Travel And Tourism

August 2011

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TRAVEL AND TOURISM IN CROATIA - INDUSTRY OVERVIEW

EXECUTIVE SUMMARY

Travel and Tourism Offers Temporary Relief To the Croatian Economy

The political and economic situation in Croatia in 2010 was very difficult: unemployment reached an all-time high, high public debt, many illiquid companies, people working but not getting paid and corruption scandals involving the country's highest officials, etc. As a result, consumer confidence was very low and one of the few bright spots was the positive tourism performance, which brought temporary but important relief from political and economic difficulties.

Strategic Plan To Develop Croatian Tourism

The most recent strategic plan to develop tourism in Croatia covered September 2003-2010. In October 2010, the Ministry of Tourism issued a public tender for a new strategic plan to develop Croatian tourism. This was a much anticipated call as the new strategic plan is set to shape Croatia's travel and tourism Industry for the next decade.

High Seasonality Puts Pressure on the Travel and Tourism Infrastructure

One of the biggest problems facing tourism in Croatia is the short tourist season. Despite efforts to diversify, Croatia remains predominantly a sun and beach destination. The relatively narrow tourism offer means that the areas of natural beauty are still the main attractions. The dependence on natural beauty and the climate continue to pose a large threat to the travel and tourism industry. A serious ecological disaster or a long period of unusually low temperatures could have serious consequences on the country's tourism balance of payments. In addition, high seasonality creates an immense strain on the infrastructure, which needs to be developed to support high volumes of visitors for short periods of time but is then underused for the rest of the year.

Domestic Tourism Falls Short of Expectations

During the global economic downturn the national tourism boards of most of the Croatia's competitors featured promotional campaigns inviting the domestic populations to holiday "at home". This was one way to compensate for the falls in the numbers of foreign visitors. However, the number of domestic trips in Croatia recorded a strong decline in 2010, for a second consecutive year. Instead of substituting more expensive outbound travel with domestic trips, Croatian tourists did exactly the opposite.

Lack of Order in Travel Accommodation

The majority of beds in Croatia are in private accommodation, more specifically privately-owned homes. They are scattered around many small places along the country's long coastline and on islands, making it very difficult to control the travel accommodation offer. Legislation on private accommodation is in place but effective implementation and control are lacking. Year-on-year progress is visible but there is still a long way to go until order can be brought to travel accommodation in Croatia.

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DEMAND FACTORS

Table 11 Leave Entitlement: Volume 2005-2010

Number of days

	2005	2006	2007	2008	2009	2010
Paid Holiday						
Public Holidays on Working Days						
Public Holidays not on Working Days						
Leave Entitlement						

Source: Euromonitor International from official statistics

Table 12 Holiday Demographic Trends 2005-2010

% number of people

	2005	2006	2007	2008	2009	2010
Holiday Takers						
Non-Holiday Takers						

Source: Euromonitor International from official statistics, trade associations, trade press, trade interviews

Note: Holiday takers as % of total population

Table 13 Holiday Takers by Sex 2005-2010

% number of people

	2005	2006	2007	2008	2009	2010
Female						
Male						

Source: Euromonitor International from official statistics, trade associations, trade press, trade interviews
Note: Sex of national tourists (domestic and outbound)

Table 14 Holiday Takers by Age 2005-2010

% number of people

	2005	2006	2007	2008	2009	2010
0-14						
15-24						
25-34						
35-49						
50-64						
Over 65						
Total						

Source: Euromonitor International from official statistics, trade associations, trade press, trade interviews
Notes: Age of national tourists (domestic and outbound)

Table 15 Seasonality of Trips 2005-2010

% number of people

	2005	2006	2007	2008	2009	2010
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						
Total						

Source: Euromonitor International from official statistics, trade associations, trade press, trade interviews
Note: For national tourists (domestic and outbound)

BALANCE OF PAYMENTS

Maintaining a positive balance of payment has always been the priority for Croatian policy makers. Croatia is predominantly an inbound tourism destination and the balance of payments will remain positive unless this situation changes. In 2010, the balance of payments reached

HRK15.2 billion, an increase of 4% over 2009. The main reason for the rise in the balance of payments was the 7% increase in incoming tourist expenditure in current value terms in 2010.

Table 16 Balance of Tourism Payments: Value 2005-2010

HRK million

	Receipts	Expenditure	Balance
2005			
2006			
2007			
2008			
2009			
2010			

Source: Euromonitor International from official statistics, trade associations, trade press, trade interviews

MARKET INDICATORS

Table 17 Length of Domestic Trips: 2005-2010

'000 trips

	2005	2006	2007	2008	2009	2010
0-3 Days						
4-7 Days						
Over 7 Days						
Domestic Trips						

Source: Euromonitor International from official statistics, trade associations, trade press, trade interviews

Table 18 Length of Outbound Departures: 2005-2010

'000 trips

	2005	2006	2007	2008	2009	2010
0-3 Days						
4-7 Days						
Over 7 Days						
Departures						

Source: Euromonitor International from official statistics, trade associations, trade press, trade interviews

DEFINITIONS

This report analyses the market for Travel and Tourism in Croatia. For the purposes of the study, the market has been defined as follows:

- Tourism flows inbound
- Tourism flows outbound
- Tourism flows domestic
- Travel accommodation
- Transportation

- Car rental
- Travel retail
- Tourist attractions
- Health and wellness tourism

Travel and Tourism is a diverse industry encompassing markets such as transportation, travel retail, travel accommodation, tourist attractions, health and wellness, car rental as well as standard tourism parameters.

Tourism Flows

Arrivals

Arrivals refers to international tourists visiting another country for at least 24 hours, for a period not exceeding 12 months, and staying in collective or private accommodation for leisure, business, visiting friends/family and other purposes (religious, medical, education etc). Euromonitor International considers arrivals to be recorded in terms of trips as opposed to visitors, whereby a visitor may make more than one trip during the recorded period. An inbound trip starts as soon as an international tourist enters another country until they leave again.

Euromonitor International's arrival figures exclude trips made by same-day visitors, transit passengers and cruise passengers as this can distort arrival figures in important border crossings and cruise destinations respectively. It also excludes those in paid employment abroad. Military personnel and diplomats are excluded, along with displaced people because of war or natural disasters. Transportation crew (air, rail, land and sea) and lorry drivers are also excluded. Trips to second homes are included. The country of origin of the inbound arrival is referred to as the source country and reflects the country of residence, rather than nationality of the visitor. Students that stay in a country for a period of more than 12 months are excluded from arrivals data and are considered as residents of the country of temporary residence.

Data is collected from official sources and is constructed from different sources in order to provide the overall number of arrivals. Key sources include border statistics collated, border surveys and registered guests at accommodation outlets primarily sourced from national tourist offices and national statistics offices.

Arrivals by City

International arrivals by city includes those international visitors that arrive at the city as their first point of entry, but also includes those visitors to the city that arrived in the country via a different point of entry, but then go on to visit the city in question. A minimum stay of 24hrs is required for inclusion in the arrivals figures.

Departures

Departures refers to the number of residents that travel abroad from their country of residence to another destination country for leisure or business purposes. Residents include students residing abroad for a period of over 12 months. Departures by destination reflect the main departure destination recorded at the country of residence of the outbound traveller. For example, a UK resident on a trip to Rome with a stop-off in Paris would be recorded under UK departures to Italy. Data includes foreigners residing permanently in the country of departure including students residing for over a period of one year.

Departure figures exclude outbound trips by same-day visitors, transit passengers and cruise passengers (apart from at the initial point of departure from the country of residence) as this can distort departure figures in important border crossings and cruise destinations respectively. Military personnel and diplomats are excluded, along with displaced people because of war or natural disasters. Transportation crew (air, rail, land and sea) and lorry drivers are also excluded.

By Purpose of Visit

Leisure

Tourism for leisure purposes includes leisure, visiting friends and relatives and other purposes (such as sports, education, medical, shopping, religion etc).

Leisure arrivals by type is broken out into backpackers, organised tour groups (including school trips and organised sport trips), singles, families, friends, couples (including gay couples) and others. Others include travelling for a wedding etc. Where singles, families or couples go on organised tours or are backpacking then they are considered to fall under the latter. If singles, families or couples are not back-packing or part of an organised tour group, then they are counted in their respective category.

Business

Tourism for business purposes includes all business trips that are taken primarily for business purposes including unmanaged and managed. If business travellers choose to add on a leisure extension to their trip, the arrival or departure would still be considered as business as that is the primary motive for the trip.

MICE

Refers to meetings, incentives, conventions and exhibitions where these are organised events run by third parties on behalf of companies, either onsite or in hotels or conference centres.

Domestic trips

Domestic trips refers to the number of trips taken by residents of the country within their country of residence. Within a trip, multiple destinations may be included, however, the overall destination is recorded as the main destination. Trips over 24 hours are to be included so day trips are excluded. Trips refer to single person trips, not multiple person trips.

Spa target market

The number of inbound or outbound visitors who visit and use spas during their stay.

Holiday takers

The number of people out of the country's entire population who take holidays. For holiday takers, it shows how many people actually take holidays, either abroad or within the country, For example, even if some people have time off, they may not take holidays.

Tourism Receipts and Expenditure

Domestic tourist expenditure

Domestic tourist expenditure refers to spending on travel and tourism services by domestic visitors on their trips for business and leisure purposes.

For domestic tourism expenditure split by business and leisure: business domestic tourism expenditure includes expenditure by group and MICE tourism (ie managed business booked via corporate business travel retailers acting as a third party) and independent or transient business (ie unmanaged business that is booked via travel retailers or direct suppliers). Leisure domestic tourism expenditure includes expenditure by all leisure departures including those visiting friends/relatives and others.

Incoming tourist receipts

These are classified as payments by international inbound tourists, including fares paid to national carriers for international transport and any other prepayments made for goods or services received in the country of destination. This includes receipts from day visitors from abroad, although there are exceptional cases that are recorded separately. Excludes spending by students that stay in a country for a period of over 12 months. Air fare paid to foreign carriers is excluded. Expenditure from day trips is included.

Incoming tourist receipts split by business and leisure: business incoming tourist receipts includes spending by group and MICE tourism (ie managed business booked via corporate business travel retailers acting as a third party) and independent or transient business (ie unmanaged business that is booked via travel retailers or direct suppliers). Leisure incoming tourist receipts includes spending by all leisure arrivals including those visiting friends/relatives and others.

Outgoing tourist expenditure

This is expenditure by outbound tourists abroad, including their payments to foreign carriers for international transport. This includes expenditure on day visits abroad, except in certain cases when these are recorded separately. Data thus excludes international transport fares purchased within the country of origin.

Leisure departures by type is broken out into backpackers, organised tour groups (including school trips and organised sport trips), singles, families, friends, couples (including gay couples) and others. Others include travelling for a wedding etc. Where singles, families or couples go on organised tours or are backpacking then they are considered to fall under the latter. If singles, families or couples are not back-packing or part of an organised tour group, then they are counted in their respective category.

Outgoing tourism expenditure split by business and leisure: business outgoing tourism expenditure includes expenditure by group and MICE tourism (ie managed business booked via corporate business travel retailers acting as a third party) and independent or transient business (ie unmanaged business that is booked via travel retailers or direct suppliers). Leisure outgoing tourism expenditure includes expenditure by all leisure departures including those visiting friends/relatives and others.

Tourism expenditure by sector

Tourism expenditure includes spending by inbound and domestic tourists to represent the country's total income from travel and tourism. For tourism expenditure and outgoing tourist expenditure by sector, categories are as follows:

- Accommodation: includes all forms of travel accommodation namely campsites, hotels, motels, self-catering, chalets, guesthouses, hostels, private accommodation and other. Includes spending on accommodation by students visiting for a period of less than 12 months.
- Entertainment: includes evening entertainment, gold trips paid for at the destination and tourist attractions such as casinos and theme parks. Theme parks are considered under entertainment as that is its core offer regardless of arranged transport whether considered to be an impulse or planned purchase. Includes golf trips if considered to be an impulse purchase.
- Travel within the country: includes spending on all local transport such as rail, bus/coach, ferry, air, chauffeur driven car, cruise including taxis. Travel within the country is included for

tourists using public transport within the country; but any daily use by residents of public transport for commuter purposes is to be excluded.

- Excursions: within the country; may be for one day or over. Excursions refer to every type of package organised by travel agents or any other travel operator in-destination, for the organisation of trips to visit tourist attractions or other places of particular tourist interest or also to attend an event or artistic performance. The price includes the transportation (generally by coach), often a guide and possibly some activities or entrance tickets (to eg a museum or a concert). Meals may also be included in the price. Types of trips organised: all types of attractions/tourist activities including concerts, golf, art galleries, local villages, nature reserves, historical monuments, theme parks, casinos, local markets etc. For golf trips, these are seen as an excursion if the trip requires organisation and transport to get to and from the golf course. Most excursions include food, along with a guide. Self-drive options are also available.
- Food: includes spending on retail food as well as foodservice; includes full-service restaurants and other foodservice formats such as cafés/bars, fast food, 100% home delivery/takeaway, street stalls/kiosks and self-service cafeterias.
- Shopping: includes food and non-food purchases. Duty-free is included.
- Other: includes spending on tuition fees paid by foreign students studying in the country for a period of less than 12 months. Services paid to travel retailers for additional services purchased in-country such as concierge services, car rental, travel insurance, etc are covered. May also include expenditure on communications, mobile phones, Internet etc.

