

# TOURISM CLUSTER - PROMOTER OF RURAL DEVELOPMENT IF CROATIA

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## **Abstract**

*Tourism, as one of the greatest phenomena of the 21 century, is characterised by an intense competition in the global tourist market, because of the growing tourist demand in the last couple of decades. The competition between tourist destinations, regardless of what kind of tourism products and services they provide requires tourism product providers to adapt their offer to the preferences and requirements of “modern” tourist consumers, which has resulted in the development of new, selective forms of tourism. One of them is rural tourism which has experienced continued growth in the global market. If one takes an objective look at the actual position of rural tourism in the overall tourism industry of Croatia, it is evident that it is not assigned an adequate level of importance. The basic reason is certainly the focus of national tourism policy exclusively on the development of the seaside tourism, which has lead to a disorganized (random) development of rural tourism. Specifically, there was no networking and cooperation between tourism stakeholders in rural areas.*

*Clusters are one of the methods for structuring rural tourism, since they are built on vertical and horizontal networking and strategic partnerships. The existing knowledge on the issue will be presented in the theoretical part of this paper by describing empirical evidence obtained by Croatian academic community in the field of clusters in rural tourism. The empirical part of the paper is focused on the analysis of the benefits brought by clusters or common interest groups. For this purpose, empirical research will be carried out on rural tourism providers (TFF<sup>1</sup> owners) in the selected counties of Continental and Adriatic Croatia.*

**Keywords:** rural tourism, clustering, TFF owners, Continental and Adriatic region

JEL Classification: O18, P25, L83

## 1. INTRODUCTION

Despite the more difficult world economy and the negative trend of downfall in economic activity, tourism sector has proven to be extremely durable, which is proven by the continuous growth of international tourist arrivals and tourist spending, which according to predictions of world tourist organization (UNWTO) will grow till 2030 approximately 3,3% a year. Tourism as a activity allows many countries maintenance of stability in economy and well-being of the population, which justifies the further incentive and investment in his development, considering it's important and effective role in creating income and new jobs (Sharpley, 2002), in the time when many countries suffer from great unemployment (World economic forum, 2013). Because of own flexible character, handling the tourist activity can't be limited, which allows equal involvement of all interested stakeholders. By the influence of global trends which mark the tourist market "tourists of the third generation" occur which wanting to experience new, special tourist experiences influence the diversification of the tourist offer, in which by basis comparative, competitive and other advantages, tourist destinations are specified for a certain group of shown tourist interests. In this circumstances business of economic subjects on the tourist market, is marked with a strong imperative of profit, which automatically conditions investment of great effort in creating new products or services, offer diversification, looking for

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<sup>1</sup> TFF – Tourist Family Farm

a way to take position on the market of tourist niche for which there are interests of tourist spenders but also comparative and competitive forces for survival on the that kind of market.

According to data of UNWTO (2013), Europe is still the most visited tourist region, where the Mediterranean is especially highlighted, which represents the challenge of strengthening competitiveness of Croatian maritime zone, but also the opportunity to reduce seasonality, strengthening tourism on continental parts, especially rural areas. Adequate answer to this market challenge is rural tourism, therefore every country that has a goal to increase competitiveness necessary needs to look on own potentials to develop this kind of tourism, and to find ways of their quality valorisation (Krajnović et al., 2011). Encouraging further development of rural tourism in Croatia is extremely important for achieving goals of tourist politics and general goals of national politics for improvement of life on rural area. Take for a fact that rural areas in Croatia are rich in natural and cultural goods, which is lagging behind in economic development, perspective of recovery with primary activities is in tourism, in valorisation of existing resources. The break through struggle of rural tourism of continental Croatia on the level of tourist demand recognition is reflected through a series of mutually tied factors, among which is a special need to strengthen the competitiveness through the support system of those interested in starting entrepreneurial undertakings (Komppula, 2014), networking offers of tourist content into a unique product of small economies that operate separately, but also the lack of coordination between providers of products and services in the destination area which decreases the value and limits the visibility of local products (Contini et al., 2009) and the absence of coordinated, innovative marketing, as a way of creating competitive destinations in behalf of their stakeholders (Buhalis, 2000) and other.

How the position of rural tourism in Croatia could be significantly improved it is necessary that the economies realize that they don't exist for themselves, but they need to be a component of a wider organism which needs to represent a organized offer based on cooperation and mutual replenishment, which is best to accomplish through cluster (Meler, Horvat, 2007). This fact is confirmed in the Recommendations of the Tourism Committee of the Croatian Parliament (2015), which highlights the lack of cooperation between competent institutions and their lack of coordination on the field. Therefore is recommended to all stakeholders of tourism development on local and regional level to create

and spread the awareness of tourist culture, promotion and conception of destination development, and to encourage mergers on local, regional and national level.

