

## FAMILY HOTELS AS A DEVELOPMENT OPPORTUNITY OF CROATIAN HOTEL INDUSTRY

Conference paper

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### **Abstract**

Modern tourists during their stay in the tourism area expect hospitality and direct relationship with its host. The purpose of this paper is to point out the fact that the needs of modern tourists can be satisfied especially in the atmosphere and ambience of the family hotels as more significant form of Croatian tourism offer.

**Design** – The paper consists of comments, research and research results.

The methodology of this paper is based on field research on the islands of Brac, Vis, Hvar and Šolta. Attitudes and a possible model for the development of family-run hotels as important factor in the development of tourism on these islands and Croatian are defined through interviewing foreign tourists and local people.

The approach in this paper is based on the research results, which are the basis for defining development model of family hotels as a special form of tourist offer.

**Findings** – The paper confirms the basic hypothesis of work that there are significant opportunities for the development of family hotels and for which there is significant demand for this form of tourist offer.

Originality of the work lies in the fact that it is based on the research of family hotels, a relatively new form of tourist offer with a strong growth tendency in tourism demand. Based on the research results development model of family hotels as a substantial part of Croatian tourism offer is proposed.

This paper proposes also the organizational development of family hotel industry model as a precondition of incentives for development the Croatian hotel industry and its valorization on the international tourism market.

**Keywords** hotel, tourism industry, tourism offer, tourism development

### **INTRODUCTION**

The development of the hotel industry in Croatia began in the sixties of the twentieth century, when the systematic construction of hotels started. Regards to the organizational structure and the average size of hotel facilities, the present Croatian hotel industry is characterized by certain specifics.

According to accommodation facilities, hotels make only about 13 % of the total number of tourist beds in Croatia. Therefore, on the international tourism market Croatia is not a dominant destination focused on the hotel guests, but on those who stay in apartments , private accommodation 49 % and camps 25 % .<sup>1</sup>

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<sup>1</sup> Strategija razv. Tur. RH do 2020, page 6.

The hotel industry in Croatian tourism is not yet the dominant force because the accommodation offer is fragmented (large number of private accommodation), disorganized and oriented on holiday seasonal business. The hotel offer in Croatia is mostly mid-level quality and the structure of the hotel product has not been developed. A large part of hotel business in Croatia is performed through hotels that have 100 to 200 rooms (3 star hotels), that were built in the sixties and seventies of the twentieth century for mass, undifferentiated market.

After four decades, the requirements of the international tourism market are significantly different. Massive tourism loses its attractiveness, and the experience and personalized services are wanted. There is an apparent change of old mass tourism, standardized, based on package tours and the emergence of new tourism, flexible, integrated, and considerate towards the environment.<sup>2</sup>

Modern tourists are informed, mature, have a long tradition and culture of traveling (heterogeneous), are more demanding, they want to be different and have understanding. For those tourists, vacation is an extension of their everyday lives.

Such tourists prefer flexible, special, different accommodation facilities in which they feel like they are at home. In these accommodation facilities tourists expect to feel relaxed and establish a friendly and direct relationship with its host. Hotels that meet the needs of such tourism is usually defined as a small family hotels.

Although some small family hotels, as a part of the hotel structure in Croatia, already exist number of years, it is still a new trend in the local tourist offer and a phenomenon that recently received greater emphasis.

Family hotels are more and more important form of Croatian tourism offer with a constant increase in traffic and spendings per guest, with a trend towards efforts for extension of the tourist season. In the Croatian hotel industry, family hotels are represented with about 340 hotels that have 7800 rooms and 15600 beds.<sup>3</sup> Thus, family hotels participate with 13 % of total accommodation capacity of the Croatian hotel industry.

In developed tourist countries such as Italy and Austria small family hotels participate with about 70% of total accommodation capacity of the hotel industry.<sup>4</sup>

Trends in modern tourism demand and needs of tourists certainly require some changes in the structure of accommodation, particularly in the hotel industry. One of the possible changes is the increasing role and importance of the family hotel industry in the overall offer of accommodation in Croatia.

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<sup>2</sup> Poon,2003. i Vanhove, 2005.

<sup>3</sup> Institut za turizam, Nacionalni program razvoja malog obiteljskog hotelijerstva, 2013; www. mint. 15.01.2014.

<sup>4</sup> www.omh .20.01.2014

Research hypotheses of this paper are: a) there is an increased interest and demand of foreign tourists to stay in family hotels especially on the territory of middle Dalmatian islands; b) family hotels are one of the main directions of development of accommodation facilities on middle Dalmatian islands.

