated by law, so the entrepreneurs, managers and other employees in the enterprises in the tourism industry will be obliged to attend a certain period in training during the year, putting the emphasis on practical training.

The process of training and development encompasses both, the workers and the managers of all organizational levels, but with a different intensity. The training is more applicable for the workers in the company,

in order to improve their technical qualifications required by the job they are doing. Development usually applies to managers, because their skills improve through training, in accordance with their future demands for higher position. There have been multiple methods and techniques for training and development developed in literature and in practice. Some are designed for acquisition of attitudes / habits, knowledge or skills. The training can be carried out at the site, or to the outside (Simonceska, 2013, 326).

Permanent and effective planning of activities for training and professional development of the human resources in the enterprises in the tourism business, in accordance with the scope and structure of the tasks they perform, is needed in order to provide quality staff on a permanent basis. The enterprises in the tourism business should constantly have the necessary volume of qualifications of staff, should exploit the personnel more effectively and should ensure a high degree of development of the staff.

Several methods and techniques for training in the workplace and outside the workplace of the human resources are developed in the literature.

The most important methods and techniques of training and development are given in table 1:

At the same time, the labour market should offer high-quality personnel for the tourism sector, in accordance with its needs. Therefore, permanent improvement of the educational programs in the formal education is necessary, as well as creation of modern programs for practical training outside the formal educational system, which will enable permanent specialization of human resources in the field of tourism.

In designing these programs, the content of the programs should particularly be taken into account, given the fact that the largest part of the enterprises are micro and small enterprises, where one person performs several tasks.

**Table 1: Methods and Techniques of Training and Development**

|                           | Methods for Job Training  |   | Training Methods Outside the Workplace   |  |
|---------------------------|---|---|--|--|
|                           | <i>Training of Technical Personnel</i>  | <i>Training of Managers</i>   | <i>Training of Technical Personnel</i>   | <i>Training of Managers</i>  |
| <b>Attitudes / Habits</b> | 1. Method of Training with 'Joining' the Trained Person to an Older Worker with Appropriate Attitudes / Habits and Qualities in order to Influence the others to Accept his Views / Habits  | 1. Method of Manager Training with Replacement<br><br>2. Method of Personal Assistant   | 1. Techniques of conducting discussions about theoretical cases in order to highlight the necessary attitudes / habits<br><br>2. Method of T-groups to Investigate the Behavior of Trainees  | 1. Method of T-groups<br><br>2. Method of Playing Roles<br><br>3. Method of Training by Creating a Pattern of Behaviour  |
| <b>Skills</b>             | 1. Method of Training with Operating Instructions, Showing Subsequent Procedures Necessary for the Implementation of a Given Operation<br><br>2. Method of Special Assignment, which Provides Skills and more Experience in Dealing with Current Problems | 1. Rotating the Workplace is a Management Technique to Expand Management Experience and Skills<br><br>2. Method of Boards with Junior Staff, for Training Young Managers of High Level Through Making Proposals for Creation of the Business Policy of the Company.<br><br>3. Method of Action-Learning Training of Individuals by Preparing Projects | 1. Method of Detection of Basic Working Principles and Proper Methods for Their Implementation.<br><br>2. Method of Exercise and Repetition. It is Used for Activities Which Require Excellence in Their Work.<br><br>3. Method of Training with Simulation<br><br>4. Audio-Visual Training Techniques | 1. Method of Case Study for Training Managers who Provide Individual Diagnosis and Analysis of a Given Problem of an Organization<br><br>2. Technique of Management Games, Where the Management Teams Make Decisions and Conclusions in a Competitive Environment, Simulating a Real Enterprise.<br><br>3. Method 'in Cash', Where the Trained Person is Required to React Properly With the Documents that Have Been Submitted at Random. |

|                |   |  |   |  |
|----------------|---|--|---|--|
| <b>Meaning</b> | 1. Method of Demonstration and Presentation, Followed by Simulating the Activities of the Trainer by the Participants | 1. Access to Training Replacement (Coaching / Understood) as a Method of Training the Entire Management Team<br><br>2. Method of Self-Instructions | 1. Method of Formal Lecture<br><br>2. Visiting Other Organizations and Companies with Whom Communication Will Be Held in the Future.<br><br>3. Method of Programmed Learning<br><br>4. Training Based on Electronic Media (Multimedia Training) | 1. Programs in Conjunction with Universities, which Include Activities to Enhance the Management Skills of Leadership, Planning, Supervision, etc.<br><br>2. External Seminars and Courses in Various Management Areas |
|----------------|---|--|---|--|

**Source:** *Simonceska, 2013, pp 326-328*

### **Need for training and development of personnel in a small tourism business**

Employment in the field of tourism has a steady upward trend worldwide. The situation in Macedonia has a similar phenomenon of continuous increase in employment in this sector.