Based on indentified guidelines of rural tourism development, problem of research actually the subject of researching work is focused on indentifying potential factors of interest merging of agrotourism economy owners. The purpose of the paper is to show the necessity of merging TFF into an interest association into a cluster with relevant tourism stakeholders on geographically rounded area of continental Croatia with consideration of available theoretical and practical insights of authors which previously worked with this thematic.

## 2. TERMINOLOGICAL DEFINITION OF RURAL TOURISM

Terminological definition of rural tourism should be approached very carefully. Dimitrovski, Todorović and Valjarević (2012) mention that the same expression is hard conceptually to determine. In accordance with the noted, the conclusion is that there is no universal, and therefore generally accepted, definition of rural tourism. The reason to that surely lies in the fact that in the terminological definition of rural tourism first you should define the rural area which is different from country to country. For a more detail show of criterion defining rural areas see more in publication OECD-a (1994) "Tourism strategies and rural development". Further below this work there will be shown the definitions of rural tourism given by recent tourism authors.

One of the leading Croatian tourism theorists in the field of rural tourism Pavlo Ružić (2009, 15) quotes a definition of rural tourism by Council of Europe from 1986 which says: "rural tourism is a tourism that includes all activities in rural area, and not just the ones that can be determined as farm or agrotourism". Croatian chamber of economy (in further text HGK) in publication "Tourism on rural family economies" defines rural tourism family economy as a smaller economic whole centred in a tourism attractive area which provides a original product or service of economy, in which in work is included every family member (HGK; 2002, 5.).

It is important to note that the government of Republic of Croatia agreed with Eurostat, in 2012 divides Croatia on two statistic regions: Continental

and Adriatic region (Ministry of regional development and funds of European Union; 2012). Relevant pointers of rural tourism development will be the data of HGK from 2007 which are related on the real condition of agrotourism economies.

According to the Ministry of regional development and funds of European Union, it can be concluded that continental region is made of 13 counties and Zagreb city, and the Adriatic region of 7 counties. By research of HGK – tourism sector (2007), territorial fragmentation is visible. Therefore the tourist development of continental region is in a great, even „enormous“ development deficit. Corroborating the spoken there should be noted that of 352 registered tourist country family economies (in further text TCFE) in continental region are registered 35,5% economies, and in Adriatic 64,5%. It is good to note that in 7 continental counties there is less than 10 registered TCFE, and in 4 counties there is none registered TCFE (HGK; 2007).

The main reason of the existing condition in the tourist sector of Croatia in the area of rural tourism is because the recent focus of national tourist politics was exclusively on the product „sun, sea and sand“. Adding to spoken, culture of common cooperation between small economic subject does not exist.

### 3. CLUSTERS

„In entrepreneurial Economy, cluster is determined as a common cooperation between related groups in some social activity. The term itself marks a process in which something is gathered in a group, which from an economic point of view means common economic business or other subject who seek to realize common goals“ (Škrtić, 2005, 113). So, they arise as a result of innovations which are defined as groups of competitive, cooperating and mutual dependent companies which are in the same industrial environment and are focused in one geographical region.

The term cluster marks, *inter alia* crowd or mass, so from those things comes out clustering, as a process in which comes accumulation of something on a mass by the determined principles that are used in a organization form of a cluster. Practical conduction of clustering is achieved by applying a system approach and its principles, while respecting a certain hierarchical procedure. Re-

sult of that kind of system approach are clusters which represent decentralized form of organization like the one described by Brezničar in 2006.

Clusters are actually concentrated, geographically, mutually connected economic subject like specialized suppliers, service providers and connected institutions which in certain area, by creating a common product, represent region or a state. Inside each cluster some organizational units can act, as an independent profit centres, or independent business units. They have to bear responsibility for every business success or failure, which can be applied very successfully on small and medium company (Škrtić, 2005).

Besides that, Horvat (2004) notes how clusters can be described as production arrangements between participants, which are on small or big ways characterized by a strong cooperation between all subjects inside the grid, social – culture identity, institutional weapon, industrial atmosphere, support of local institutions, the existence of coordinating institutions, high index of survival, dynamic weapon and industrial competition, suitable local factors ( natural and human resources, logistic, infrastructure) and strong economic connection between all subjects that belong to clusters. Also notes that common areas to all who are concluded in a cluster are promotion and marketing, procurement of raw materials, distribution, maintenance, education and development of professional human potential, organized structure connection, development of techniques and information about the competition.

