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BUSINESS TOURISM – MODERN FORM FOR IMPROVEMENT OF THE COMPETITIVENESS OF CROATIAN TOURISM

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Abstract

Business tourism is a modern form of tourism which includes trips related to the work of business executives and professionals. In its main forms, business tourism includes: business meetings, conferences, congresses, exhibitions and incentives. Croatia, in an effort to maintain competitiveness, can improve its status on the tourism scene by making significant investments into the business intelligence, intellectual capital and infrastructure of business tourism. Although initial investments might seem high, Croatia cannot neglect the fact that high expenditure of one participant in the congress would yield a fast return on investment. In the long run, Croatia can increase its competitiveness in the national tourism industry and develop as a high value destination.

Key words: modern form of tourism, business tourism, tourism industry, competitiveness

1. INTRODUCTION

As a particular form of tourism, business tourism is nowadays even more present within the world tourism movements, with considerable impact on the overall tourism turnover of any country. It is based on the meetings turnover, both in their official (working) and tourism parts.

Economic gains of business tourism must be particularly accentuated. Consumption effected by participants, organizers, and delegations is relatively high, and differs in its structure from tourist consumption, with main reasons of its height originating in various stimulations.

By these characteristics its origin is indicated, as well as its relatively high requirements in congress tourism offer quality, which result in high capital investments and current costs. As the main indirect economic benefit for the destination-organizer, the promoting impact is shaped by the clientele quality and the industry reputation of the organizers.

In spite of relatively high capital investment costs, the stated reasons account for all economic efforts detected in many cities in building additional congress offerings.

It is generally thought that business tourism participants mainly represent highly-educated persons of higher disposable income and higher credit rating. Therefore, in order for the adequate social results to be expected, quality business tourism calls for relatively high investments.

2. BUSINESS TOURISM PARTICULARS

Although it represents only one form of selective tourism, business tourism, or MICE as called by eminent scientists (Rogers, 2006, 121), can be considered the additional contribution to the main tourism form. Abbreviation Mice indicates: Meetings, Incentives, Congress and Exhibitions. As with every tourism activity, business tourism has characteristics similar to all other tourism activities, but it also has its own particular traits. These traits can be reflected in the following characteristics: the reduction of seasonal character, with references affecting the extension of the tourist season, higher consumption of meeting participants, communication-educational aspects of conferences and meetings, and interaction with other economic activities, components and drivers, help in shaping the image of a/the selected business tourism destination.

One of the important business tourism characteristics is seasonality, which stimulates the development of the tourism destination, subsequently prolongs the tourism season, and increases the occupancy rate of accommodation capacities (Lucianović, 1980, 61). Potentials in the year-round tourism development, with the help of potential seasonality factors, also bring higher employment of local residents.

Congress participant expenditure is up to three times higher than the mass tourism per capita consumption (Vidić, 2002, 28).

Owing to the per diem costs paid by their companies (the participant's company pays transfer, accommodation, food, congress participants are therefore able to spend their money on non-business related activities (Bowdin, 2006, 41). Consumption amount is both directly and indirectly related to the main purpose of travel, i.e. to the participation in a congress or similar event. Consumption factors which can be influenced are quality and accessibility of other services or offers. One of the most important factors, accessibility, is nevertheless constrained by the length of the participant's stay.

Furthermore, their stay in a hotel or within a destination is primarily tied to work and not to leisure, but it's the work component that is dominant of the business tourism; congresses are mostly organized during weekend, which understands the rather short stay of business people within the destination. Such guests must be given the opportunity to access other aspects of tourism. A short stay within the destination and easy access to quality services and other facets of tourism adds to the enlarged daily consumption of congress participants, according to the "time is money" proverb present in the business world. Such increased congress participant consumption brings quicker return on investments (ROI) in the business tourism infrastructure. Due to their increased paying capability business people want to get quality service according to the "value for money" definition (Davidson and Cope, 2003, 88), and in recent years "experience for money."

The communication-educational characteristic of business tourism represents the need for communication between business people, which leads to the organization of business meetings and congress. Consequently, congress communication implies exchange of information, new ideas, spreading news on scientific achievements within a particular area, and, furthermore, establishing contacts with other congress participants. Particular forms of business tourism include business meetings, conferences, workshops, and congresses of educational contents. Development of technology and science contributes to the development of both business tourism and the society, where the development of business intelligence and intellectual capital significant. It motivates individuals in their personal business development and continuing education, while companies send their employees to conferences or seminars to keep them in step with innovations and new ideas and to improve or refresh already acquired knowledge from their line of work. In order to ensure good business results, knowledge is crucial for business people and companies.