The everyday technical - technological discoveries impose a need for permanent accompaniment and adoption of changes that find its application in the tourist business. The everyday changes occur for example in the hotel business, catering business, in the business of travel agencies and etc. Once acquired knowledge and established organization of the workflow does not mean that the human resources in tourism have no need of further improvement and development. Permanent training and staff development represents a necessary precondition for successful competition with the competitors and successful appearance in the tourist market.

The possibility to attract guests to be our customers again, (once a client always a client) can be provided only with qualified human resources. The human resources at disposal in a company should possess inclination and desire for permanent improvement and development. On the other hand, we can have the newest equipment at disposal, but human resources

are an irreplaceable factor in the use of such equipment in an optimal way. If a company does not have qualified and high-quality human resources, then we cannot expect that company to offer tourist services on a higher and high-quality level.

Through observation of the socio - economic development, and the development of tourism, we came to conclusion that the labour market is increasingly looking for human resources, which has more level of knowledge gained both in the process of formal education, but also in the everyday work activities. Thus, for example, with the emerging of personal computers and their application in all major work, the staff must (if they wish to retain the position and count on improvement in their career) adopt a working knowledge in computers; employees in hotels, for example, at the front desk job with special software for booking, billing; employees in travel agencies, working with software for booking plane tickets, sale of tourist packages and etc.

Basically, in order to foster the culture of permanent improvement and development of human resources, it is necessary to influence a constant change of the people's attitudes towards training and development, i.e. that the development and training does not stop with formed compulsory education, but it is a process that takes place throughout the lifetime of a person. The need for advanced training and human resources development in small and medium-sized enterprises in the sector of tourism is of a specific nature, given the fact that they have a limited number of human resources. Another aspect in this context is that a larger number of enterprises in the sector of tourism are micro (1 - 9 employees) and small (10 - 49 employees) companies.

It is important to point to the managers and more experienced staff to share their knowledge with the other employees, so the businesses in the tourism industry would have a higher income, for example:

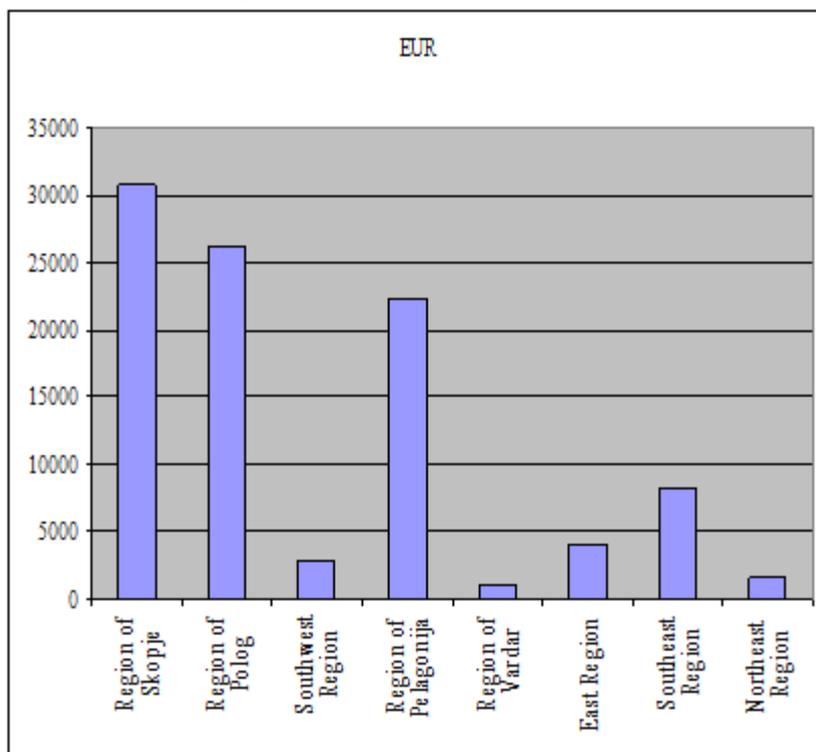
- development of staff through the process of work,
- continuous staff development,
- satisfaction among the staff about the possibility of acquiring new knowledge,
- increased motivation of staff in the process of work,
- satisfied clients,
- achieving better financial results.

Training and staff development is particularly important in small tourism businesses, because they must be constantly aware that they should have information on:

- products / services offered on the tourist market,
- scope of the market of tourism in which they work,
- wishes / requirements of the tourist,
- knowledge, information about the competition.

In doing so, the small and medium-sized enterprises that are successful on the tourism market are based on knowledge, apply new, innovative tourism products, develop a working environment where knowledge and information is being spread / shared between the employees and does not remain "in property" of a small circle of employees.

**Graphic 1:** *Funds Spent on Training in Macedonia According to the Planning Statistical Regions*



**Source:** *Project "Capacity Building for Creation of Knowledge-Based Economy; Research "Analysis of the Training Needs of Small and Medium-Sized Enterprises", Skopje, March 2010, pg.38*

Despite the evident need for advanced training and development of human resources in general for small and medium enterprises and in tourism as well, yet they do not invest enough in this sphere. So, bearing in mind the research conducted in the course of 2010, by the project "Capacity Building for Economy Based on Knowledge" the investment in training and development of staff through training / practice in Macedonia is as above graphic.