In the practical act system of clusters has appliance in business systems which in act form more different strategic market acts. That is how business subjects are connected to merchants, raw material developers and all kind of parts. It can all be copied to many small or medium companies and all kind of entrepreneurship. Other form of a successful application of the mentioned system refers to achieving important business and profit success, and greater ability to compete on the market. Entrepreneurs inside clusters can plan more accurate production processes, lower costs of production, computerize whole processes and quickly response to environmental changes (Škrtić, 2005).

## 4. METHODOLOGY

With the goal of getting more relevant primary data and insights there was a research purposed to explore, analyze development activities and business



benefits which are encouraged by cluster association and to establish in which measure national politics encourages cluster way of thinking. Primary reason is in the fact that cluster networking in rural tourism is highly important tool of competitiveness and sustainability on a more saturated tourist market, since “rural” stakeholders are mostly small business units. Research was conducted between February 9 and March 2 in 2015 on the area of Continental region of Republic of Croatia,<sup>2</sup> or in selected counties. The focus of groups of this empirical research is on TFF owners which are members of a tourism cluster. It should be noted that the primary data was gathered with the phone research method. Actually speaking, the gathering tool was a structured question mark and in analysis of primary data standard scientific methods were used.

**In accordance with the defend goal basic research questions were set:**

1. In which measure does the cluster way of thinking encourage mutual development activity between associated interest stakeholders?
2. In which measure cluster promotes benefits, and business profit?
3. In which measure does the national politics encourage tourist cluster development?

**In accordance with set up research questions tasks of research are defined:**

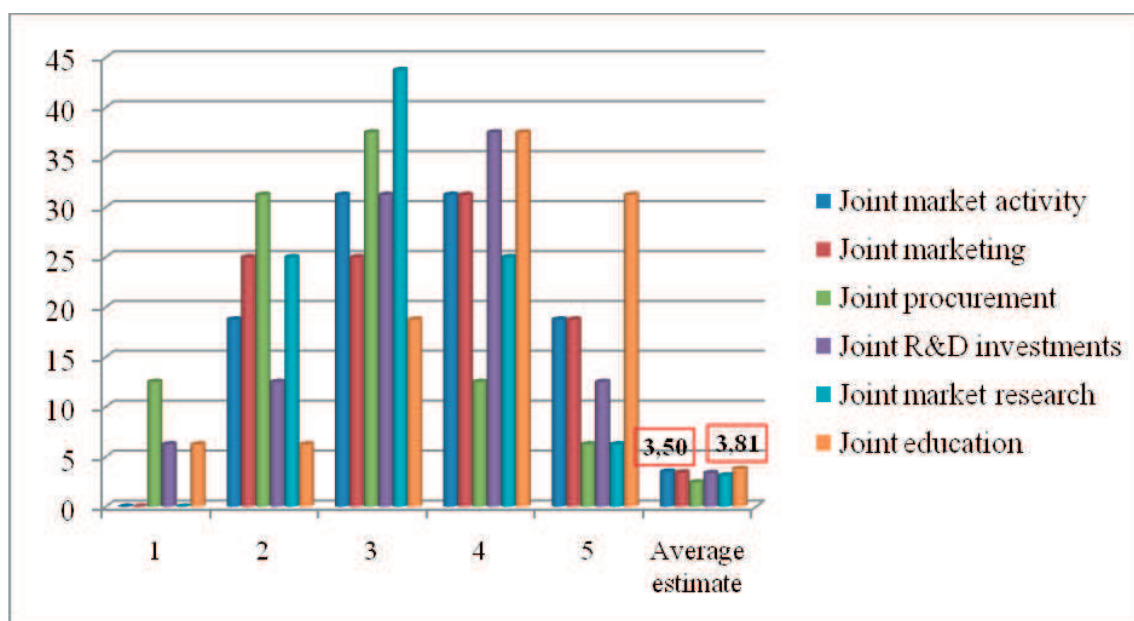
1. Research development activities which cluster association provides associated stakeholders?
2. Question in which measure cluster “products”, that is what business benefits it develops?
3. Establish in which measure does national politics contributes with development tools (advisory and financial activity) in the development of cluster way of thinking and finally in connectivity?