Method of payment

- Cash: money in note or coin form which is used to pay for goods and services at the time of purchase.
- Credit card: a plastic payment card that allows the cardholder to make purchases and to draw cash up to a pre-arranged ceiling. The credit granted may either be settled in full by the end of a specified period without incurring any interest, or may be settled in instalments with the balance taken as extended credit (ie it offers revolving credit)
- Debit card: this is an instant payment card attached to a current or savings account, which can be used for paying for goods and services. Depending on the merchant's system, payment could be taken instantaneously from the customer's account, or take a few days. No interest is charged on payments. Debit cards usually combine other functions such as cash withdrawals from ATMs and cheque guarantee.
- Charge card: also called Deferred Debit or a Travel and Entertainment card. A charge card is similar to a credit card but is a short-term loan that normally has to be paid off within 30 days of billing and does not attract any interest charges, therefore there is no revolving credit option. There is usually no upper spending limit and customers normally have to pay a high annual fee. Diners Club and most American Express cards have a charge card function.
- Prepaid debit card: a card offered by a service provider that uses a prepaid e-cash card as a payment vehicle.
- Traveller's cheques: these are cheques issued by banks, credit card and charge card companies that allow the holder to buy goods and services in a foreign country.

Travel Accommodation

Travel accommodation covers the main types of accommodation used by incoming tourists and domestic tourists. Travel accommodation value is measured in terms of the price paid for accommodation by the consumer and businesses based on total room sales. It does not include foodservice (food and drinks) or any other form of revenue that is not directly related to accommodation such as events and conferences and guest services such as gym, spa, shop etc. Travel accommodation volume is measured in terms of number of outlets, rooms and bed nights.

The market is broken down into nine principal sectors.

Campsites

Covers areas set aside for camping and caravans.

Chalets

Rented accommodation in mountain or country areas; may include meals; includes lodges and inns.

Guesthouses

Rooms within officially-recognised private accommodation, for the purpose of tourism; rented to tourists on a nightly or weekly basis; often with breakfast included.

Hostels

Outlets providing low cost/budget accommodation, often in dormitories; includes youth hostels.

Hotels

Hotel outlets that provide lodging include independent and chained operators as well as all company owned, leased, managed and franchised outlets. Aparthotels are included. Residences or serviced apartments are the same as aparthotels with the rental of apartments offering the service of a hotel. The word “residence” is not used with this meaning in English speaking countries. Hotels include French pensions, Spanish hostals and Italian pensione. Extended stay hotels are included. Villas attached to hotel resorts are also included in the hotels category.

Motels

Roadside hotel accommodation for motorists.

Private accommodation

Privately-owned houses or individual rooms rented to tourists on an unofficial basis and not always authorised by tourist authorities.

Self-catering apartments

Providing lodging in allocated tourist apartments, not providing meals.

Other

Smaller types of accommodation, such as holiday camps, not listed above but included in country statistics.

Hotel chains

Hotel operators that run a number of outlets, usually with a degree of specialisation in service or product positioning. The number of branches required to be termed a chain varies from country to country but is usually 10 or more. The chain usually trades with the same fascia, format and identity. If a hotel forms part of a regional or international chain network and has less than ten outlets in a particular country, it is still counted as a chain.

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Hotel independents

Hotel operators that own and operate one or more (but fewer than 10) outlets, but not affiliated to any other business. Mainly relates to family businesses or partnerships.

Hotel price platforms

Luxury: includes luxury, upper upscale and upscale chained and independent outlets and their corresponding sales. Includes 4 to 5 stars. The luxury classification can also be determined by the brand's luxury positioning and marketing.

Mid-priced: includes mid priced chained and independent outlets and their corresponding sales that may or may not serve food and beverages. Includes 3 stars. The mid-priced classification can also be determined by the brand's positioning and marketing.

Budget: includes budget chained and independent outlets and their corresponding sales. Includes 0-2 stars. The budget classification is also determined by the brand's positioning and marketing.

Number of bed nights

Refers to the total number of beds in travel accommodation occupied over the year. Bed nights are calculated as the actual number of guests staying in hotel or other accommodation outlets multiplied by the number of nights they stayed. This data is generally sourced from National Statistics. It is not directly related to the number of beds available, but refers instead to the number of people staying the night and is associated with guest occupancy. It can be applied across all travel accommodation sectors considering that it refers to guests.

% occupancy rates

This expresses the relationship between available capacity and the extent to which it is used. It may refer to either the use of rooms or of beds. % occupancy rates are based on the number of nights of both domestic and international tourists.

Average Daily Room Rate (ADR)

ADR refers to the average daily room rate that a hotel charges a consumer for staying in a hotel room per day. ADR is part of the calculation along with % occupancy to generate revPAR (revenue per available room). ADR is based on the actual rate offered to the consumer taking into account discounts, not the rack rate advertised by the hotel.

RevPAR

RevPAR signifies revenue per available room on a daily basis, not annual, in the travel accommodation market. It is calculated by occupancy multiplied by the average daily room rate per company. RevPAR is based on rooms available for use by domestic and international visitors. Euromonitor International measures system-wide revPAR ie for company-owned, company operated, licensed and franchised outlets.

Number of rooms

The number of rooms per hotel is counted as what is available for use by consumers over the year.

Mid to premium hotels in tourist locations

Refers to the number of mid to premium hotels in tourist locations. Excludes all non-tourist locations such as hotels at service stations and non city/art or tourist resort locations.

- Beach: hotels located by the beach or at seaside or coastal locations.
- Culture: hotels located in cultural destinations such as cities and towns and where the main trip purpose is cultural or artistic.
- Countryside/mountain: hotels based in country, mountain or lakeside locations.
- Airport: hotels located at airports either within the terminal or in close proximity to the terminal.
- Others: includes 3-5 star hotels located at non-tourist locations eg service stations, motorways etc.

Transportation

Transportation covers the mode of transport used by tourists going to their destination and within the country paid for by consumers and businesses including corporate travellers. It includes sales for outgoing travel by country residents and internal travel by foreign and domestic tourists. Transportation value is measured in terms of the price paid (fare) for the mode of transport by the consumer in the national market. Ancillary revenues on bags, priority boarding, food and drinks are to be included due to the increasing importance to companies. The car rental market is analysed separately.

Transportation includes air, bus/coach, chauffeur-driven car, cruise, ferry and rail.

Air

Includes schedule, charter and low cost carriers. Air transportation is primarily defined as air ticket sales for the purpose of outgoing air travel by country residents and internal air travel by international tourists and domestic tourists. Excludes transit.

Bus/coach

Encompasses overland travel by bus or coach.

Chauffeur-driven car

Passengers driven to their destination by a hired third party. Excludes taxis.

Cruise

Travel by cruise ship, and may include river cruises. The length of trip varies from day trips to longer 7 day or over. For the purpose of this research, cruise data includes the amount spent on the cruise package ie additional transport such as air fares, accommodation, food and entertainment paid for in advance. Excludes cruises offered by ferries.

Cruise transportation refers to sales of cruises to domestic, incoming and outgoing visitors, whereby the cruise takes place domestically or its point of departure is from the country under research.

Ferry

Travel by ferry. If a cruise takes place on a ferry, this is to be considered as ferry sales as that is the primary mode of transport.

Rail

Travel by passenger train, excluding freight and car transport. Includes cable cars. Covers what is spent on rail in that country by tourists travelling domestically (both international and domestic).

Specific data indicators for the air sector are as follows:

Airline capacity

Capacity is based on the number of seats available for sale based on the number of potential enplanements. Transit passengers are excluded.

Airline utilisation

Euromonitor considers airline capacity and passengers carried in terms of enplanement over origin-destination, whereby the number of enplanements are based on scheduled flights, as defined by the airlines and assigned flight numbers. For example, a passenger whose flight stops mid-route to pick up more passengers but continues with the same aircraft/flight number would be counted as one enplanement. A passenger who switches flights to another airline or aircraft with a new flight number mid-journey would be considered as two enplanements. If an airline operates charter or non-scheduled flights, in addition to scheduled flights, then technically passengers carried could be in excess of enplanements. Transit passengers are excluded. Passengers carried data includes outbound, domestic and inbound passengers, including passengers travelling with a frequent flyer programme.

Seats sold by distance

Air passengers carried by type

Air passengers carried does not include transit passengers, but all those carried on domestic and international flights from that country for outbound, domestic and inbound purposes.

- Schedule: an airline that provides scheduled flights based on the airline's schedule; tends to refer to traditional (national flag or legacy) carriers which operate a hub and spoke operation.
- Charter: an airline that provides charter flights whereby charter flights take place outside normal scheduling hours.
- Low cost carriers: the low cost carriers (LCCs) model is very much based on the Southwest example in the US which appeared over 30 years ago. They differentiate themselves from national carriers by offering a pared down customer service with no pre-assigned seat allocation, no in-flight catering unless paid for, short turnaround times, flying to non-hub or regional airports, limited baggage allowance, predominantly online booking etc ie "no frills". As the LCC model has developed there are now differences across the low cost tagline, with some companies differentiating by providing some level of allocated seating or paid-for in-flight entertainment etc. Low cost carriers tend to operate point to point ie between city pairs, rather than via hubs. Predominantly, LCCs fly short haul, however, a new form of long haul low cost carrier is emerging.

Revenue Passenger Kilometre (RPK)

The number of paying passengers carried multiplied by the distance they flew in kilometres.

Average load factor

Refers to utilisation of aircraft in terms of passengers that buy seats, presented in percentage terms.

Passengers carried by airport

The number of passengers includes transit passengers that the country's leading airports handle on an annual basis. Includes transit passengers.

Car Rental

The car rental market covers the hire of passenger vehicles for self-drive including small vans by both business and leisure users, and whether from the airport or downtown locations, in the context of the total short-term rental fleet. Small vans up to one tonne are included. The category excludes businesses that hire cars for long term leasing. Car rental covers sales to incoming tourists and domestic users including domestic tourists and general nationals.

For longer than average rental periods eg rental of one month, provided the rental is sourced from the short-term rental fleet then this is included. Car rental also excludes commercial vehicles, trucks and motorbikes. Local car rental schemes are excluded. Sales are recorded in the country of destination.

Value sales of car rental cover the price of car hire to the consumer. Volume of car rental is provided by the number of car hire transactions, fleet size and number of car rental operators.

- Business: for the purpose of a business trip either arranged on behalf of the customer by work or arranged personally.
- Leisure: for personal trip or holiday, visiting friends/family, or any other non-work related activity such as moving house.
- Insurance replacement: the use of a rental car paid for by an insurance company as a replacement vehicle for a consumer or business, while their own car is repaired following an accident.
- Airport: is defined by car rental POS/counters/offices based at an airport either within the terminal or next to the airport. Includes POS located in close proximity to the airport.
- Non-airport: refers to downtown locations including high street/retail parks ie everything except POS located in or by airports.

Transactions

Car rental transactions ie rental volume measures the exchange between a rental firm and consumer/business of a rental vehicle for the sectors reviewed: business, leisure, insurance replacement, excluding all trucks and commercial vehicles. Transactions can be booked in advance or on the day of usage; booked direct with the car rental firm or through an intermediary on- or off-line. Transactions exclude the sale of old cars to consumers.

Fleet size

Fleet size refers to the number of cars at the car rental company’s disposal including all operational cars at the annual year end for rentals in the business, leisure and replacement market for passenger vehicles. This does not reflect any fluctuations in size through down/upsizing the fleet throughout the course of the year.

Operators

Car rental operators refers to the number of businesses that are active in the car rental category whether chained or independent.

Travel Retail

Travel retail encompasses companies that put travel packages and components together, companies that sell them and those that supply foreign currency. The market for travel retail covers sales to outgoing and domestic tourists and internal use by incoming tourists. Both business and leisure travel retailers’ sales are included.

Travel retail value is measured by the price paid for travel retail services online and offline by managed business travellers, unmanaged business travellers and leisure travellers. Seeing as the price is what the consumer/business pays for a travel service, this includes fare or flight supplements, airport tax, booking fees and commissions paid direct to the travel retailer as part of the purchase. Sales reflect the direct sales to the consumer via travel agents, direct sales to the consumer by tour operators whether online or offline, exchange services excluding tour operator to travel agent dealings.

Due to the difficulty of establishing sales by travel retail category as a result of the overlap of business between agents, operators and exchange services, value is provided at total market level only. Travel retail volume is given in the number of travel retail outlets including travel agents, tour operators and exchange services.

Corporate business travel retail products

Corporate business travel retail refers to sales by travel retailers of all travel retail products including single and multiple components, whether online or offline, to a corporate or managed account held by an employer in order to facilitate travel for its employees for business purposes. Sales are based on the value of the business to business (B2B) travel retail products sold. It excludes unmanaged business.

Leisure travel retail products

Leisure travel retail refers to sales of all travel retail products including single and multiple components to leisure travellers or unmanaged/transient business travellers. Includes all business to consumer (B2C) sales. Includes leisure travel products sold to consumers whether individuals or groups via leisure travel retailers, online and offline.

Transient/independent business travel is when businesses buy direct from leisure travel retailers, but for business travel purposes. This is therefore considered to be a B2C transaction.

Travel retail outlets

- Travel agents: retail outlets that sell holidays and holiday services. Travel agents sales are based on sales ie gross revenue and equal the total transaction value sold to the consumer (ie including the price of the product and commission), not on pure agent income which includes only commissions.
- Tour operators: companies that organise holiday packages and sell them either directly to the public, or through travel agencies. Tour operators' sales include direct sales to the consumer. Sales of tour operators' products which are sold through travel agents direct to the consumer are instead included under travel agents.
- Exchange services refers to dedicated currency exchange outlets only. It therefore excludes banks and travel agencies.

Travel retail products

- Accommodation only: sales of accommodation services through tour operators and travel agents including hotels, motels, self-catering, guesthouses and all other forms.
- Adventure/trekking holiday: sales of adventure/trekking holidays via tour operators and travel agents. Includes skiing holidays.
- City break: sales of city breaks through tour operators and travel agents.City breaks differ from a traditional package holidays if the package involves a city/town destination, combining travel and hotel components, where the main purpose for going is to visit cultural attractions, art, shopping etc for a short period of time (tends to be 2-3 days although can be longer). Purchases from travel retailers to a city destination where the components are separate and not part of a deal are counted under accommodation only and flight only as they are purchased as individual items, even though it is to a city destination. Alternatively, if possible

to customise the different components then the package falls under dynamic packaging. Therefore, city break is determined by how it is marketed to the consumer and must form part of a fixed deal.