Everything stated so far indicates business tourism and all its segments give rise to new insight values.

Interaction of business tourism and other economic activities present on the tourism scene is of utmost importance (Weber and Chon, 2002, 91). Besides the organization of the gathering itself in a rented hall and the use of the local

hotel accommodating capacities, various other economic components indirectly supporting congresses: transport services, telecommunication services, catering services, local shops, organization of various excursions or particular events, which all contribute to the better post-congress experience of participants. For instance, the organization of excursions and sight-seeing tours to places of cultural and historical heritage can induce and motivate local authorities to undertake all possible actions in environmental preservation and improvement of road infrastructure, induces local inhabitants to activate services, native goods and local customs, and restore to life economically eventual inactive or less attractive places and simultaneously introduce congress participants to local customs and life of local people (Davidson, R., Rogers, T., 2006, 83).

It all indicates the breadth of positive economic effects of business tourism. All previously mentioned economic segments stimulate each other and function as a whole within a particular national tourism destination.

Business tourism forms the image of a destination. It helps a site oriented towards mass tourism understand the potentials of business tourism development and not spare pains to invest in its development to improve its status and image in the tourism market.

The promotion of the business tourism destination is influenced by the conference participants themselves, who relate their positive post-conference experiences to their friends and acquaintances.

From the all above stated, business tourism has a multiplicative effect on economic and social components of the destination through stimulation of its development towards the high-value destination, highly positioned in the business tourism market.

3. IMPORTANCE AND PARTICIPATION OF BUSINESS TOURISM WITHIN THE CROATIAN TOURISM

Business tourism has considerable influence on the increase of Croatian tourism competitiveness. The Republic of Croatia offers all the requisite and desired natural and geographical characteristics for business tourism development. It is positioned within the ideal geopolitical area with well-developed infrastructure, has rich historical and cultural heritage, and has an image of a leisure destination that has been developed for years. Croatian tourism competitiveness can be improved considerably by investments into business tourism.

Potentials in development of year-round tourism by means of business tourism could form the reputation of a high-quality tourism destination which could consequently evolve into a world well-known business tourism destination like Milan, Barcelona and Madrid... The Croatian coast (Istria and Kvarner,

Dalmatian coast) has been a highly popular tourist area for decades: why not mix pleasure with business?

Business tourism is indicated as one of the most profitable forms of selective tourism in Croatia, whose economic and financial indicators have registered considerable growth in recent years.

With the intention of enhanced presentation of the analysis of the current state of business tourism in Croatia, the analysis will start from the current state and will proceed through available quantitative indicators of all categories of business tourism. Consideration of the quantitative content of the business tourism is of exceptional importance for better understanding the current offer and demand situation of the Croatian business tourism. In this section of the paper, within the quantitative analysis, will analyze the number of business meetings by the type of facility in which they are held, the duration of business meetings, the structure of the number of participants in business meetings, and analyzing business meetings according to their type.

Subsequently a quantitative analysis of Croatian business tourism starts by showing the number of business meetings, according to the type of facilities in which they have been held, for a period of 2009-2010.

Table 1.

Number of held business meetings, according to the type of object 2009-2010 in Croatia

DESCRIPTION	2009				2010				Index 2010/2009
	HOTEL	OTHER FACILITIES	TOTAL	SHARE	HOTEL	OTHER FACILITIES	TOTAL	SHARE	
0	1	2	3=1+2	4=1/3	5	6	7=5+6	8=5/7	9=7/3
BUSINESS MEETINGS	4 545	324	4 869	93%	4 525	295	4820	94%	99
DURATION	8 824	466	9 390	94%	8 701	469	9 170	95%	98
NUMBER OF PARTICIPANTS	324 571	59 905	384 476	84%	334 876	60 019	394 895	85%	103

Source: adjusted by the authors according to: www.dzs.hr data, (13/08/ 2011)

The data presented in the table refers to the number of business meetings, according to the type of facility, and also to the duration and number of participants in meetings from 2009-2010. The total number of participants in 2010 compared to 2009 has increased by 3%, suggesting that Croatia is becoming an increasingly attractive host to numerous business meetings at the level of senior management of leading regional companies, followed by seminars, congresses, conferences, incentive travel destination and venue for team building.