Therefore, this paper is trying to define the possible form of development of small family hotels on middle Dalmatian islands, that would contribute improving the quality of offer of Croatian hotel industry and thus the competitiveness of the Croatian tourist offer in the international tourism market.

## 1. THE TERM AND CHARACTERISTICS OF FAMILY HOTEL

The perception of the hotel as a hospitality object starts from the fact that this is the unit that is obliged to provide accommodation and other services in a specific hotelier way. The hotel is an ambience which purpose is to provide its guests useful and efficient service and a comfortable stay.<sup>5</sup>

The legislation of certain countries differently define the term of hotel. Some countries in their legal regulations put the general features of the hotel in the first place. For other countries, in the first place are the minimum requirements that must be met by an object that could be called a hotel.

According to Croatian law, the hotel is defined as the unit that is obliged to provide accommodation and breakfast, and can provide catering and other services.<sup>6</sup> A common feature of all hotels is that accommodation in the hotel consists of rooms and hotel suites, apartments.

Hotels can be classified according to different criteria, such as by the size of the capacity and number of employees. It is believed that these criteria are best, because they are not affected by inflation, they are comprehensible and comparable.<sup>7</sup>

According to the criteria by the size, hotels are classified in small hotels (100 rooms), medium-sized hotels (100-200 rooms) and large hotels (more than 200 rooms).<sup>8</sup>

According to the Austrian hotel classification, hotels are divided into: small hotels (up to 70 beds), medium-sized hotels (70 -150 beds), large hotels (more than 150 beds), and hotel chains (over 1,000 beds). In Germany, hotels are classified: small hotels (9-29 beds), medium large hotels (30-99 beds), large hotels (more than 100 beds). According to the UN hotel criteria, hotels are classified in: small hotels (40-80 beds), medium-sized hotels (80-150 beds) and large hotels with more than 150 beds.

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<sup>5</sup> Galičić, Ivanović, Lupić, 2005, page 11.

<sup>6</sup> Pravilnik NN/63/13 čl. 3.i 6.

<sup>7</sup> Galičić i dr. 2005, page 14.

<sup>8</sup> Baker; Bradley, 2000, page 8.

Hotels in Croatia are usually classified into the following three groups: small hotels (capacity of 5 to 50 rooms), medium-sized hotels (51-200 rooms) and large hotels over 200 rooms.<sup>9</sup>

In Croatia the same legal regulation establishes special standards that specify the offer of a certain hotel. Types of specific standards in the hotel industry, which occur in Croatian categorization process are: Business, Meetings, Congress, Club, Casino, Holiday Resort, Coastline Holiday Resort, Family, Small and Friendly, Senior Citizens, Health and Fitness, Spa, Heritage, Diving Club, Motel, Ski and Hotels for people with disabilities.<sup>10</sup>

According to the process of standardization of the Croatian hotel industry, criteria that determine the concept and function of the family hotel are defined.

The characteristic of family hotel is defined by its capacity which is not more than fifty rooms. The capacity of the family hotel include restaurant and bar with the possibility of offering other kind of hotel services; smaller meeting rooms as well as wellness and fitness. Family hotels are targeted to specialized markets, mostly aimed towards the market segment for individual guests. The family hotel has a personalized relationship with the guest.

The owner of family hotel is an individual or a family. The financing of the current development of domestic hotel industry in Croatia, with its own financial resources, has been based on the subsidized loan financing with cash and non-cash benefits for the owner.

In the family hotel the term of owner and the term of manager are merged into one person. The owner defines the concept and arrangement of the building. Simple and flexible organization, rational employment and concern about the overall profitability of the hotel is the foundation of the business philosophy of family hotel industry. The current development of domestic hotel industry in Croatia crystallized the advantages and disadvantages of family hotel industry.<sup>11</sup>

The advantages of family hotel business are: a) more flexible in adapting to market trends b) the personality of the owner in managing c) a personalized relationship with the customer d) the possibility of extreme differentiation.

Disadvantages of the business in family hotels are especially prominent as: a) limited possibility of expansion, b) expensive procurement, c) lack of management skills and d) limited opportunities for advancement of employees.

Small family hotels have a very simplified organizational structure: the owner is in most cases also director, sometimes helping at the reception, in the restaurant or in the kitchen. The working places are overlap (the receptionist works as a waiter, waitress or

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<sup>9</sup> Pravilnik NN 63/13 čl. 6.

<sup>10</sup> Pravilnik NN 63/ 13 čl. 64.