- Cruise: sales of cruises through tour operators and travel agents. Includes flights and other pre-paid products/services such as spas, food, drinks, entertainment, excursions etc. Cruise through travel retailers refers to sales of cruises for domestic and outbound purposes, therefore the cruise is not limited to the point of sale, whereby it can take place anywhere in the world or domestically.
- Spa packages: sales of health and wellness spa packages such as treatments, day packages, overnight stays. May include accommodation and food.
- Flight only: sales of airline tickets only (on their own rather than as part of a package deal or city break) via tour operators and travel agents.
- Other transport: other forms of transport excluding airline tickets sold via tour operators and travel agents such as rail, ferry, bus/coach. Car rental is included under "others".
- Fly-drive: includes the sales of holiday packages which include the return flights and car rental once arriving in the destination country through tour operators and travel agents.
- Package holiday: includes traditional package holidays which are fixed by tour operators and travel agents and include transportation, accommodation along with a choice of food options ranging from B&B, mid to full board. Also includes dynamic package holidays which are sold online by companies such as Expedia which allow the consumer to combine travel components such as transportation and accommodation. Includes "free and easy" packages in Asia. Package holidays have traditionally been to sun/sea/sand destinations for a duration of 7, 10 or 14 days involving a combination of travel/accommodation components. Excludes cruise packages including flights and pre-paid services, as researched separately.
- Traveller's cheques: traveller's cheques sold via exchange services which may be located within travel agents.
- Travel insurance: sales of travel insurance sold via travel retailers online and offline, including proprietary products or part of airlines, other players' insurance products sold via travel retailers.
- Others: others include tourist attraction entrance fees, car rental hire and such products/services. Includes travel insurance and foreign currency purchases sold via exchange services which may be located within travel agents.

Travel Retail Online Sales

Online travel retail refers to the sales of travel retail services over the Internet. It includes the sales of all travel products/services of travel accommodation, hotels, transportation, airlines, car rental, tourist attractions, package holidays and tours, etc via online booking sites (online travel agents) as well as traditional travel retailer websites. There will therefore be double-counting with the intermediaries' sales of travel accommodation, hotels, transportation, air and car rental as these are reviewed in their respective market or category sections.

Dynamic packaging

This concept was pioneered by Expedia and was originally the domain of online travel agents but now traditional travel retailers (direct suppliers) have launched their own versions of dynamic packaging. Essentially dynamic packaging allows consumers to build their own trips by offering a combination of different travel components such as flight/hotel/car rental etc at different price levels. Therefore it is dynamic and customised, rather than fixed or pre-arranged traditional holiday package.

Ttraditional package holiday

Traditional package holidays are a fixed package, usually all-inclusive, combining transportation and accommodation components in a resort or location either pre-selected by the consumer or allocated upon arrival. Traditionally offered by tour operators and travel agents, these are also offered on the Internet by travel retail direct suppliers, although package holidays differ from dynamic packages in that the consumer has no flexibility or customisation in the choice of travel (flight, accommodation) components.

Tourist Attractions

The tourist attractions market covers the sites visited by tourists, covering sales and free entry to incoming and domestic tourists. These are permanent attractions, so exclude unique events or transient events such as F1.

Value sales include all entrance fees only, but exclude business to business activities such as hospitality and conferences. Expenditure on food and drinks is excluded. Tourist attractions volumes are measured by the number of visitors. Attractions such as Hollywood Wa k of Fame are excluded due to difficulties in recording visitor numbers. Communal leisure facilities such as swimming pools and golf resorts are excluded.

Art galleries

Includes all forms of art galleries including modern, traditional, national, private and avant-garde as well as contemporary: indoor and outdoor. Art galleries visitors include international tourists, domestic tourists and residents.

Casinos

Includes consumer spending at casinos on gambling, not casino revenues ie what the companies reports as their earnings. Excludes non-gambling activities services such as hospitality, MICE, foodservice, nightclubs, retail, spa and entertainment. Casino visitors include international tourists and domestic tourists only.

Circuses

Includes all forms of travelling and permanent circuses. Circuses visitors include international tourists, domestic tourists and residents.

Historic buildings/sites

Includes palaces, monuments, castles, historic birthplaces, landmarks, temples, religious sites etc. Historic buildings/sites visitors include international tourists, domestic tourists and residents.

Museums

Includes all national and privately-owned museums. Museums visitors include international tourists, domestic tourists and residents.

National parks/areas of natural beauty

National parks as defined by the government; areas of interest include gardens and areas of natural beauty that have not been allocated the title of national parks. National parks/areas of natural beauty visitors include international tourists, domestic tourists and residents.

Theatres

Theatres exclude cinemas. Theatres visitors include international tourists and domestic tourists only.

Theme/amusement parks

All permanent theme and amusement parks generally found in out-of-town locations. Excludes travelling fairs. Theme/amusement parks visitors include international tourists, domestic tourists and residents.

Zoos/aquariums

Includes all national and privately-owned zoos and aquariums. Waterparks are included under theme/amusement parks. Zoos/aquariums visitors include international tourists, domestic tourists and residents.

Others

Others includes other types such as themed tourist attractions such as wax work museums, Ferris wheels such as the London Eye which do not fit in the above sectors. Also includes industrial tourism which refers to visits to past and present factories and company sites, as well as visits to company headquarters, such as power stations, mines, forestry, factories, businesses etc. Olympics or sports stadia that are open to the public for visiting are included.

Health and Wellness

Health and wellness includes sales of spa packages, products and services open to international and domestic tourists.

Spas

Spas include destination spas, hotel/resort spas, and others.

Destination spas

Destination spas are business establishments which offer all-inclusive programmes and educational courses to

improve health and well-being, where guests usually reside for at least two to seven nights and attend two to seven day programmes, including fitness activities, educational classes and seminars on health and well-being, and special interest programmes such as relaxation or yoga. Spa services such as beauty treatments and massages are also often included in destination spa services, and meals incorporating healthy cuisine are also served.

Hotel/resort spas

Hotel/resort spas are spa services offered as part of a hotel or resort setting. Spa treatments are purchased à la carte, separately from the accommodation and meal price. As such, they may not offer all-inclusive packages l ke destination spas.

Note spending at hotel/report spas includes only spending at the spa, does not include the overall total spend at the hotel or resort therefore excludes accommodation only and additional services such as room service etc.

Other spas

Include spas on cruise ships, traditional spas (including mineral springs and thermal spas), and other types of spas.

Medical tourism

Medical tourism value sales concern all domestic and inbound trips that have the purpose of some kind of medical treatment regardless of complexity. Aesthetic or cosmetic surgery is also included. Only expenses for travel and tourism services such as hotels, travel within the country, car rental, travel retail, etc in the country are included, while medical expenses are excluded as the focus is on the revenue generated for travel and tourism through medical tourism. For inbound trips for medical purposes, transportation tickets bought in the country of departure are excluded. Travel services expenses of both the patient and the accompanying person/s are included.

Others

Others includes cruise ships, mineral springs, traditional spas (including mineral springs and thermal spas). Includes therapies, treatments, cooking classes, dieting, lifestyle classes, meditation etc.

Internet Transactions

Internet transaction value includes the sales and payment of products and services over the Internet from both direct suppliers' web platforms and online intermediaries. If the internet is used for research purposes only with the booking not being completed through the direct supplier or intermediary online reservation system this is not considered to be an online transaction. For example, Priceline and Booking.com allow for payment at the hotel, which is considered still to be an online booking.

Direct suppliers

Direct suppliers refer to companies providing a service or product direct to the consumer without the aid of an online travel agent or intermediary.

Intermediaries

Double-counting occurs for intermediaries' sales of travel accommodation, hotels, transportation, air and car rental as these are reviewed in their respective market, but also included in the travel retail market.

- Travel accommodation direct suppliers: include all accommodation companies such as hotel operators which offer an online payment system for the reservation and booking of hotel rooms over the Internet. Includes national travel accommodation sales only sold to domestic and international visitors.
- Travel accommodation intermediaries: include all third parties such as travel agents, tour operators and online travel agencies or specialist accommodation brokers selling travel accommodation products/services over the web. Where direct transportation suppliers (airlines) sell hotel rooms via its website this would be included as intermediary travel accommodation sales. Includes national travel accommodation sales only sold to domestic and international visitors.
- Transportation direct suppliers: (including airlines, rail companies, ferry companies etc) encompasses companies such as low cast carriers, scheduled airlines and national carriers along with other transport operators which provide a payment system for consumers to book direct. The focus is primarily domestic and outbound.
- Transportation intermediaries: include all third parties such as travel agents, tour operators, brokers, consolidators and online travel agencies selling transportation or flight-only products/services over the web. The focus is primarily domestic and outbound.

- Car rental direct suppliers: include the car rental companies that provide an online booking (involving payment) website. Includes sale of national car rental companies to domestic and international visitors.
- Car rental intermediaries: include all third parties such as travel agents, tour operators, specialist car rental brokers and online travel agencies selling car rental services over the web. Where direct transportation or accommodation suppliers sell car rental, such sales are included here. Includes sale of national car rental companies to domestic and international visitors.
- Travel retail online players: includes traditional travel retailers and online travel agents, along with exchange service providers that have a web platform for sales. Traditional travel retailers are those that originally started out as bricks and mortar and still predominantly have outlets, however, also provide an internet platform alongside their standard operations. Online travel agents includes brokers and intermediaries that began as internet start-ups, but may now also have high street shops and call centres, however, the main body of their sales comes from their online operations. Includes sales of travel and tourism products through online travel retailers operating in the country through a national or regional platform. Accommodation only and car rental only sold via travel retailers includes domestic and international sales. Flight only and other transport only refer to both domestic and international sales as well.
- Tourist attractions: direct suppliers are attractions that offer a web platform for the purchase of tickets.
- Tourist attractions intermediaries: are third parties such as travel retailers that offer a web platform for the purchase of tickets.

Sources used during research include the following:

Summary 1 Research Sources

Official Sources	Adriatica.net
	Atlas Travel Agency
	Avis Europe Pic
	Budget Rent A Car System Inc
	Croatia Airlines
	Dubrovnik Summer Festival
	Generalturist doo
	Germanwings GmbH
	Motovun Film Festival
	National Car Rental/Dignitas
	Plitvice Lakes
	Riviera Holding
	Tuhelj Spa & Wellness Centre
	Zagrebtours travel agent
Trade Associations	Business.hr
	Croatia Banka dd
	HINA Croatian News Agency
	Jutamji list
	Liderpress

	Novi List
	Poslovni Onevnlk
	Privredni vjesnik
	Pula Film Festival
	Slobodna Oalmacija
	T-portal
	Turizam info
	Vecemjl list
	Vjesnik
Trade Press	Croatian Camping Association
	Croatian Chamber of Commerce
	UHPA (Association of Croatian Travel Agencies)
	Well ness udruga Hrvatske

TRAVEL AND TOURISM IN CROATIA COMPANY PROFILES

AORIATICA.NET 000 IN TRAVEL AND TOURISM (CROATIA)

strategic Direction

~ Adriatica.net Group, the holding company of Adriatica.net doo, aims to become leading travel retail player in southeast Europe and to strengthen its leading position in Croatian market

Key Facts

Summary 2 Adriatica.net doo: Key Facts

Full name of company:	Adriatica.net doo
Address:	Heinzlova 62A, Zagreb, Croatia
Tel:	+385 (1) 2415 601
Fax:	+385 ('I) 2452 909
www:	www.adriatica.net
Activities:	Leisure and corporate travel retail, internet travel retail, tour operator, travel wholesaler

Source: Euromonitor International from company website

Summary 3 Adriatica.net doo: Operational Indicators

	2008	2009	2010
Net sales	HRK353.7 million	HRK41.8 million	n/a
Net profit	HRK53.2 million	Loss	n/a
Number of employees	425	n/a	40

Source: Euromonitor International from company research

Company Background

~ Adriatica.net doo is part of Adriatica.net Group, which consisted of a handful of other travel companies in 2010, making it the largest travel group in the region. It was established as an online travel agency in February 2000 by Marko Vojkovic. Although the company operates as a travel retailer and tour operator, as the name suggests, the internet business has been the focus since it was established.

~ Adriatica.net started to extend its presence in travel and tourism industry by forming strategic partnerships in travel retail, tour operation and destination management. These partnerships were gradually followed by takeovers. Adriatica.net Group was formed in 2006 to encompass Adriatica.net doo and seven acquired companies. 2006 was the most intense year in terms of acquisitions, with the Siovenian Kompas dd, and Croatian Atlas dd and Marina.net becoming part of Adriatic.net Group.

- Adriatica.net Group has chosen acquisitions as the preferred method of growth. Acquisition targets adhered to the company's strategy to diversify its portfolio and enter all travel retail categories. Atlas Airtours, 10 Riva Tours, a Croatia specialist in Munich, and the Siovenian company Odisej, which specialises in skiing holidays, are tour operators. Another Siovenian company, Ilirika Tourism, is a traditional brick-and-mortar travel agent specialising in numerous European and long haul destinations. As is the Serbian-based player, Jolly Travel, acquired in 2007. In 2008, Adriatica.net acquired the franchise for Sixt, the leading car rental brand in Croatia. In the same year, the company acquired its first non-European target: Kollander World Travel in the US.
- 2009 was the toughest year for Adriatica.net. Due to the ambitious acquisition strategy, accompanied by the recession, the company experienced financial problems. Thus, it looked for a partner to bring a much needed financial injection.
- In 2010, the company was restructured. A consortium of prominent Croatian companies invested ~29 million in Adriatica.net Group, and acquiring a combined 98% stake. The largest shareholder is Agrokor dd, one of the largest companies in southeastern Europe and the FMCG and retailing leader in Croatia. Agrokor owns one fifth of Adriatica.net Group.
- Of the investments in recapitalisation by the seven new owners, six were cash-based. The investments by the state-owned insurance company Croatia Osiguranje dd consist of property and debt write-offs. Collected funds were mainly used to settle debts to suppliers and employees. A second round of recapitalisation, planned for 2011, is expected to bring investments in product development and further company reorganisation.