While the number of business meetings in the same period decreased by 1%, and duration of the business meetings is shorter for 2%, which suggests that the market of meetings is periodic and sensitive to changes in business environment. Decline in the global economy and ever-present recession in the last two years reduced the number of held conferences. The market of the meetings does not react to the extent of the global crisis, as opposed to market of incentives. Therefore, many corporations approach cautiously to the organization of incentive travels and are trying to organize corporate meetings in nearby destinations. Furthermore, presented tabulation indicates that the Croatian business tourism relies mainly on the hotel infrastructure in providing services for business meetings, and that there is a lack of convention centers with large capacity. Above stated indicates that in 2010 only 6% did not hold business meetings in hotels, but in other types of facilities such as universities, cultural institutions and other types of facilities as a result of reliance on the organization of business meetings in the hotel facilities and lack of infrastructure for business tourism.

The following table shows the duration days of business tourism for a period of five years from 2006-2010 in Croatia.

Table 2.

Duration days of business meetings in period of 2006-2010 in Croatia

YEAR	Duration in days	Chain index	Basis index
2006	8 735	-	100
2007	10 561	121	121
2008	12 204	116	140
2009	9 390	77	107
2010	9 170	98	105

Source: adjusted by the authors according to: www.dzs.hr data, (13/08/ 2011)

Duration days in relation to the base year (2006) have increased, but the largest increase is recorded in 2008 for even 40%. Since 2008, days of duration began to decline. In 2009, compared to 2008, days of duration reduced by 23%, and in 2010, compared to 2009, decreased by 2%, which indicates on the trend of shorter and more frequent meetings.

Table 3.

Structure of the participants in business meetings during the period from 2006-2010 in Croatia

DESCRIPTION	2006		2007		2008		2009		2010	
	Number	Share	Number	Share	Number	Share	Number	Share	Number	Share
DOMESTIC PARTICIPANTS	344 110	90%	368 383	89%	451 536	88%	342 920	89%	344 405	87%
FOREIGN PARTICIPANTS	37 316	10%	47 439	11%	59 802	12%	41 556	11%	50 490	13%
TOTAL	381 426	100%	415 822	100%	511 338	100%	384 476	100%	394 895	100%

Source: adjusted by the authors according to: www.dzs.hr data, (13/08/ 2011)

In table 3 total number of participants, over a period of 2006-2010 increased at an average annual rate of 0.87% as a result of increasing foreign participants at a rate of 7.8% while the number of domestic participants increased negligibly small at a rate of 0.02%. This tendency influenced on the structure of participants, which is why the share of domestic participants declined while the share of foreign participants increased.

The following tabulation presents the structure of the total revenues of business meetings held by type for the period 2006-2010.

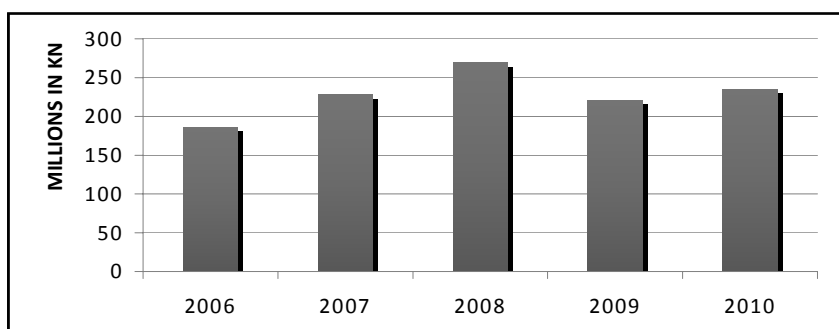
Table 4.

The structure of revenues held by types of business meetings in the period of 2006-2010 in Croatia

DESCRIPTION	2006		2007		2008		2009		2010		Average annual rate
	REVENUES	%	REVENUES	%	REVENUES	%	REVENUES	%	REVENUES	%	
BUSINESS MEETING	33 648 011	18	36 406 010	16	46 677 954	17	27 042 809	12	32 064 620	14	-1,20%
CONGRESS	118 802 386	64	153 835 123	67	167 896 907	62	151 551 237	69	150 882 892	64	6,20%
PUBLIC CONFERENCE	10 956 202	6	7 280 265	3	8 560 893	3	14 023 570	6	16 844 679	7	11,40%
INCENTIVE TRAVEL	8 385 860	5	8 982 767	4	20 033 831	8	11 417 500	5	20 456 623	9	25,00%
TEAM BUILDING	4 729 841	2	4 419 792	2	8 030 419	3	7 764 653	4	5 609 252	2	4,60%
OTHER	10 194 499	5	17 359 230	8	17 875 298	7	9 436 502	4	9 870 703	4	-3,20%
TOTAL	186 714 199	100	228 283 187	100	269 075 302	100	221 236 271	100	235 728 769	100	6,00%

