

CROATIA NEEDS TO DIVERSIFY TOURISM



Tourism is booming in the small country on the Adriatic coast, but only for four months a year. The Croatian government plans to diversify tourism, which is one-sidedly oriented towards the sun and beach. The potential of other niches has so far been largely untapped.

The autumn sun still has some power in Croatia. In the north of the country, the temperatures are pleasant, even if it is no longer enough for bathing. The view of the glistening sea and one of the islands always within sight is already uplifting, in Crikvenica, a holiday resort opposite the northernmost Adriatic island, Krk. But in October there are hardly any guests here, most restaurants on the shore have already closed down.

In the south of Croatia, there is still a few weeks more of tourism activities. **But even in the picturesque coastal town of Dubrovnik, which is literally overcrowded in the high season, the number of visitors drops drastically in the autumn.**

Croatia is booming as a tourist destination: 16.6 million foreign tourists visited the country last year, three times more than at the turn of the millennium. However, the guests almost exclusively come in the summer.

86% of all overnight stays take place between June and September, and the rest of the year is in the doldrums. It is obvious that this leaves considerable potential untapped in an industry that generates almost one-fifth of the gross domestic product (GDP) with EUR 10 billion. This is all the truer as the sector is also highly concentrated regionally. 96% of the tourist activities take place on the coast and in the capital Zagreb.

For some years now, there have been calls to diversify tourism. Tourism Minister Gari Cappelli regularly underlines the strategic goal of making Croatia a year-round destination. For the first time this year, the tourism fair took place in the interior of the country, in Slavonia. The region is known to a wider public as the scene of particularly bloody fighting during the Yugoslavian war. The battle of Vukovar took place here almost thirty years ago. However, the northeast of the country has not yet been considered a tourist destination.

Croatian tourism needs more than symbolic gestures in order to be able to break its one-sided dependence on beach tourism, which dates back to Yugoslavia. Croatia has done far too little so far to develop sectors that don't just work in the summer. Slovenia or Hungary have modernized their spa towns with EU aid and are now leading spa destinations. Poland has built congress centers and is developing its medical tourism.

The potential of this small country is undisputed. But potential alone is not enough. Some experts see part of the responsibility in the tourism offices, which are state-owned and often lack any entrepreneurial spirit. In addition, a national strategy is lacking. This is why there is hardly any supra-regional cooperation to develop niches - rather the opposite is the case.

Another reason for the lack of willingness to innovate is of a structural nature. Every second night in Germany is spent on simple holiday apartments, far more than anywhere else in Europe. Hotels account for less than 30%. The lack of higher quality accommodation has been lamented for years.

In fact, large - and financially strong - hotel chains are underrepresented in the country. In Montenegro, with almost 300 km of coastline, 18 international companies of the upper class operate guest houses, in Croatia, with its six times longer coastline (mainland) and a large number of islands, there are only 9 of them.

The owners of the small private establishments usually do not have the means for necessary investments in order to offer higher-quality and thus seasonally independent tourism - or also no interest. "Who rents five or six simple apartments for EUR 80 per day, can earn during the four summer months EUR 30 000 to 40 000. This makes it very comfortable to live here for a whole year," the experts explain.

This is all the more true as the renting of private accommodation is strongly tax-favored, a legacy of the war period, when cheap housing had to be made available for refugees. While hotels are subject to VAT and have to pay a profit tax of about 30%, private accommodation is subject to only a minimum flat-rate tax. As a rule, this does not account for more than 1 to 2% of the generated turnover. The rental of holiday homes is, therefore, one of the most lucrative financial investments in the country. Accordingly, the supply is steadily increasing, by 25% in the past three years. The number of hotel beds rose by 3.5% in the same period.

This not only distorts supply but also has a negative impact on value creation. And last but not least, the state misses out on considerable income from one of the country's most important economic sectors. This money is then lacking for strategic investments in infrastructure. Although the grievances are generally known, no government has yet ventured into a hot topic. The number of those who benefit from the regulation is too large.

However, many observers believe that the industry will soon have to move. Croatia has benefited in recent years from the slump in Turkey, Greece, and Egypt. But these markets are coming back and are usually more competitive.

It is therefore worthwhile for Northern Croatia to rely on guests from the region. From the most important source markets, from Slovenia, Hungary, Austria, Czech Republic, and Southern Germany, you can get in the country by car in a maximum of six hours. It's also worth it for a long weekend.

In order to make the destination attractive outside the summer months, several new projects are under development. For example, restoring an old Napoleonic army road, development of hiking trails in the mountainous hinterland, etc.

Istria is further with such concepts to diversify tourism. The peninsula is located in the extreme northwest of the country. The region, which has long been dominated by Italy, relies on its culinary tradition, among other things, and presents itself specifically as a destination for the seasonally less fixed agro- and gastro-tourism.

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