Competitive Positioning

- With the financially powerful Agrokor as its largest shareholder, the company seems well placed to handle further expansion. It is speculated that Agrokor will increase its share during the second round of recapitalisation, due in 2011.
- According to company website, incoming business (tourism flows inbound) generates 20% more revenue than its travel retail (domestic and outbound) business. Adriatica.net operates its travel retail business through Adriatica.net Centar Putovanja, which had 23 outlets spread throughout the country in 2010.
- In 2011, it is anticipated that the company will consolidate further by reducing the number of outlets and employees and the integration of some subsidiaries. This is expected to bring savings and increase competitiveness.
- The key competitors in travel retail are large local companies such as Generalturist doo and Kompas Zagreb dd, both of which are well established in Croatia.
- Adriatica.net is the leader in terms of takeovers, which indicates that further acquisitions are possible, especially in fast growing areas such as health and wellness tourism and eco-tourism.

Summary 4 Adriatica.net doo: Competitive Position 2010

Product type	Value share	Rank
Travel retail products	1.9%	4

Source: Eurornonitor International

CROATIA AIRLINES DO IN TRAVEL AND TOURISM (CROATIA)

strategic Direction

~ Croatia Airlines remains the leading player in air in Croatia. The airline company is seeking regional expansion after joining Star Alliance as a full member in 2010.

Key Facts

Summary 5 Croatia Airlines dd: Key Facts

Full name of company::	Croatia Airlines dd
Address:	Bani 75b, Buzin, Zagreb, Croatia
Tel:	+385 (1) 6160 066
Fax:	+385 (1) 6176 845
www:	www.croatiaairlines.com
Activities:	Air transport

Source: Euromonitor International from company reports

Summary 6 Croatia Airlines dd: Operational Indicators

	2008	2009	2010
Net sales	Removed	Removed	Removed
Net profit	Removed	Removed	Removed
Number of employees	Removed	Removed	Removed

Source: Euromonltor International from company reports

Company Background

~ Croatia Airlines, national carrier, was founded in 1991, the same year as the forming of the Croatian state. The company continues to be state-owned.

Competitive Positioning

Summary 7 Croatia Airlines dd: Competitive Position 2010

Product type	Value share	Rank
Air	Removed	Removed

Source: Euromonllor International from company research

JADROLINIJA DO IN TRAVEL AND TOURISM (CROATIA)

strategic Direction

~ Jadrolinija aims to maintain its leading position in sea transportation in Croatia. Its main purpose is to link the Croatian islands and to connect them to the mainland. In this way it is able to fulfil its societal and infrastructural function as defined by the "Law on Jadrolinija", passed in 1996.

~ The company may undergo privatisation during the forecast period.

Key Facts

Summary 8 Jadrolinija dd: Key Facts

Full name of company:	Jadrolihija dd
Address:	Riva 16, Rijeka, Croatia
Tel:	+385 (51) 666111
Fax:	+385 (51) 213116
www:	www.jadrolinija.hr
Activities:	Sea passenger and cargo operator

Source: Euromonitor International from company reports, trade press

Summary 9 Jadrolinija dd: Operational Indicators

	2008	2009	2010
Net sales	Removed	Removed	Removed
Net profit	Removed	Removed	Removed
Number of employees	Removed	Removed	Removed

Source: Euromonitor International from trade press, company research

Company Background

~ Jadrolinija dd was founded in January 1947, in Rijeka, the third largest city, and the biggest port, in Croatia. A conglomeration of various regional shipping interests, the company can trace its history back to 1872.

Competitive Positioning

VALAMAR HOTELS & RESORTS IN TRAVEL AND TOURISM (CROATIA)

strategic Direction

~ Valamar Hotels & Resorts aims to strengthen its leading position in hotels by throu9h brand building improving its products and services.

Key Facts

Summary 10 Valamar Hotels & Resorts: Key Facts

Full name of company:	Valamar Hotels & Resorts
Address:	Miramarska 24, Zagreb, Croatia
Tel:	+385 (1)600 5660
www:	www.valamar-grupa.com
Activities:	Hotels

Source: Euromonitor International from company reports. trade press

Summary 11 Valamar Hotels & Resorts: Operational Indicators

	2008	2009
Net sales'	Removed	Removed
Net profit-	Removed	Removed
Number of employees"	Removed	Removed

Source: Euromonltor International from business press

Notes: ~ Consolidated report
.. Peak employment in the high season

Company Background

~ Valamar Hotels & Resorts is the leading Croatian hotel management company. In 2010, it had a portfolio of 40 outlets: hotels, apartments, campsites. It operates in two core areas: the Istrian peninsula and Dubrovn k.

Competitive Positioning

Summary 12 Valamar Hotels & Resorts: Competitive Position 2010

Product type	Value share	Rank
Hotels	Removed	Removed

Source: Euromonitor International

CAR RENTAL IN CROATIA - CATEGORY ANALYSIS

HEADLINES

- Current value sales decline by 5% in 2010 to reach HRK369 million
- In 2010 car rental continues to be impacted negatively by the economic crisis
- The average transaction increases by 3% in current value terms in 2010
- Sixt remains the leading brand with a 16% share of retail value sales in 2010
- Constant value sales are projected to grow by a 2% CAGR over the forecast period to reach HRK415 million in 2015

TRENDS

- Current value sales reached HRK369 million in 2010. This can be described as low for a country of over four million inhabitants and 11 million visitors (domestic and incoming tourists). The demand for car rental services in Croatia is relatively low. In 2010, 87% of incoming tourists arrived by land, of which 90% (according to Croatian Institute of Tourism) entered the country with a personal vehicle. Naturally, people arriving in their own vehicle are not potential users of car rental services. Of the remaining 10% of land arrivals, the majority is accounted for by bus/coach, which can be further split into organised bus/coach tours and individually arranged trips.
- Most organised bus/coach tours include excursions or sightseeing by bus/coach or organised walking tours, so these tourists do not need to rent a car. The only exception occurs when a visitor wants to go on an excursion that is not part of the regular programme and the destination cannot be reached easily other than by car. Among tourists arriving on individually organised bus/coach trips, the share of car rental service buyers is estimated at 1%. Tourists who know in advance that they need to rent a car on arrival tend to purchase the service in their home country, which is usually cheaper than renting in Croatia. The bus/coach arrivals that rent a car once they reach their final destination mainly do so to avoid having to drive from their home country. The heat and summer traffic jams on arriving in Croatia are not the most pleasant of experiences for drivers.
- In terms of the domestic population, car rental is considered a luxury in Croatia. With an average transaction value of around HRK1,900, few Croatians can afford car rental services. Domestic leisure tourists choose to rent a car only if there is no alternative. According to trade interviews, there were occasional marketing campaigns in the review period, aimed at popularising car rental services among a broader target audience. However, the results of such campaigns were weak.
- The main reason for the unpopularity of car rental is price: with high taxes, high insurance costs and other fiscal obligations, car rental companies are not able to offer more competitive prices without jeopardising profitability. Thus, the most loyal customers are corporate ones, as they are less price sensitive than leisure tourists. However, business car rental is well short of realising its full potential. This is party because local companies compensate employees that use their own vehicles for business travel.

- Efficient fleet management remains the main obstacle to the further development of car rental in Croatia. The demand for car rental is extremely seasonal; therefore fleets are underused in winter while the supply of vehicles is often too low to meet the demand in summer.
- Car rental companies cannot simply increase the size of their fleets as the costs of maintaining unused cars in winter can exceed the additional revenue generated in summer. Therefore, they have to carefully balance their fleet size and carefully negotiate leasing arrangements with car suppliers. Croatian car rental players use leasing arrangements as their preferred model of fleet ownership. This allows them to lease cars when required therefore minimising the oversupply of cars in low seasons. As a consequence, fleet sizes can vary by up to 300% in different seasons. The most popular rental cars in Croatia are low cost models such as: Renault Clio, Opel Astra and VW Polo. The retail value share of luxury cars remains negligible.
- The trend of small car rental players filing for bankruptcy continued in 2010. These companies often have fleets of one or few vehicles and they cannot achieve the necessary economies of scale to compete. They also need to offer lower prices than larger competitors to compensate for the lack of additional services and appropriate customer support. This puts severe pressure on their profit margins, which forces many small players out of business. It should be noted that many small car rental players operate in the “grey” economy. In 2010, there were 127 car rental operators in Croatia, a 5% decrease compared to 2009.
- Croatia is an uncertain car rental market, with high seasonal fluctuations and strong competition, not only between the leading providers, but also from private vehicles, which are much used by tourists, especially for leisure travel. Car rental companies are therefore competing on price and availability (fleet size). As a result, rental rates did not change much in the review period.
- The car rental market value size experienced a 5% decline in 2010. This can be considered a poor performance given that the average price of rental increased by 3% in 2010 to reach HRK1,861
- The number of cars declined by 5% in 2010, due to the similar decrease in the number of operators, but also fleet reductions by remaining players.

COMPETITIVE LANDSCAPE

- Sixt is the leading car rental brand in Croatia, accounting for a 16% share of retail value sales in 2010. Adriatica.net, which purchased the brand in 2005, is the leading company in travel and tourism in Croatia in the terms of revenue and it is also a major regional player. As a part of its strategy to offer a complete travel and tourism offer, Adriatica.net acquired the Sixt franchise. Supported by the strong financial muscle of its franchisor, Sixt has swiftly developed into the leading car rental brand in Croatia.

PROSPECTS

- Over the forecast period, sales are expected to grow by a 2% constant value CAGR. This is far below the levels demanded by car rental players. The performance of car rental correlates strongly with the development of arrivals on low cost airlines. However, some prerequisites have to be met in order for an increase in low cost carrier passengers to be transferred to car rental growth. The first prerequisite is pricing, which is still too high compared to neighbouring countries. In 2010, the following trend was visible: tourists would fly to a nearby airport (Milan, Budapest or Vienna) then rent a car to drive to Croatia. Given that these airports operate many more flights than their Croatian counterparts, a traveller could save time, as well as money, if able to find a conveniently scheduled flight. This trend is expected to strengthen as cost saving is the primary motive for tourists choosing a low cost carrier in the first place.

CATEGORY DATA

Table 1 Car Rental Sales by Category and Location: Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Business						
- Airport						
- Non-Airport						
Leisure						

- Airport	
- Non-Airport	
Insurance Replacement Car Rental	

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 2 Car Rental Sales: Internet Transaction Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Internet						
- Direct Suppliers						
- Intermediaries						
Others						
Total						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 3 Structure of Car Rental Market: 2005-2010

	2005	2006	2007	2008	2009	2010
Fleet Size '000						
Operators						
Transactions mn						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources
Notes: Fleet size is inclusive of the whole industry

Table 4 Average Car Rental Duration by Category 2005-2010

Average rental days

	2005	2006	2007	2008	2009	2010
Business Car Rental						
Leisure Car Rental						
Car Rental - Insurance Replacement						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 5 Car Rental Time of Booking: % Breakdown 2005-2010

% transactions

	2005	2006	2007	2008	2009	2010
Booked at Destination						
Pre-booked Direct with Car Rental Company						
Pre-booked Via Airline/ hotel/other Partnership						

Pre-booked with Travel Retailer	
Total	

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 6 Car Rental Market Shares 2006-2010

% retail value rsp

Company	2006	2007	2008	2009	2010

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 7 Car Rental Brands by Key Performance Indicators 2010

	Number of transactions ('000 transactions)	% Utilisation	Average number of transactions per car	Average rental duration (days)	Average sales per transaction (Local currency)	Daily spend per transactions (Local currency)

	Fleet size ('000 cars)

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 8 Forecast Car Rental Sales by Category and Location: Value 2010-2015

HRK million

	2010	2011	2012	2013	2014	2015
Business						
- Airport						
- Non-Airport						
Leisure						
- Airport						
- Non-Airport						
Insurance Replacement						
Car Rental						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 9 Forecast Car Rental Sales by Category: Internet Transaction Value 2010-2015

HRK million

	2010	2011	2012	2013	2014	2015
Internet						
- Direct Suppliers						
- Intermediaries						
Others						
Total						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

CAR RENTAL IN CROATIA
COMPANY PROFILES

AORIATICA.NET 000 IN TRAVEL AND TOURISM (CROATIA)

strategic Direction

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Key Facts

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Address:	Heinzlova 62A, Zagreb, Croatia
Tel:	+385 (1) 2415 601
Fax:	+385 ('I) 2452 909
www:	www.adriatica.net
Activities:	Leisure and corporate travel retail, internet travel retail, tour operator, travel wholesaler

Source: Euromonitor International from company website

Summary 2 Adriatica.net doo: Operational Indicators

	2008	2009	2010
Net sales	HRK353.7 million	HRK41.8 million	*nla*
Net profit	HRK53.2 million	Loss	*nla*
Number of employees	425	*nla*	40

Source: Euromonitor International from company research

Company Background

~ Adriatica.net doo is part of Adriatica.net Group, which consisted of a handful of other travel companies in 2010, making it the largest travel group in the region. It was established as an online travel agency in February 2000 by Marko Vojkovic. Although the company operates as a travel retailer and tour operator, as the name suggests, the internet business has been the focus since it was established.

~ Adriatica.net started to extend its presence in travel and tourism industry by forming strategic partnerships in travel retail, tour operation and destination management. These partnerships were gradually followed by takeovers. Adriatica.net Group was formed in 2006 to encompass Adriatica.net doo and seven acquired companies. 2006 was the most intense year in terms of acquisitions, with the Siovenian Kompas dd, and Croatian Atlas dd and Marina.net becoming part of Adriatic.net Group.