Source: adjusted by the authors according to: www.dzs.hr data, (27/08/ 2011)

The above table shows that the total revenue of business tourism in this period increased at an average annual rate of 6%, mainly as a result of incentive travel revenues at a rate of 25% and revenues of public conferences at a rate of 11.4%. The structure of income indicates that the largest proportion of income is achieved from congresses, whose share in 2010 makes 64%. The share of revenues that is generated by the incentives in 2010, compared to 2009, increased by 4 percentage points, which indicates the importance of developing and promoting incentives. Taking into account the above information on the structure of revenues of business meetings, the graph provides insight into the dimension of the total income of business meetings in Croatia in the period from 2006 and 2010.

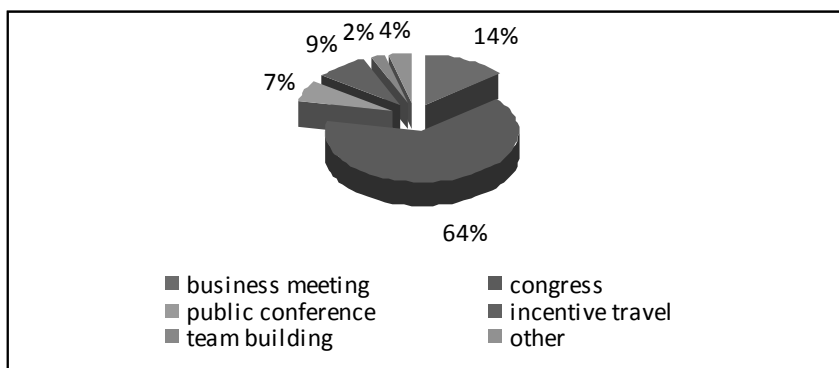


Source: adjusted by the authors according to Table 4

Graph 1. The total income of held business meetings in the period from 2006 and 2010 in Croatia

From the displayed graphic is evident that the major income from business meetings is achieved in 2008, and it was 269 075 302 Kuna. The lowest turnover was recorded in 2006 of only 186 714 199 Kuna. Turnover in 2009 and 2010 decreased compared to 2008 as a result of the recession and reduced costs in companies related to the budget for such expenditure.

The following graph gives an insight into the contribution of each segment of business tourism in the trade for 2010.



Source: adjusted by the authors according to Table 4

Graph 1. The structure of share revenues of held business meetings in 2010 in Croatia (in %)

The graph above shows that the highest income in the business tourism in 2010 was achieved in the area of organizing congresses and it was 64%. It is obvious that there is small proportion of 2% in the area of team building, which demonstrates that Croatian companies have not yet created the permanence of organizing and carrying out team building and that there is not enough promotion indicated to the external markets of business tourism about Croatia's excellent qualities for achieving better market position in that part of the business tourism.

From the all above tables and graphs can be concluded that Croatia is an interesting destination for the maintenance of many segments of business tourism such as seminars, conferences, professional meetings. The global economic situation has also influenced the market of business tourism in Croatia, with a reduction of business meetings held in 2010, as well as the shorter duration of business meetings, which supports the assertion that the market of business tourism hold meetings that lasts shorter time but they are organized more frequently. Increasing foreign participants in the structure of the participants in the period from 2006 -2010 in Croatia, shows that Croatia has increased its share in the international market of business tourism. Furthermore, the total revenues from holding business meetings in the period of 2006-2010 mainly increased because of incentives travels, while the highest income in 2010 was achieved by organizing congresses.

The National Bureau of Statistics started conducting research on congresses and business meetings in 2006, which comprised the whole of the Republic of Croatia. It would be interesting to gather statistical data on particular destinations with the greatest number of gatherings in order to follow statistically the number of participants and their companions; this would contribute

considerably to the growing accommodation capacity utilization level, to the stimulation of both pension and non-pension offerings and consumption, and to the growth in the overall daily expenditure.