<sup>2</sup> It should be noted that the Croatian Government agreed with Eurostat, in 2012 Croatia is divided into two statistical regions: Continental and Adriatic region. The composition of the continental region are 13 counties (Zagreb, Krapina-Zagorje, Varazdin, Koprivnica-Krizevci, Međimurje, Bjelovar-Bilogora, Virovitica-Podravina, Požega-Slavonia, Slavonski Brod, Osijek-Baranja, Srijem-Karlovac and Sisak-Moslavina) and the City of Zagreb, while the composition of the Adriatic region includes seven counties (Primorje-Gorski Kotar, Lika-Senj, Zadar, Šibenik-Knin, Split-Dalmatia, Istria and Dubrovnik-Neretva) (Ministry of Regional Development and EU Funds; 2012).

## 5. RESEARCH RESULTS AND DISCUSSION

At the beginning of analysis of the primary data it should be point out that the research was carried out on a sample of 16 TFF owners which are members of a tourist cluster on the area of continental region of Croatia. How we can question the mutual development activities which cluster networking provides between stakeholders, respondents were offered the following question: In a scale from 1 to 5 rate mutual development activities that tourist cluster provides (1 - not at all, 5 – extremely strong) to interested stakeholders? By analysis of given primary data it is visible that the TFF owners with the biggest average grade of 3,81 or 3,50 evaluate activity of joint education and joint appearance on the market. Contrary to that with the lowest average grade evaluate activity of joint procurement (2,44) and research market (3,13). All expressed is confirmed on the chart 1.

**Chart 1** joint development activities which cluster provides to interested groups (1 – not at all, 5 extremely strong)



Source: calculation of authors according to conducted research

Detection of business benefits and profit which cluster association provides, respondents were asked the following question: In a scale from 1 to 5 rate in what measure tourist cluster encourages next business benefits, or profits (1 – not at all, 5 – extremely strong)? From table 1 (By the sum of column 1 and 5) it is visible that TFF owners consider that cluster networking contributes to creating a new value of their tourist products and overcoming the shortcomings



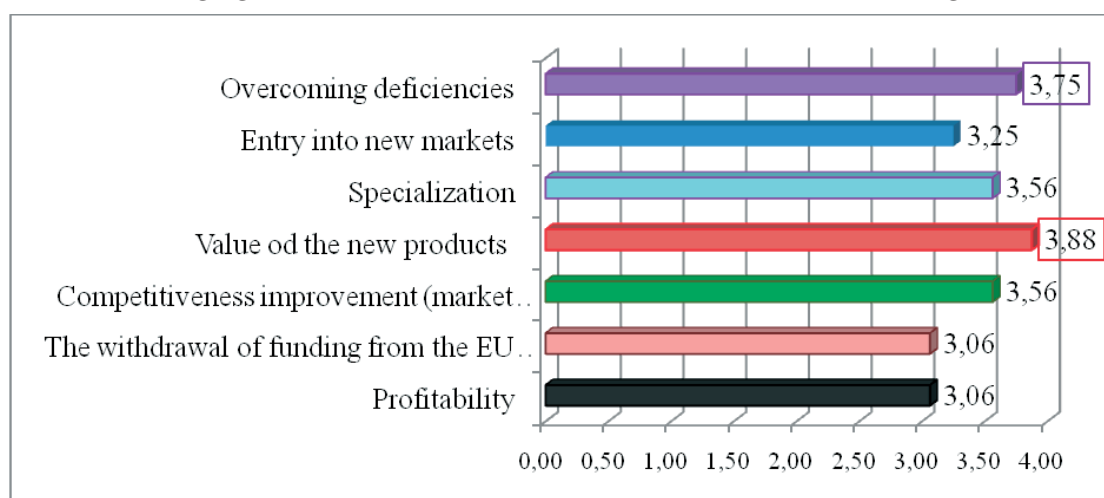
of each of these stakeholders. Summing column 1 and 2, from table 1 it can be read how TFF owners think that cluster as a tool of competitiveness and sustainability in smallest measure contributes to withdrawal of financial resources from structured EU funds, creating profitability and opening new markets.