- Adriatica.net Group has chosen acquisitions as the preferred method of growth. Acquisition targets adhered to the company's strategy to diversify its portfolio and enter all travel retail categories. Atlas Airtours, 10 Riva Tours, a Croatia specialist in Munich, and the Siovenian company Odisej, which specialises in skiing holidays, are tour operators. Another Siovenian company, Ilirika Tourism, is a traditional brick-and-mortar travel agent specialising in numerous European and long haul destinations. As is the Serbian-based player, Jolly Travel, acquired in 2007. In 2008, Adriatica.net acquired the franchise for Sixt, the leading car rental brand in Croatia. In the same year, the company acquired its first non-European target: Kollander World Travel in the US.
- 2009 was the toughest year for Adriatica.net. Due to the ambitious acquisition strategy, accompanied by the recession, the company experienced financial problems. Thus, it looked for a partner to bring a much needed financial injection.
- In 2010, the company was restructured. A consortium of prominent Croatian companies invested ~29 million in Adriatica.net Group, and acquiring a combined 98% stake. The largest shareholder is Agrokor dd, one of the largest companies in southeastern Europe and the FMCG and retailing leader in Croatia. Agrokor owns one fifth of Adriatica.net Group.
- Of the investments in recapitalisation by the seven new owners, six were cash-based. The investments by the state-owned insurance company Croatia Osiguranje dd consist of property and debt write-offs. Collected funds were mainly used to settle debts to suppliers and employees. A second round of recapitalisation, planned for 2011, is expected to bring investments in product development and further company reorganisation.

Competitive Positioning

- With the financially powerful Agrokor as its largest shareholder, the company seems well placed to handle further expansion. It is speculated that Agrokor will increase its share during the second round of recapitalisation, due in 2011.
- According to company website, incoming business (tourism flows inbound) generates 20% more revenue than its travel retail (domestic and outbound) business. Adriatica.net operates its travel retail business through Adriatica.net Centar Putovanja, which had 23 outlets spread throughout the country in 2010.
- In 2011, it is anticipated that the company will consolidate further by reducing the number of outlets and employees and the integration of some subsidiaries. This is expected to bring savings and increase competitiveness.
- The key competitors in travel retail are large local companies such as Generalturist doo and Kompas Zagreb dd, both of which are well established in Croatia.
- Adriatica.net is the leader in terms of takeovers, which indicates that further acquisitions are possible, especially in fast growing areas such as health and wellness tourism and eco-tourism.

Summary 3 Adriatica.net doo: Competitive Position 2010

Product type	Value share	Rank
Travel retail products	1.9%	4

Source: Eurornonitor International

HEALTH AND WELLNESS TOURISM IN CROATIA - CATEGORY ANALYSIS

HEADLINES

- In 2010 current value sales grow by 3% to reach HRK67 million
- Health and wellness tourism continues to develop despite the economic crisis
- Average sales per hotel/resort spa grow by 1% in current value terms in 2010
- Sales are expected to grow by an 8% constant value CAGR over the forecast period to reach HRK98 million in 2015

TRENDS

- Hoteliers are discovering that today's holidaymakers are looking for activities to supplement their holiday experience. As a result, health and wellness tourism is establishing itself on the travel services map. Health and wellness tourism is one of answers to the problem of low profitability of hotels in Croatia. High value-added services can, if well implemented and managed, create high revenue streams.
- Hotels are required to provide some form of wellness service if they want to acquire 4- or 5-star status. Therefore spas and similar services are very important to high-end hotels. The level of wellness service and expertise can provide a means of differentiating accommodation facilities from those of the competition.
- The first wellness centre in Croatia was opened in Opatija in 2000. Since then, the number of wellness centres has grown by a 7% CAGR. In 2010, there were 188 hotel/resort spa outlets, offering wellness services throughout the country, in addition to Toplice's hot spring swimming facilities. There are distinct concentrations of hotel/resort spas in Zagreb, Dubrovnik and Opatija. The prominence of these facilities is increasing, as wellness tour packages are being marketed through travel agencies in many parts of the country.
- The proliferation of wellness centres, often with rudimentary facilities, since the start of the century, has led to demands for firmly established standards. At the end of 2003, the Croatian Chamber of Commerce initiated the founding of the Croatian Wellness Association (Wellness Udruga Hrvatske – WUH), which has become a member of the European Federation of Fitness and Wellness Centres. WUH's standards are aligned with those of German fitness and sport studios.
- Effective wellness centres need skilled personnel, and as Croatia lags behind Western Europe in some areas, such as staff training levels and the general quality of facilities on offer, steps are being taken to improve the situation. The Wellness Institute and WFAC have created educational programmes to increase the level of expertise in health and wellness in Croatia. The Vimal Wellness University in Zagreb runs specialised courses and programmes for managers, coordinators, marketing managers, receptionists and masseuses. Due to the effects of the economic crisis, not least the increasing rate of unemployment, interest in the university's programmes grew in 2010.
- High-class hotels are at the forefront of spa and wellness centre development. The number of guests who choose to use spas during a stay is rising. On the supply side, the number of

hotels with spa facilities is growing year-on-year, along with spa prices. Almost every hotel which improved its star rating in 2010 introduced or improved spa facilities.

PROSPECTS

- Health and wellness tourism is expected to record the fastest sales growth in travel and tourism in Croatia. Constant value sales are predicted to grow by an 8% CAGR over the forecast period. Growth will be driven by an increasing number of outlets and wellness/spa visitors and higher prices due to improved services.

CATEGORY DATA

Table 1 Number of Hotel/Resort Spas: Units 2005-2010

outlets

	2005	2006	2007	2008	2009	2010
- Hotel/Resort Spas						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 2 Spa Consumer Markets: Domestic Tourism 2005-2010

'000 trips

	2005	2006	2007	2008	2009	2010
Spa						
Non-spa						
Total						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 3 Spa Consumer Markets: Arrivals 2005-2010

'000 trips

	2005	2006	2007	2008	2009	2010
Spa						
Non-spa						
Total						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 4 Forecast Health & Wellness Tourism Sales by Category: Value 2010-2015

HRK million

	2010	2011	2012	2013	2014	2015
Medical Tourism						
Spas						
- Destination Spas						
- Hotel/Resort Spas						
- Other Spas						
Other Health & Wellness Tourism						
Health & Wellness Tourism						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

TOURISM FLOWS DOMESTIC IN CROATIA - CATEGORY ANALYSIS

HEADLINES

- The number of domestic trips reaches one and a half million in 2010, a decline of 11% over 2009
- The number of trips declines by 11% for a second consecutive year in 2010 as domestic tourism flows remain sensitive to economic conditions
- In terms of trips, domestic leisure tourism declines at a slower rate than domestic business tourism in 2010
- Seget records a 230% increase in number of trips in 2010
- The number of trips is expected to recover, to grow by a 4% CAGR over the forecast period

TRENDS

- Unlike tourism flows inbound and outbound, domestic trips registered a negative CAGR over the review period. While the number of Croatian travellers did not decrease, there was a strong substitution of domestic trips with outbound trips. The practice of spreading holidays, taking more short breaks, throughout the year became more common among Croatians. This holiday distribution is favoured by an estimated one quarter of the adult population. Another developing trend is taking holidays in winter, which accounts for around 10% of domestic trips.
- Over the forecast period, the number of domestic trips is expected to rebound. This will mainly be driven by increasing disposable income, but also social trends, the most important of which is a sp ke in national pride, connected to Croatia's accession the EU. The experiences of other countries show that the desire to discover their own country will grow among Croatians. Croatia is a small territory with a high level of diversity among regions, and many people spend little or no time in exploring other regions. According to the business press, 80% of Croatians have not visited Dubrovnik, the most popular destination in Croatia among foreign tourists.

DESTINATIONS

- Due to its size, the capital city, Zagreb, is the most visited destination, accounting for a 16% share of domestic trips. Zagreb is very well connected to rest of the Croatia, with the country's major motorways sprawling in all directions from the capital. Due to Croatia's moon-shaped territory, Zagreb is also halfway between the region of Slavonia and the coast. In 2010, the number of domestic trips to Zagreb grew by 24%, a recovery from the 13% decline registered in 2009.
-

MODE OF TRANSPORT

- The most popular mode of transport for domestic tourists remains land, which accounted for an 89% share of trips in 2010. This share has largely been maintained over the review period and is set to fall only slightly over the forecast period. Croatia is small country and travelling across the territory by car is easily achievable. The road infrastructure is good, but travel can be expensive due to high fuel costs and expensive tolls. Croatia is known as the “land of a thousand islands”. Many domestic car trips are to one of these islands, thereby incurring additional ferry costs.

Content removed from sample

DOMESTIC TOURIST EXPENDITURE

- According to the Institute of Tourism, Croatians who organise their trips through a travel agent spend about 10% more than those who travel independently, whilst staying, on average, one night longer. The average spend per domestic tourist in 2010 reached HRK1,400.

PROSPECTS

- The expected recovery of the Croatian economy will boost domestic tourism flows. Over the forecast period, the number of domestic trips is expected to grow by a 4% CAGR to reach two million trips in 2015.

CATEGORY DATA

Table 1 Domestic Tourism Travel by Destination: 2005-2010

'000 trips

	2005	2006	2007	2008	2009	2010

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 2 Domestic Tourism Travel by Purpose of Visit and by Mode of Transport: 2005-2010

'000 trips

	2005	2006	2007	2008	2009	2010

Business	
- Air	
- Land	
- Rail	
- Sea	
Leisure	
- Air	
- Land	
- Rail	
- Sea	
Domestic Tourism	

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 3 Domestic Tourist Expenditure: Value: 2005-2010

HRK million

	Value	% value growth
2005		
2006		
2007		
2008		
2009		
2010		

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 4 Method of Payments for Domestic Tourism Spending: % Breakdown 2005-2010

% value

	2005	2006	2007	2008	2009	2010
Cash						
Charge Card						
Credit Card						
Debit Card						
Prepaid Cards						
Traveller's Cheques						
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources
Notes: Direct purchases only
Table represents medium used at time of purchase

Table 5 Forecast Domestic Tourism Travel by Purpose of Visit and by Mode of Transport: 2010-2015

'000 trips

	2010	2011	2012	2013	2014	2015
Business						
- Air						
- Land						

- Rail	
- Sea	
Leisure	
- Air	
- Land	
- Rail	
- Sea	
Domestic Tourism	

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 6 Forecast Domestic Tourist Expenditure: Value: 2010-2015

HRK million

	Value	% value growth
2010		
2011		
2012		
2013		
2014		
2015		

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

TOURISM FLOWS INBOUND IN CROATIA - CATEGORY ANALYSIS

HEADLINES

- In 2010 the number of arrivals increases by 3% to reach 10 million
- Positive growth comes after a decline in arrivals in 2009, the first decrease in a decade
- Tourists from Germany account for a 16% share of arrivals in 2010
- In 2010 the biggest increase in arrivals is recorded by Russia
- The number of arrivals is expected to grow by a 6% CAGR over the forecast period to reach 13 million in 2015

TRENDS

- In 2010, the number of arrivals was higher than expected. This is attributable to the negative growth rate experienced in 2009, when arrivals contracted for the first time in a decade due to the global economic downturn. The rebound in arrivals proved that tourism in Croatia is resilient and that the decline in 2009 was an exception to the long-term trend of growth.
- Croatia benefited from a number of high-profile visits from celebrities wishing to take advantage of its extensive coastline for their holidays. Famous international visitors since 2008 include Vytalij Klicko, Paris Hilton, Bill Gates, Steven Spielberg, Michael Douglas and Catherine Zeta-Jones, to name just a few. Celebrity visits are important as Croatia is trying to establish itself as luxury destination in the long run. The presence of famous international celebrities in Croatia provides free promotion and the media attention creates a buzz and word-of-mouth advertising.
- According to the Croatian Institute of Tourism, the share of first-time visitors increased by five percentage points over 2004-2007 to reach to 19%. Whilst more recent data from the institute is not available, Euromonitor International estimates that this share reached 23% in 2010. This trend is particularly important in the context of the information sources that motivate people to visit Croatia. According to the Croatian Institute of Tourism's research, almost one third (31%) of all arrivals are motivated by recommendations from friends/relatives, while previous experience of Croatia accounts for a 27% share of visitors. These shares are relatively high, showing that Croatian tourism is benefiting from word-of-mouth advertising. According to many experts, word-of-mouth advertising is the most efficient means of promoting tourism.
- The recognition of Croatia as a tourist destination is still well below the desired level. This could be due to the country's lack of a nationally coordinated tourism marketing strategy. Every county, city or district has its own tourist office and their promotional strategies aim to attract visitors to their locality. For example, Rovinj's tourist office is set-up to promote the city, while the tourism offer in the wider area is not coordinated. Thus, the national tourist board might use a particular landmark in Rovinj to promote Croatia as a whole while the city's tourist office uses a different one to promote itself.
- As a result some destinations are better known internationally. Moreover, they are not instantly associated with Croatia. For instance Dubrovnik, a popular cruise stop in the Mediterranean with UNESCO protected old town, is a well-known destination. According to a

COUNTRY OF ORIGIN

- Germany has always been the most important source of arrivals for Croatia and it is likely to remain so in the forecast period. In 2010, Germany accounted for a 16% share of arrivals, followed by Italy with an 11% share. Germany's leading position is due to its large size and close proximity to Croatia and good flight connections. Moreover, a sizable proportion of German visitors are of Croatian origins. According to a sociodemographic study of tourists in Croatia, conducted by the Croatian Institute of Tourism, the average age of German visitors is 42, compared to an overall average of 41. Additionally, 41% of German visitors are from large cities with populations over 100,000.