In Croatia there is the concept of planning the construction of large congress halls or centers that this type of selective tourism would led to a higher level of development.

Furthermore, business tourism in the Croatian economy emerges as a special branch of tourism and one of the factors of its development. Despite the difficulties in today's tourism industry, it maintains its growth. Its features, as well as the structural elements of business tourism, (which can be divided into individual segments such as subjective and objective factors, resources and infrastructure and business tourism operators), that condition the development, shows that the higher standard on the global market of business tourism, as well as in the Republic of Croatia, in the future can expect to develop at a higher rate even than the tourist trade.

After the above analysis of Croatian business tourism can be concluded that the results are unsatisfactory considering the possible potential. This stems from the fact that Croatia does not have a strategy for development of business tourism as a separate document, but it is fragmented, as a part of a Strategic marketing plan of Croatian tourism and Strategy for development of Croatian tourism. A big step would be made forward in the development of business tourism if, for example, the study of development of Croatian business tourism would be made, that would follow the strategy for development of Croatian business tourism, as there already is foursome selective types of tourism such as the nautical tourism and cultural tourism. Therefore, Croatia has to make certain changes and focus on the new directions of development. For effective development of business tourism of Croatian, it is necessary to accept the contemporary economic trends and try to create the primacy of the business tourism market.

4. CONCLUSION

The Republic of Croatia's tourism development must follow the trend of investments into business tourism. High profitability of this type of tourism, motivation, and positive investment activities can result from indicators in higher daily expenditure of congress participants, construction of additional and currently available accommodation. Business tourism has direct impact on increased employment of local residents and GNP growth. It also develops the potential for year-round tourism offerings and growth in off-season tourism capacity and occupancy; this improves the overall national economy and builds a recognizably positive image of Croatia in the business tourism market. Besides investment into essential business tourism infrastructure, attention must be paid to the quality indicators and the need for the high-quality additional services

outgrowing the expectations of participants. This is achieved by quality and visionary programs of organized excursions, by top-level entertainment, and by additional tourism attractions integrated into the official congress program. This can, for instance, consist of organized tours dealing with the historical and cultural heritage of the congress's host city, including sight-seeing cruises along the coast, museum tours, tickets to the performing arts.

Furthermore, in order to get an image how business tourism contributes to the development of Croatian tourism in general, it is necessary to determine its scope and perspective of development and direction of movement in total tourism business with simultaneous and continuous research of that segment in the tourism market. In further development it is necessary to directed towards the strategic objectives such as improving business performance and quality of business tourism products, increase market competitiveness of business tourism, overcome weaknesses and exploit business opportunities and strengths and effectively present own potentials. At the global level demand for services and products of business tourism is increasing and the majority of tourist revenue in the world goes to business tourism. Croatia, as it seems, due to the undeveloped capacities, is losing a large part of tourist market in this segment.

The trend of expanding co-operation and new understandings in both humanistic and economic fields, statistical indicators (obtained benefits, total number of organized business meetings and the high daily expenditure of congress participants), indicates the expansion of business tourism within the Croatian tourism offerings, which can in turn significantly contribute to the competitiveness of the national tourism industry.

The driving force detected within business tourism must be applied to direct Croatia towards the reputation of a high-value destination.

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**POSLOVNI TURIZAM – MODERNI OBLIK TURIZMA ZA
POBOLJŠANJE KONKURENTNOSTI HRVATSKOG
TURIZMA*****Sažetak***

Poslovni turizam je moderni oblik turizma a obuhvaća putovanja koja u svojim glavnim oblicima uključuju poslovne sastanke, konferencije, kongrese, izložbe i insentiv putovanja. Hrvatska, u nastojanju da održi konkurentnost, može poboljšati svoj status na turističkom tržištu, čineći značajna ulaganja u poslovnu inteligenciju i intelektualni kapital te infrastrukturu poslovnog turizma. Iako se početna ulaganja mogu činiti visoka, Hrvatska ne može zanemariti činjenicu da veća platežna moć a time i potrošnja sudionika kongresa može doprinijeti bržem povratu ulaganja. Gledajući dugoročno, Hrvatska može povećati svoju konkurentnost na turističkom tržištu i razvijati se u smjeru destinacije poslovnog turizma visoke vrijednosti.

Ključne riječi: moderni oblik turizma, poslovni turizam, turističko tržište, konkurentnost.

JEL klasifikacija: L83