**Table 1** Business benefits which cluster association provides to joint stakeholders

Business benefits	1	2	3	4	5	Amount
Profitability	1 6,25%	4 25%	7 43,75%	1 6,25%	3 18,75%	16 100%
The withdrawal of funding from the EU Structural Funds	2 12,5%	4 25%	5 31,25%	1 6,25%	4 25%	16 100%
Competitiveness improvement (market position)	1 6,25%	1 6,25%	5 31,25%	6 37,5%	3 18,75%	16 100%
Value of the new products	0 0%	0 0%	5 31,25%	8 50%	3 18,75%	16 100%
Specialization	0 0%	2 12,25%	6 37,5%	5 31,25%	3 18,75%	16 100%
Entry into new markets	1 6,25%	3 18,75%	5 31,25%	5 31,25%	2 12,5%	16 100%
Overcoming deficiencies	1 6,25%	1 6,25%	3 18,75%	7 43,75%	4 25%	16 100%

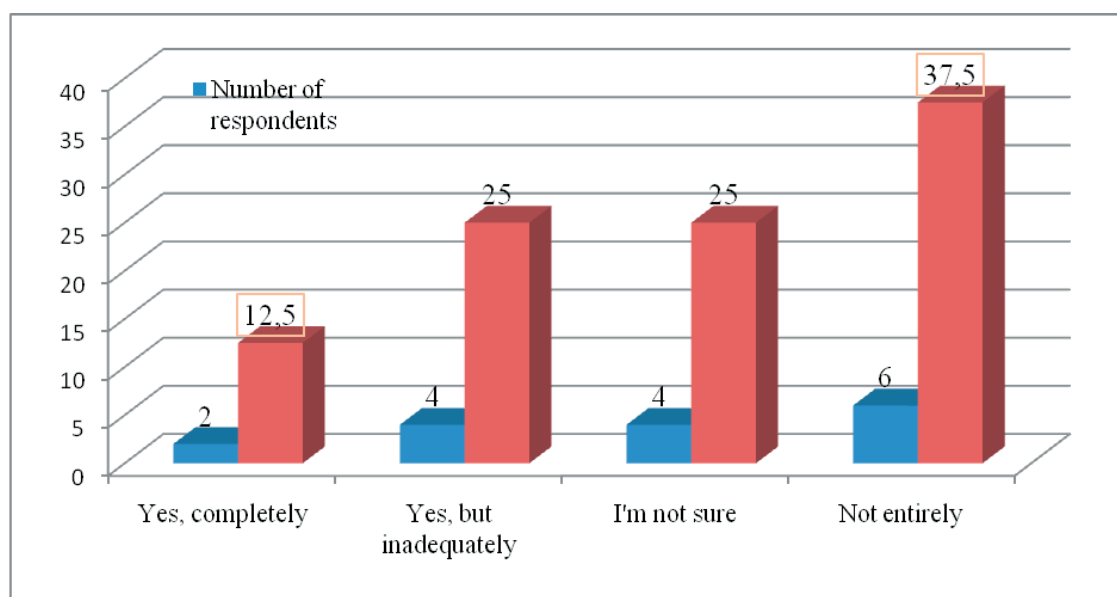
Source: calculation of authors according to conducted research

Previously expressed, it can surely be confirmed on shown average ratings in chart 2. As it was expressed, average rating of 3,88 and 3,75 thoughts of TFF owners are confirmed which claim that cluster form their point of view contributes the most on development of new product value and overcoming single deficiency and shortcomings.

**Chart 2** average grades tied business benefits of cluster networking

Source: calculation of authors according to conducted research

According to obtained data most of the TFF owners, 37.5 % of them consider that national politics has not in entirely advisory or financial measures and activities helped the development and work of tourist clusters (chart 3). Contrary imposed, 12.5% of TFF owners consider that national politics helps in educative, and in financial sense a sustainable cluster development.

**Chart 3.** Rating of previous state measures in cluster promotion from the TFF owners perception

Source: calculation of authors according to conducted research

## 4. CONCLUSION

Considering the cluster meaning from areas of rural tourism which is established by domestic analysis, and especially international relevant literature, authors of the paper conclude, also based on analyzed research results, how necessary is associating TFF owners in to clusters. However, author research has indicated in existence of a significant area for improvement of national politics which define area of promotion, organization, finance and operative work of tourist clusters in Republic of Croatia. Analysis of obtained primary data has showed that TFF owners recognize activity of joint education and joint appearance on the market, while on the other hand they don't recognize activity of joint procurement and market research as a benefit that is provided in cluster association. Benefits provided by cluster networking are contribution to creating new values of tourist products and overcoming the shortcomings of each single stakeholder. Significant area for improvement to creators of cluster development politics is read out of research results that indicates how TFF owners consider that cluster does not contribute to withdrawal of financial resources from structured EU funds, creating profitability and opening new markets. Authors based on research results conclude how national politics, by the use of advisory and financial measures should help work and development of tourist clusters.

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