LEISURE

- Croatia is predominantly a leisure tourism destination. In 2010, leisure tourists accounted for a 96% share of arrivals. The most important leisure pursuits, according to a survey by the Croatian Institute of Tourism, are sand & beach holidays, entertainment, nature and new experiences. Over the forecast period, leisure's share of arrivals is expected to decline, albeit slightly, by 2015, as accession to the EU in 2013 is anticipated to attract more business arrivals.

BUSINESS

- As Croatia is mainly a holiday destination, business tourists accounted for only a 4% share of arrivals in 2010. The majority of arrivals are attracted to Zagreb, which caters to business visitors all-year-round. On the other hand, business arrivals to coastal destinations are highly seasonal as most business is connected to tourism. Moreover, many travellers like to combine a business trip with some leisure. The growth in business arrivals over the forecast period is set to outpace leisure arrivals by two percentage points in CAGR terms as Croatia joins the EU in 2013.

MODE OF TRANSPORT

- High visitor numbers from geographically close countries such as Germany and Italy point to the importance of land as a mode of transport to Croatia. In 2010, 87% of visitors arrived by land, of which 72% entered the country by car. These statistics heavily influenced the government's decision to embark on ambitious road modernisation projects. As a result, Croatia has one of the most modern motorway networks in Europe. This, combined with very favourable geographical location, makes it easily accessible for visitors from its main source markets.

CITY ARRIVALS

- The capital city, Zagreb, is the most visited destination in Croatia, due to its size and its position as the country's hub of events, institutions and historical and cultural sites. Zagreb has a well developed infrastructure and good shopping and nightlife compared to the rest of Croatia. However, compared to some other Eastern European cities, many might argue that the nightlife and other activities which attract younger visitors are not particularly interesting. In 2009, Zagreb was "awarded" the title of the second most boring European capital, by the online travel portal Trip Advisor. Coincidence or not, soon after this title was 'awarded', Zagreb's Tourist Office invested HRK1 million in a study aimed at rebranding the city.

INCOMING TOURIST RECEIPTS BY COUNTRY

- Germany is the leading country by spending in 2010. This is the result of it providing the highest number of arrivals and the above average daily consumption of German tourists. In 2010 incoming tourist receipts from Germany reached HRK4.3 billion, a decrease of 4% over 2009. The decline in incoming tourist receipts from Germany was also reflected in share

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PROSPECTS

- According to the World Travel & Tourism Council (WTTC), arrivals globally are expected to grow by a 4% CAGR over the forecast period. In the case of Croatia, growth is l kely to be considerably higher, given the country's underdeveloped tourism offer and high potential. Growth is projected in terms of visitors from both traditional source countries and newly emerging areas of the world.

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CATEGORY DATA

Table 1 International Arrivals by City 2007-2010

Number of people, '000

	2007	2008	2009	2010

Source: Euromonitor International

Table 2 Arrivals by Country of Origin: 2005-2010

'000 trips	2005	2006	2007	2008	2009	2010

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 3 Leisure Arrivals by Type 2005-2010

% number of people	2005	2006	2007	2008	2009	2010
Singles						
Backpackers						
Couples						
Families						
Friends						
Organised Tour Groups						
Others						
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 4 Business Arrivals: MICE Penetration 2005-2010

'000 trips	2005	2006	2007	2008	2009	2010

MICE	
Other	
Total	

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources
Note: MICE refers to meetings, incentives, conventions, exhibitions

Table 5 Arrivals by Mode of Transport: 2005-2010

'000 trips

	2005	2006	2007	2008	2009	2010
Air						
Land						
Rail						
Sea						
Arrivals						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 6 Arrivals by Purpose of Visit: 2005-2010

'000 trips

	2005	2006	2007	2008	2009	2010
Business						
Leisure						
Arrivals						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 7 Incoming Tourist Receipts by Country: Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 8 Tourism Expenditure by Category: Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Accommodation						
Entertainment						
Excursions						
Food						
Shopping						
Travel Within Country						
Other Tourism Expenditure						
Tourism Expenditure						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources
Notes: "Other tourism expenditure" includes travel agent services
"Entertainment" includes attractions, theatres, guided city tours, etc
"Food" includes restaurants
Includes incoming tourist receipts and domestic tourist expenditure

Table 9 Method of Payments for Incoming Tourist Receipts: % Breakdown 2005-2010

% value

	2005	2006	2007	2008	2009	2010
Cash						
Charge Card						
Credit Card						
Debit Card						
Prepaid Cards						
Traveller's Cheques						
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources
Notes: Direct purchases only
Table represents method used at time of purchase

Table 10 Forecast Arrivals by Country of Origin: 2010-2015

'000 trips

	2010	2011	2012	2013	2014	2015

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 11 Forecast Arrivals by Mode of Transport: 2010-2015

'000 trips

	2010	2011	2012	2013	2014	2015
Air						
Land						
Rail						
Sea						
Arrivals						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 12 Forecast Arrivals by Purpose of Visit: 2010-2015

'000 trips

	2010	2011	2012	2013	2014	2015
Business						
Leisure						
Arrivals						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 13 Forecast Incoming Tourist Receipts by Country: Value 2010-2015

HRK million

	2010	2011	2012	2013	2014	2015

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

TOURISM FLOWS OUTBOUND IN CROATIA - CATEGORY ANALYSIS

HEADLINES

- In 2010 the number of departures increases by 5% to reach six million trips
- After a decline in 2009, departures rebound as Croatians decide that one year of cutting back on travelling abroad is enough
- Egypt records the highest increase of 8% in terms of departures in 2010
- The average spend per outgoing trip rises by 5% in 2010, above the rate of inflation
- The number of trips is expected to grow by a 1% CAGR over the forecast period

TRENDS

- When going abroad, Croatians do not travel far; among the most important destinations are Germany, Bosnia-Herzegovina, Serbia, Italy, Austria, Slovenia, Hungary, and Montenegro. All these countries can be reached by car within 12hrs. Combined, they accounted for a 57% share of Croatian departures in 2010.
- For Croatians that travel internationally, "city break" bus/coach trips are becoming more popular. So too are organised package deals. However, visiting friends and relatives remains the overwhelming reason for travel abroad, according to the Croatian Institute of Tourism, as many Croatians have emigrated for economic reasons or because of the recent homeland war.
- Travel by Croatians is increasing, but there is still a way to go before Croatia catches-up with its neighbours in Western Europe. The cultural factor of remaining within the country plays a role in this regard. However, citizens of Croatia have easy options should they decide to leave their country's borders. As Croatia is a prospective member of the EU, they do not need visas to travel to other countries in Europe. In addition, Croatia is situated within easy reach of many counties due to its small size and unusual shape.
- As may be expected in a country with so much geographical variety, many Croatians choose to holiday "at home". According to some estimates, approximately two thirds of the population will not cross an international border while on holiday, a share which is subject to change according to region. Again, cultural factors play an important role as it is considered patriotic to stay at home instead of holidaying in another country, especially competing Mediterranean countries such as Spain, Greece, Italy and Montenegro.
- Skiing is a popular choice for outbound travellers. Even during the peak of the economic crisis in 2009, outbound trips for skiing did not decline. According to the business press, 30% of skiers admit that they cannot afford to ski but still do so. They overcome this problem by saving in advance or even by taking out loans – a practice which is often criticised by opinion makers from popular magazines. Neighbouring Bosnia-Herzegovina is gaining popularity, especially among the population of Dalmatia, which is in close proximity to a popular Bosnian skiing resort. Skiing in Bosnia-Herzegovina, even though facilities are not comparable to those in Austria or Italy, is considered good value for money. Also, many tourists appreciate tranquillity and the lack of a crowd, which fits with some resorts in Bosnia-Herzegovina.

DESTINATIONS

- In general, while families tend to holiday within Croatia on the coast, young people, either adventure minded travellers or honeymooners, for instance, who tend to holiday outside the country. This tendency for international travel is also shared by middle-aged couples wishing to travel without their children.

LEISURE

- In 2010, leisure departures continued to account for a 79% share of trips. However, compared to the review period, a slow fall in share was observed. Although the number of leisure departures in 2010 increased by almost one million between 2005 and 2010, the faster growth in business departures reduced leisure's share.

BUSINESS

- Business departures grew by 6% in 2010 to reach over one million trips. This followed a 4% decrease in business trips in 2009 due to the global economic crisis. “Other destinations” registered the highest growth in business trips of 13% in 2010. This category includes the countries not in top 20 departure markets.

MODE OF TRANSPORT

- Land is the dominant mode of transport, accounting for an 79% share of departures in 2010. Euromonitor International estimates that personal vehicles account for a 92% share of land departures, with bus/coach accounting for most of the remaining shares. Leading outbound destinations, mainly neighbouring countries, are easily accessible by car, which is considered

OUTGOING TOURIST EXPENDITURE BY COUNTRY

- The average spend of outbound tourists was HRK1,839 per trip in 2010. This is slightly higher than the average spend per domestic trip. Hungary, Bosnia-Herzegovina and Austria are the main beneficiaries, partly due to their close proximity and the ease with which Croatians can visit and return from these countries in the same day. However, the leading country in terms of outgoing tourism expenditure is Germany, due to the high number of departures.

PROSPECTS

- As the country opens-up, due to impending full membership of the EU and living standards rise, the desire for Croatians to explore the world will grow. Whereas, decades ago, travel abroad was reserved for either business or shopping trips to purchase items not available inside the country, Croatian tourists are starting to travel for reasons such as discovering new cultures and experiences. Asian destinations are becoming popular, and interviews with travel agencies reveal that China, India and Thailand recorded fast increases in the number of Croatian travellers in 2009 and 2010.

CATEGORY DATA

Table 1 Departures by Destination: 2005-2010

'000 trips	2005	2006	2007	2008	2009	2010

Other Destinations	
Departures by Country	

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 2 Leisure Departures by Type 2005-2010

% number of people

	2005	2006	2007	2008	2009	2010
Singles						
Backpackers						
Couples						
Families						
Friends						
Organised Tour Groups						
Others						
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 3 Business Departures: MICE Penetration 2005-2010

'000 trips

	2005	2006	2007	2008	2009	2010
MICE						
Other						
Total						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources
Note: MICE refers to meetings, incentives, conventions, exhibitions

Table 4 Departures by Mode of Transport: 2005-2010

'000 trips

	2005	2006	2007	2008	2009	2010
Air						
Land						
Rail						
Sea						
Departures						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 5 Departures by Purpose of Visit: 2005-2010

'000 trips

	2005	2006	2007	2008	2009	2010
Business						
Leisure						

Departures	

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 6 Outgoing Tourist Expenditure by Country: Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 7 Outgoing Tourist Expenditure by Category: Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Accommodation						
Entertainment						
Excursions						
Food						
Shopping						
Travel Within Country						
Other Outgoing Tourist Expenditure						
Outgoing Tourist Expenditure						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Notes: "Other tourism expenditure" includes travel agent services
"Entertainment" includes attractions, theatres, guided city tours, etc
"Food" includes restaurants

Table 8 Method of Payments for Outgoing Tourism Spending: % Breakdown 2005-2010

% value

	2005	2006	2007	2008	2009	2010
Cash						
Charge Card						
Credit Card						
Debit Card						
Prepaid Cards						
Traveller's Cheques						
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources
Notes: Direct purchases only
Table represents method used at time of purchase

Table 9 Forecast Departures by Destination: 2010-2015

'000 trips

	2010	2011	2012	2013	2014	2015

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 10 Forecast Departures by Mode of Transport: 2010-2015

'000 trips

	2010	2011	2012	2013	2014	2015
Air						
Land						
Rail						
Sea						
Departures						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 11 Forecast Departures by Purpose of Visit: 2010-2015

'000 trips	2010	2011	2012	2013	2014	2015
Business						
Leisure						
Departures						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 12 Forecast Outgoing Tourist Expenditure by Country: Value 2010-2015

HRK million	2010	2011	2012	2013	2014	2015

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

TOURIST ATTRACTIONS IN CROATIA - CATEGORY ANALYSIS

HEADLINES

- In 2010 current value sales decline by 4% to reach HRK459 million
- The number of visitors to tourist attractions declines in 2010, despite the increase in tourist trips
- Art galleries records the fastest growth in terms of visitors in 2010, recovering from a big decline in 2009
- The average ticket price declines by 3% in 2010
- Sales are expected to grow by a 4% constant value CAGR over the forecast period to reach HRK565 million in 2015

TRENDS

- Over the review period, there was a strong correlation between the number of inbound and domestic trips and the number of visitors to tourist attractions. However, in 2010, the combined number of domestic and inbound trips grew by 1%, while the number of visitors to tourist attractions declined by 1%. The majority of tourist attractions charge an entrance fee. Thus, the decline in visitors in 2009 and 2010 is a strong indicator that tourists avoided additional services, prioritising basic expenditure on transportation, accommodation and food.
- One of Croatia's major selling points is an array of natural and historic attractions within a relatively small area. Thus, national parks/areas of natural beauty, museums and historic buildings/sites accounted for more than one half of visitors to tourist attractions in 2010. However, it is becoming evident that Croatia lacks one major attraction that is instantly recognised and associated with Croatia on a global level. According to a survey by the Croatian Institute of Tourism, only a tiny share of tourists stated tourist attractions as the main reason for visiting Croatia. The decision to visit tourist attractions is usually made while on holiday.
- In terms of number of people, art galleries recorded the fastest growth of 2% in 2010. This represented something of a recovery, as art galleries registered the biggest decline of 17% in 2009. However, the number of visitors fell well short of pre-2009 levels. Art galleries accounted for a 6% share of visitors to tourist attractions in 2010. However, due to relatively low ticket prices, art galleries held only a 2% share of retail value sales.
- In terms of number of visitors, the leading type of tourist attraction in Croatia is national parks/areas of natural beauty. In 2010, it accounted for a 20% share of visitors. These attractions are among the most regulated. Croatia is known for its natural beauty and the state invests heavily in preserving the country's natural resources. Moreover, national legislation regulates protected natural areas.
- The country's eight national parks enjoy the highest levels of protection. However, this also means that the tourist offer is quite limited in these areas. For example, the municipality of Plitvicka Jezera, home to the most famous national park in Croatia, Plitvice Lakes, strictly prohibits activities such as camping, fishing, swimming, hunting and kayaking in this area.