Bearing in mind the above-mentioned research training, a total of 97,000 euros have been allocated for this purpose. Out of the total number of 874 surveys conducted in small and medium-sized enterprises, 368 of them participated in some aspects of training, which means that the average sum invested per company is about 260 euros.

From the data presented in the chart, keeping in mind this research, it can be noted that most of the funds for training in an absolute amount are allocated by the small and medium enterprises in the Skopje Planning Region, or about 30,750 euros, or about 32% of the total funds invested in training.

Next on the list of investments in training in absolute amount are:

- Polog Planning Region with about 26,180 euros (27%),
- Planning Region Pelagonija with about 22,280 euros (23%),
- Southeast Planning Region with about 8,190 euros (8%),
- East Planning Region with about 4,080 euros (4%),
- Southwest Planning Region with about 2,780 euros (3%),
- Northeast Planning Region with about 1,610 euros (2%),
- Planning Region Vardar with about 1,050 euros (1%).

But if the data is analyzed in terms of average invested assets per enterprise, then the situation is as follows:

- Polog Region, 36 small and medium-sized enterprises (who have participated in training) invested an average of 730 euros per company.
- Southeast Region, 14 small and medium enterprises invested an average of 580 euros per company, etc.

Unlike them, the small and medium enterprises in the Skopje Planning Region (whose share in the gross domestic product in Macedonia is

43.7%), 101 small and medium-sized companies invested an average of approximately 300 euros per company.

From the above presented data it can be noted that the businesses invest very small funds in training/practical work. Therefore, it is necessary to work on raising the conscience of the entrepreneurs in terms of importance of human resources for their successful operation.

From practical experience, entrepreneurs often say 'why should I invest in training and the development of human resources when starting from tomorrow the employee could go to work in another company'. "It is a completely wrong thinking, because if the code of a larger number of entrepreneurs in tourism increases, and the conscience to invest in human resource develops, it will create a critical mass of high-quality human resources who will be able to successfully offer quality service to tourists.

The need of training and human resource development, especially in the small tourist business, arises from the need of the tourists, traveling to other cities due to their specific needs that cannot be met at their place of residence.

From this point, their demands, needs, desires, are specific and different for different people. The role of human resources is in fact to meet the needs required by the tourists in the best possible way through better knowledge of their demands. This demands a permanent creation of quality personnel for the needs of small tourist businesses, with the aim of it being up to date with the permanent changes in the modern tourism.

Taking into account the opinion of Kripendorfa: "if there would be no tourism to assist in the escape, hospitals and sanatoriums should be built, where people would cure from the stresses of the everyday problems," the constant development of human resources in tourism is increasingly actualized, as a necessity that is imposed by the tourist market and the changes occurring therein.

### **Planning of staff training and development in the hotels on the Ohrid Riviera**

In order to determine the level of attention paid to the development of staff, interviews were made with the managers of the hotels from the small tourism economy on the Ohrid Riviera. (Hotel Belvedere, Hotel

Metropol, Hotel Sileks, Hotel Riviera, Hotel Beton). The conclusion drawn from the received answers shows that the hotels are conducting permanent planning for employee training and development through developing a program of training and development. The methods that will be applied for training of technical staff for a period of one year are established in their programs.

The information obtained from the interviews shows that the most widely used methods are the methods through job training via mentoring by senior staff, as well as training from the country through projects that provide practical training in the world's top hotels and restaurants.

The most of those interviewed, in cooperation with the Project of the British Government - ESA Ohrid, sent chefs to practical work in the UK in top hotels and restaurants. Also, through other projects, chefs are sent to training in China for preparation of specific dishes, in order to satisfy the needs and desires of the Chinese tourists that are expected to arrive in the following period.

These programs also include methods for training of managers in hotels, in which the courses and seminars in the field of management are the most prevalent ones.

## **Conclusion**

Tourist companies carry out their activities in a highly competitive international market, where tourists have high expectations in meeting their demands. Bearing this in mind, the small and medium enterprises in the field of tourism must offer a high quality and innovative tourism product, if they want to retain and improve their competitiveness in the global tourism market.

The quality of human resources plays an important role in the successful participation on the tourism market.

The everyday technical-technological breakthroughs require a necessity for their permanent monitoring and implementation in the field of tourism. The improvement and development of human resources is a precondition for successful competition with the competitors on the international market of tourism.

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**University of Kragujevac**  
**Faculty of Hotel Management and Tourism in Vrnjačka Banja**  
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**(+381 36) 515.00.24, 515.00.25**  
**hitvbkonferencija@kg.ac.rs • www.hit-vb.kg.ac.rs**