Loosening-up the legislation would without doubt attract more visitors to this area, but this is unlikely to happen in the foreseeable future.

- Tourist attractions did not witness consolidation in the form of mergers and acquisitions or strategic alliances in the review period.
- There are huge differences in the marketing and promotion of different tourist attraction types in Croatia. This is due to ownership structures. Privately-owned attractions such as casinos or circuses will have different marketing strategies to, for example, national park/areas of natural beauty, which are state-owned. Natural and historical attractions continued to benefit in 2010 from advertisements funded by the National Tourism Board. National parks are featured in almost every tourist brochure, via TV spots, billboards and other types of media.

PROSPECTS

- Over the forecast period, natural and historic sites will continue to dominate Croatia's tourist attraction offer. Promoting these attractions is the number one priority as Croatia aims to position itself as a "lifestyle" destination. The slogan "The Mediterranean as it once was" will continue to feature. Thus, the budget for standard and potentially unconventional marketing campaigns will be raised. The consensus is that Croatia's tourism authorities produce very traditional and inefficient marketing campaigns and that more innovation is needed.

CATEGORY DATA

Table 1 Tourist Attractions Sales by Category: Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Art Galleries						
Casinos						
Circuses						

Historic Buildings/Sites	
Museums	
National Parks/Areas Of Natural Beauty	
Theatres	
Theme/Amusement Parks	
Zoos/Aquariums	
Other Tourist Attractions	
Tourist Attractions	

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 2 Tourist Attractions Visitors by Category: 2005-2010

'000 visitors

	2005	2006	2007	2008	2009	2010
Art Galleries						
Casinos						
Circuses						
Historic Buildings/Sites						
Museums						
National Parks/Areas Of Natural Beauty						
Theatres						
Theme/Amusement Parks						
Zoos/Aquariums						
Other Tourist Attractions						
Tourist Attractions						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 3 Tourist Attractions Sales: Internet Transaction Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Internet						
- Direct Suppliers						
- Intermediaries						
Others						
Total						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 4 Leading Tourist Attractions by Visitors 2005-2010

'000 people

	2005	2006	2007	2008	2009	2010

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 5 Forecast Tourist Attractions Sales by Category: Value 2010-2015

HRK million

	2010	2011	2012	2013	2014	2015
Art Galleries						
Casinos						
Circuses						
Historic Buildings/Sites						
Museums						
National Parks/Areas Of Natural Beauty						
Theatres						
Theme/Amusement Parks						
Zoos/Aquariums						
Other Tourist Attractions						
Tourist Attractions						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 6 Forecast Tourist Attractions Visitors by Category: 2010-2015

'000 visitors

	2010	2011	2012	2013	2014	2015
Art Galleries						
Casinos						
Circuses						
Historic Buildings/Sites						
Museums						
National Parks/Areas Of Natural Beauty						
Theatres						
Theme/Amusement Parks						
Zoos/Aquariums						
Other Tourist Attractions						
Tourist Attractions						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 7 Forecast Tourist Attractions Sales: Internet Transaction Value 2010-2015

HRK million

	2010	2011	2012	2013	2014	2015
Internet						
- Direct Suppliers						

- Intermediaries	
Others	
Total	

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

TRANSPORTATION IN CROATIA - CATEGORY ANALYSIS

HEADLINES

- Current value sales grow by 2% in 2010 to reach HRK6.6 billion
- Bus/coach leads with a 40% share of retail value sales in 2010
- The average airline seat price drops marginally to HRK301.00 in 2010
- Croatia Airlines remains the leading airline in 2010 despite declining share
- Constant value sales are expected to grow by a 2% CAGR over the forecast period to reach HRK7.3 billion in 2015

TRENDS

- After Croatia gained independence, the focus has been on improving the country's neglected motorways. This was identified as a primary requirement for promoting economic growth in the country. The modernisation of Croatia's motorways was guided by domestic interests and the defined development of the European road network. The main pan-European corridors which intersect Croatia run both in an east-west and north-south direction. That is, joining northern Italy and Slovenia with Belgrade via Zagreb, joining the northern Adriatic and Istria with Budapest via Zagreb, as well as the Adriatic route stretching from northern Italy and Slovenia towards Greece via Montenegro in the south. With the Zagreb-Rijeka and Zagreb-Split routes being fully completed, the only important route left to be constructed is the one to Dubrovnik. According to plans, the Dubrovnik motorway should reach the town of Vrgorac in 2011.
- Croatia's strategy is orientated towards land arrivals. Land remains the dominant mode of transportation, accounting for an 87% share of incoming arrivals in 2010. However, this is negatively impacting transportation players. Car, or other personal vehicle, is by far the most popular mode of transport, and people are less inclined to pay for transport services.
- Bus/coach accounted for a 40% share of retail value sales in transportation in 2010. The share of tourists who arrive by bus is highest among domestic tourists, followed by visitors from neighbouring countries, Slovenia, Bosnia-Herzegovina, Serbia and Hungary. As a general rule, the further away the market, the lower the share of tourists for bus/coach.
- Since 2003, when the first low cost routes were established, air travel has increasingly assumed importance. In 2010, air accounted for a 32% share of retail value sales. Low cost air travel represents the most dynamic development in transportation in Croatia. This expansion is being made at the expense of schedule carriers.
- The signing of the Horizontal Agreement with the EU, in January 2006, further liberalised airspace and attracted key players such as easyJet and Ryanair. Charter flights are not growing as fast as many would like and slower growth is expected in retail value sales and passenger terms over the forecast period. The development of charter flights depends on the ability of tour operators to negotiate favourable accommodation prices. Croatia is still more expensive than competitor countries such as Egypt and Morocco. For example, Novaturas (one of the largest tour operators in the Baltic States) abruptly discontinued some charter

flights to Croatia, stating that Croatia is too expensive and that it is able to achieve better profit margins elsewhere.

- There is a great deal of speculation that future infrastructure investment will be focused on Croatia's ageing railway system. Rail accounted for a 19% retail value share of transportation sales in 2010. The railway system is in need of expansion and modernisation and, as investment programmes are underway, it will assume greater importance in the forecast period. The retail value share of rail is relatively high given the condition of the railway system in Croatia and safety concerns. However, rail has a significant price advantage over other types of transportation: rail travel on the popular Zagreb-Rijeka route is on average 40% more expensive by bus/coach. In addition, rail travel is more popular when road conditions are unfavourable, such as summer weekend congestion and/or winter snow and wind storms.
- Cruise was the fastest growing type in 2010, with retail value sales increasing by 38%, a beit from a small base. Adriatic cruises have become the standard offering of the largest travel agencies, such as Generalturist doo and Adriatica.net doo. Growth is attributed to the rising interest of foreign tourists in this niche and increasing prices due to fleet modernisation and improved service levels.
- Internet's share of retail value sales increased by almost two percentage points in 2010 to reach 5%. The main driver of internet sales is clearly air travel. Much faster growth could be achieved if online sales for bus/coach and rail were introduced, but the main rail and bus operators have traditionally been slow to innovate. Over the forecast period, bus/coach and rail operators are not expected to develop a significant online presence.
- In terms of methods of payment, bus/coach, rail and sea are seriously underdeveloped. Internet sales are negligible while, in some cases, not even financial cards are accepted. For example, the Rab-based ferry company Rapska Plovidba only accepts cash payments, which often creates confusion and frustration. Tourists can wait for hours for the ferry only to find that payment is cash only, with no ATMs in the vicinity and only one exchange office nearby, offering unfavourable exchange rates. Another example is the main bus terminal in Zagreb which also accepts cash only payments. This situation is clearly unacceptable in a country which claims to be a tourist destination.

AIRLINES

- Air sales grew by a 6% current value CAGR over the review period. In transportation, air increased its retail value share by two and a half percentage points between 2005 and 2010 to reach 32%.

COMPETITIVE LANDSCAPE

- The leading air company is the national carrier Croatia Airlines. A state-owned airline, Croatia Airlines serves national interests by connecting Croatia to many destinations. The airline's has the widest route network, which is the main reason for its leading position. Croatia Airlines operates 16 international routes from its main hub: Zagreb Airport. Croatia Airlines is the only company which operates flights within Croatia.

PROSPECTS

- Over the forecast period, no major shifts in transportation are expected. Bus/coach is set to remain the leading type, although its share of retail value sales is projected to remain at 40%. Croatia has a modern and well developed road network with many motorways. The completion of motorways has significantly reduced travel times, which partially compensates for the need to take a bus or coach. Bus/coach travel is not popular, but it is usually chosen by people without their own vehicle or who travel alone as this type of transport offers price advantages over private cars. The part of the motorway system yet to be completed is the stretch from Vrgorac to Dubrovn k. The expected steady share of retail value sales is due to increasing prices for bus/coach travel, which will compensate for the predicted declines in passenger numbers.

CATEGORY DATA

Table 1 Transportation Sales by Category: Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Air						

Airline Passengers						
- Charter						
- Low Cost Carriers						
- Schedule						
Other Transportation						
- Bus/Coach						
- Chauffeur-Driven Car						
- Cruise						
- Ferry						
- Rail						
Transportation						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 2 Transportation Sales: Internet Transaction Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Internet						
- Direct Suppliers						
- Intermediaries						
Others						
Total						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 3 Airline Capacity: 2005-2010

'000 people

	2005	2006	2007	2008	2009	2010
Airline Capacity						
- Charter						
- Low Cost Carriers						
- Schedule						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 4 Airline Utilisation: 2005-2010

'000 people

	2005	2006	2007	2008	2009	2010
Airline Passengers						
- Charter						
- Low Cost Carriers						
- Schedule						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 5 Airline Passengers Carried by Distance: 2005-2010

'000 people	2005	2006	2007	2008	2009	2010
Airline Passengers						
- Long Haul						
- Short Haul						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 6 Airline Market Shares 2006-2010

% retail value rsp Company	2006	2007	2008	2009	2010
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 7 Airline Brands by Key Performance Indicators 2010

	% Average load factor	Average price / passenger (Local currency)	Kms flown per passenger	Passengers carried (million)	Revenue passenger kms (million)

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 8 Forecast Transportation Sales by Category: Value 2010-2015

HRK million	2010	2011	2012	2013	2014	2015
Air						
Airline Passengers						
- Charter						
- Low Cost Carriers						
- Schedule						
Other Transportation						
- Bus/Coach						
- Chauffeur-Driven Car						

- Cruise	
- Ferry	
- Rail	
Transportation	

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 9 Forecast Transportation Sales: Internet Transaction Value 2010-2015

HRK million

	2010	2011	2012	2013	2014	2015
Internet						
- Direct Suppliers						
- Intermediaries						
Others						
Total						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

TRAVEL ACCOMMODATION IN CROATIA - CATEGORY ANALYSIS

HEADLINES

- The number of outlets grows by 3% in 2010 to reach 93,000 units, while current value sales increase by 1% to reach HRK9.5 billion
- Private accommodation's 76% share of outlets indicates an inadequate travel accommodation structure
- Average sales per outlet decline by 2% in current value terms in 2010
- The competitive environment is highly fragmented in 2010
- The number of outlets and constant value sales are expected to grow by a 2% and 1% CAGR, respectively, over the forecast period

TRENDS

- Croatia's travel accommodation structure is deemed to be inadequate, with private accommodation, combined with self-catering apartments, accounting for a 97% share of outlets in 2010. However, these outlets generated only 30% of retail value sales of travel accommodation. This indicates the very small sales per outlet level of private accommodation and self-catering apartments, compared to hotels.
- This disparity is attributed to the very small size of private accommodation outlets, which, in practice, are usually private homes. According to legislation, each private accommodation unit can have no more than 20 beds, whereas the number of beds per hotel is unlimited. In addition to the low capacity of private accommodation, the price difference between these outlets and hotels is huge. Another factor contributing to the enormous difference between sales per outlet is occupancy rates, which tend to be higher for hotels.
- The pricing policy of private accommodation operators is an important factor holding back the development of hotels. In the 2000s, the Croatian coastline witnessed the rapid development of newly-built private accommodation outlets. The main motive for their construction was twofold: capital gains from the expected increase in property value; and profits from renting out apartments to tourists. The owners of such facilities, generally, lack the management skills to devise adequate pricing policies.
- The main problem is the wide difference between fixed and variable costs. The initial cost of building and equipping accommodation units is very high, whereas variable costs (especially utilities) are so low that even the lowest rent easily covers it. This leads to a so-called "race to the bottom", where some operators are willing to offer extremely low prices, led by the opinion that anything is better than nothing. This creates unfair competition and can have serious long-term consequences as it attracts tourists with the lowest purchasing power.
- It is important to note that this practice is in breach of existing tourism legislation. However, the weak control and poor implementation of laws is highly prevalent, especially outside of the peak summer season. This makes it very difficult for travel accommodation operators to differentiate their offer other than through price. A notorious example is provided by Lopar, on Rab Island, where one can rent a fully equipped, comfortable 2-bedroom apartment for as little as €20.00 per day in September.

- The dominance of private accommodation also creates booking problems. Many hotels already offer an online booking system, where the whole booking process can be completed in a few minutes. Hotels with vacancies also accept any length of stay. The situation in private accommodation is completely different and very chaotic. The majority of private accommodation outlets manage their own bookings, for which they are heavily under resourced. This means that every outlet owner has a set of “rules”. Therefore the potential guest may have to contact many owners in order to find accommodation, which can be time consuming and difficult.
- Some examples of the “rules” stipulated by private accommodation owners in Croatia are: accepting visits only if starting on a specific day of week (usually Saturday); requiring a telephone conversation prior to booking; the sending of a non-refundable deposit in order to confirm the booking; and charging separately for certain services, such as an air conditioner, parking space, etc. In addition, many private accommodation owners, especially ones that receive a high number of booking requests, often discriminate. They will accept reservations only from certain countries or discriminate on the basis of the age of the tourist, or composition of the booking party, for example not accepting small children or pets, etc. It can therefore be said that there are no set rules in private accommodation and bookings can represent a real adventure for potential visitors. However, many tourists are willing to put up with the difficulties due to the considerable price advantages offered by private accommodation operators.
- The fastest growing accommodation type in terms of outlets in 2010 was chalets, albeit from the small base. In 2010, the number of chalets in Croatia reached only 35. Most of the chalets are situated in the mountainous region of Gorski Kotar, close to skiing facilities. These chalets are usually family run. Although chalet’s shares of units and sales in travel accommodation are negligible, the growth trend is encouraging as Croatia tries to promote itself as a continental rather than simply sun & sea destination.
- The highest quality campsites are located in Istria, a region which accounts for around one half of the country’s overall capacity. However, a great deal of activity in relation to campsite improvements and renovations has been observed recently in Dalmatia, specifically in the Zadar and Dubrovnik regions. These changes appear to be in direct relation to the completion of motorway works. Whilst the overhaul of Croatia’s motorway network has not necessarily led to a noticeable increase in visitor numbers, it has opened up formerly isolated areas of the country to campers. Moreover, there has been a noticeable redistribution of campers from Istria to southern Dalmatia.
- In 2010, internet accounted for a 10% share of retail value sales in hotels, an increase of five percentage points over 2009. The introduction of online payment systems boomed in hotels in Croatia in 2010. The majority of established hotels feature their own online booking systems. In most cases, guests are not required to make a full payment online in advance. Instead, a down payment of typically 20-30% is sufficient, with the outstanding amount due on arrival.

HOTELS

- The increase in hotel overnight stays has been consistent with the rise in overnight stays in travel accommodation overall. Interestingly, the growth in overnight stays is 5% higher among domestic tourists, compared to foreign tourists, in summer. This trend is reversed during in winter, when the increase in foreign tourist stays is higher than that of domestic tourists. The average annual bed occupancy is 40-45%.

COMPETITIVE LANDSCAPE

- Valamar Hotels & Resorts leads hotels with a 9% share of retail value sales in 2010. This is due to the company's 26 outlets, easily the largest number. Other than hotels, Valamar also operates campsites and self-catering apartments. The company's core region is Istria, but it also has a strong presence in the southern Dalmatian city of Dubrovnik. It also has two outlets on the northern Adriatic islands of Krk and Pag.

PROSPECTS

- A sluggish performance is expected over the forecast period, with hotel sales growing by a 1% constant value CAGR. This forecast is based on the current operating state of hotels in Croatia. This environment is not attractive to potential investors. For example, too many legal and administrative obstacles. This discourages especially "greenfield" investments in hotels in Croatia. However, Croatia is set to join the EU in 2013 and major legislative changes are expected in the forecast period. Some of these changes might cause major shifts in the investment climate and benefit hotels. These developments are hard to predict, however, and the forecast is built on the static model reflected in the current operating environment.

CATEGORY DATA

Table 1 Travel Accommodation Sales by Category: Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Hotels						
- Chained Hotels						
- Independent Hotels						
Other Travel Accommodation						
- Campsites						
- Chalets						
- Guesthouses						
- Hostels						
- Motels						
- Private Accommodation						
- Self-Catering Apartments						
- Other Other Travel Accommodation						
Travel Accommodation						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 2 Travel Accommodation Outlets by Category: Units 2005-2010

outlets

	2005	2006	2007	2008	2009	2010
Hotels						
- Chained Hotels						
- Independent Hotels						
Other Travel Accommodation						
- Campsites						

- Chalets
- Guesthouses
- Hostels
- Motels
- Private Accommodation
- Self-Catering Apartments
- Other Other Travel Accommodation
Travel Accommodation

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 3 Travel Accommodation by Broad Category: Number of Rooms 2005-2010

'000 rooms

Hotels
Other Travel Accommodation
Travel Accommodation

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 4 Regional Hotel Parameters 2010

Unit	5-star	4-star	3-star	2-star	1-star	Unrated

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 5 Travel Accommodation Sales: Internet Transaction Value 2005-2010

HRK million	2005	2006	2007	2008	2009	2010
Internet						
- Direct Suppliers						
- Intermediaries						
Others						
Total						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 6 Hotel National Brand Owners by Market Share 2006-2010

% retail value rsp

Company	2006	2007	2008	2009	2010

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 7 Hotel Brands by Key Performance Indicators 2010

	Number of rooms ('000 rooms)	Occu-pancy rate%	Rooms per outlet	Sales per room (Local currency)	Average daily room rate (Local currency)	Number of outlets

	revPAR (Local currency)	Sales per outlet (Local currency million)

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 8 Forecast Travel Accommodation Sales by Category: Value 2010-2015

HRK million

	2010	2011	2012	2013	2014	2015
Hotels						
- Chained Hotels						
- Independent Hotels						
Other Travel Accommodation						
- Campsites						
- Chalets						
- Guesthouses						
- Hostels						
- Motels						
- Private Accommodation						
- Self-Catering Apartments						
- Other Other Travel Accommodation						
Travel Accommodation						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 9 Forecast Travel Accommodation Outlets by Category: Units 2010-2015

outlets

	2010	2011	2012	2013	2014	2015
Hotels						
- Chained Hotels						
- Independent Hotels						
Other Travel Accommodation						
- Campsites						
- Chalets						
- Guesthouses						
- Hostels						

- Motels						
- Private Accommodation						
- Self-Catering Apartments						
- Other Other Travel Accommodation						
Travel Accommodation						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 10 Forecast Travel Accommodation Sales: Internet Transaction Value 2010-2015

HRK million

	2010	2011	2012	2013	2014	2015
Internet						
- Direct Suppliers						
- Intermediaries						
Others						
Total						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

TRAVEL RETAIL IN CROATIA - CATEGORY ANALYSIS

HEADLINES

- In 2010 sales of travel retail products decline by 5% in current value terms to reach HRK2.4 billion
- Spa packages registers the fastest current value growth of 3% in 2010
- Generalturist leads a highly fragmented competitive landscape in 2010
- Sales are expected to recover over the forecast period, growing by a 5% constant value CAGR to reach HRK3 billion in 2015

TRENDS

- Data from the Croatian Institute of Tourism shows that an outbound trip is considered the main holiday of the year by Croatian tourists. This finding goes a long way to define the importance of individual travel bookings in Croatia, as a trip abroad often entails a large outlay.
- Although there are indications that package holiday is losing popularity, it accounted for a 19% share of value sales of travel retail products in Croatia in 2010. Accommodation only remains the main travel retail product type, accounting for a 29% share of value sales. This indicates that Croatians remain conservative when choosing travel retail products, as these two types are the oldest and most traditional travel agency offerings.
- Croatians mostly travel to familiar European destinations such as Slovenia, Italy, the Czech Republic, France, etc. However, the taste for more exotic locations is slowly, but continuously growing. It is no longer uncommon for travel agencies in Zagreb to offer package holiday deals exotic remote destinations. However, this type of trip is not easy to sell as the choice of available travel dates is usually narrow. It is hard to find a sufficient number of people who are both interested in the destination and available to travel on the offered dates. These packages are offered on a minimum group size basis, but they may be cancelled at the last moment due to the not uncommon failure to attract the required number of tourists.
- Specialised tours are also emerging as alternatives directed at diverse customer segments. Travel agencies in Croatia routinely offer packages tailored around specific tastes or events, such as religious tours or trips to see Formula 1 races in different parts of the world. Especially popular are trips to destinations where Croatian sports teams are competing.

LEISURE TRAVEL

- After a decade of positive growth, leisure, and overall, travel retail products recorded a negative value sales performance in 2009. The downturn was continued in 2010. The global financial crisis shrunk consumer disposable income and economic uncertainty led to a decline in demand for travel retail services. Travel is considered a luxury and it is often the first casualty of an economic downturn.

BUSINESS TRAVEL

- In 2010, sales of corporate business travel retail products declined for a second consecutive year in current value terms. Declines of 7% in 2009 and 6% in 2010 were due to the economic crisis, which reduced corporate activity. However, the majority of business travel is within Croatia and in neighbouring countries, which does not represent high costs for companies.

ONLINE TRAVEL

- Online sales continued to grow rapidly in travel retail products. In 2010, internet's share of retail value sales grew by five percentage points to reach 13%. The fast growth in online retail value sales is a general trend in Croatia, including all consumer industries and travel services. The main growth drivers are the rising penetration of internet-enabled PCs and broadband and the introduction of online sales platforms by service providers. The development of online sales platforms has the highest influence on penetration.

COMPETITIVE LANDSCAPE

- While there was some movement in terms of retail value share, the rankings of the leading players did not change in 2010. Generalturist doo leads travel retail with a 7% share of retail value sales in 2010. The company has a network of 14 outlets. Generalturist is a strong brand name in Croatia and the company has a good reputation built-up since its founding in 1923. In addition, mystery shopping research regularly ranks Generalturist first in terms of customer service. In 2010, Generalturist entered into a partnership with TUI, one of the world's largest tour operators.

PROSPECTS

- The continued development of the internet will cause a major change to travel retail services as a whole in Croatia over the forecast period. Higher internet penetration will impact travel retail in positive and negative ways. Euromonitor International predicts that the negative effects will be stronger.

CATEGORY DATA

Table 1 Travel Retail Outlets by Category: Units 2005-2010

outlets

	2005	2006	2007	2008	2009	2010
Exchange Services						
Tour Operators						
Travel Agents						
Travel Retail Outlets						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Note: Dedicated currency exchange outlets only

Table 2 Travel Retail Products Sales: Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Accommodation Only						
Adventure/Trekking Holiday						
City Break						
Cruise						
Flight Only						
Fly-Drive						
Other Transport						
Package Holiday						
Spa Packages						
Travel Insurance						
Traveller's Cheques						
Other Travel Retail Products						
Travel Retail Products						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 3 Corporate Business Travel Retail Products Sales: Value 2005-2010

HRK '000

	2005	2006	2007	2008	2009	2010
Accommodation Only						
Adventure/Trekking Holiday						
City Breaks						
Cruise						
Flight Only						
Fly-Drive						
Package Holiday						
Spa Packages						
Travel Insurances						
Traveller's Cheques						
Other Corporate Business Transport						
Other Corporate Business Travel Retail Products						
Corporate Business Travel Retail Products						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 4 Leisure Travel Retail Products Sales: Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Accommodation Only						
Adventure/Trekking Holiday						

City Break
Cruise
Flight Only
Fly-Drive
Package Holiday
Spa Packages
Travel Insurance
Traveller's Cheques
Other Leisure Transport
Other Leisure Travel Retail Products
Leisure Travel Retail Products

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 5 Travel Retail Online Sales by Category: Internet Transaction Value 2005-2010

HRK million

	2005	2006	2007	2008	2009	2010
Accommodation Only						
Car Rental Only						
Dynamic Packaging						
Flight Only						
Traditional Package Holiday						
Other Online Transport Only						
Other Travel Retail Online Sales						
Travel Retail Online Sales						

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Notes: Others includes tourist attraction entrance fees, car rental hire, travel insurance and foreign currency purchases sold via exchange services which may be located within travel agents

Table 6 Travel Retail Products Market Shares 2006-2010

% retail value rsp

Company	2006	2007	2008	2009	2010
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 7 Travel Retail Products Brands by Key Performance Indicators 2010

	Online Sales (%)	Value of Online Sales (Local currency million)

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 8 Forecast Travel Retail Outlets by Category: Units 2010-2015

outlets	2010	2011	2012	2013	2014	2015
Exchange Services						
Tour Operators						
Travel Agents						
Travel Retail Outlets						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources
Note: Dedicated currency exchange outlets only

Table 9 Forecast Travel Retail Products Sales: Value 2010-2015

HRK million	2010	2011	2012	2013	2014	2015
Accommodation Only						
Adventure/Trekking Holiday						
City Break						
Cruise						
Flight Only						
Fly-Drive						
Other Transport						
Package Holiday						
Spa Packages						
Travel Insurance						
Traveller's Cheques						
Other Travel Retail Products						
Travel Retail Products						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 10 Forecast Corporate Business Travel Retail Products Sales: Value 2010-2015

HRK '000	2010	2011	2012	2013	2014	2015
Accommodation Only						
Adventure/Trekking						

Holiday
City Breaks
Cruise
Flight Only
Fly-Drive
Package Holiday
Spa Packages
Travel Insurances
Traveller's Cheques
Other Corporate Business Transport
Other Corporate Business Travel Retail Products
Corporate Business Travel Retail Products

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 11 Forecast Leisure Travel Retail Products Sales: Value 2010-2015

HRK million

	2010	2011	2012	2013	2014	2015
Accommodation Only						
Adventure/Trekking Holiday						
City Break						
Cruise						
Flight Only						
Fly-Drive						
Package Holiday						
Spa Packages						
Travel Insurance						
Traveller's Cheques						
Other Leisure Transport						
Other Leisure Travel Retail Products						
Leisure Travel Retail Products						

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 12 Forecast Travel Retail Online Sales by Category: Internet Transaction Value 2010-2015

HRK million

	2010	2011	2012	2013	2014	2015
Accommodation Only						
Car Rental Only						
Dynamic Packaging						
Flight Only						
Traditional Package Holiday						
Other Online Transport Only						

Other Travel Retail Online Sales	
Travel Retail Online Sales	

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Notes: Others includes tourist attraction entrance fees, car rental hire, travel insurance and foreign currency purchases sold via exchange services which may be located within travel agents

نشـانی: تهـران، خیابان سهروردی جنوبی، پایین‌تر از راهنمایی و رانندگی، کوچه اسلامی، پلاک ۴، طبقه ۴، واحد ۱۲
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