<sup>11</sup> Strategija razvoja turizma RH, 2013, page 54.

a maid), uses an external accounting services, there is often not a person who is in charge of sales and marketing. Family hotel industry is not a job for quick and easy money. It represents a lifestyle that requires a great commitment and hard work of the whole family.

Members of the family, as entrepreneurs in the family hotel industry, are investors and ones who take business risk. They must be aware of the specifics of working in the family hotel industry, liabilities for long-term funding of the projects and other obligations arising from the construction and affirmation of the hotel on the tourist market.

The important favorite of family hotels are authentic local values that most family hotels nurture. It is referred to the architecture that reflects the influence of the environment, along with gastronomy a characteristic of a particular region, excursion tours in the picturesque landscapes and exploring the Croatian cultural heritage.

Family hotels include the diversity and richness of many segments of the cultural, historical and natural heritage. Often the most beautiful family hotels are located in the old environment of historical center, which are protected as cultural monuments.

The development of family hotels in monumental buildings is an important and attractive part of the tourism offer that can be developed. That action can preserve and valorize heritage.

Modern tourists increasingly avoid large hotels, where the hotel staff do not establish any relationship with them. Family hotels are much more flexible and operate on the principle of "customer service," which means that it is all concentrated on the guests and their wishes. Also, there are no firmly standardized procedures as in the big hotels, so the owners easily establish a friendly relationship with the guest.

Family hotels guest feels comfortable and relaxed due to the architecture and interior of a hotel. It creates the atmosphere that tourist feels like staying at home or with good friends. This all makes the guests feel accepted and respected and thus satisfied.

Family hotels cause increasing interest in tourism demand. Guests are saturated with the featureless character of large hotel complexes. The modern tourist does not want to be anonymous at the hotel and wants to make contact with their host. Guests of the hotel family expect a warm welcome, discussions, small signs of attention, friendly but professional relationship.

Family hotels draw their strength from providing personal services. The family hotel offering a personal service introduces the personality into the business, the ability to provide individualized, differentiated services.

This is the basic advantage of family hotels compared to the large hotels. Family hotels are less demanding, compared to large hotels, in the architectural and technological terms. The economy of small hotels is based on large utilization of annual capacity,

which allows greater coverage of fixed costs and the optimum harmonization of variable costs.

Staff employed in family hotel are usually owner and members of his family (immediate and wider) and professional staff (waiters and cooks) and with flexible working hours and labor rights and obligations.

Family hotels working style is simple, it is easier to train staff and it provides more efficient operations. Family hotels have higher level of business flexibility, because they are able to make adjustments to tourism demand, in short-term, faster than larger objects. Family hotel reflect the local culture better and fit into the natural and cultural landscape faster. In gastronomy, family hotels use autochthonous ingredients more. It adapts easily to the requirements of the guests. Manager has a constant review of events at the hotel and can immediately react and coordinate real situation with necessary needs. Staff of family hotel is in constant contact with guests. Their service is personalized, and every guest is provided maximum attention. The needs and requirements of the guests are tried to be satisfied. The atmosphere in the family hotel is distinguished by the fact that the guest and staff are not anonymous, everyone has their own name.

This creates ambience of comfort, confidence and satisfaction. The family hotel is characterized by family atmosphere. If quality is what the customer wants, asks and expects, then this is what a family-run hotel can offer faster and more easily than large hotels.

## **2. FAMILY HOTELS AND TOURIST DEMAND**

Specific attributes and values of family hotels is a family atmosphere, the warmth of home and hospitality that the host-hotelier offers to its guests.

In the environment and atmosphere of a family hotel it is possible to establish direct communication of host with his guests and thus establish specific forms of socialization and companionship.

Family hotel offer is based on local gastronomy and their specialties based on ingredients from the immediate and ecologically preserved environment. Staying in a family hotel, which is part of the cultural and historical sites, tourist receives a possibility to experience the ambience of the site in a special way. Staying in a family hotel, provide an opportunity for direct participation and involvement of tourist in local traditional events.

Attributes and values of family hotels are clearly recognized by tourism demand. The most important value is definitely the privacy, that can be achieved in the atmosphere of a family hotel. In particular, the personalized service is appreciated. It is subordinate to the individualized needs of every potential user. The goal is to please (pampering) and meet the specific needs of each guest, and thus the degree of tourist's satisfaction is put on the highest level.

In the family hotel industry, the selection of attractive locations for the object is taken into account, but also the arrangement of its interior design, garden landscaping and overall environment of the family hotel. This is largely a reflection of the general features of the global tourism demand, which is characterized by the following facts.<sup>12</sup>

Tourist, the representative of the 'Baby-boom generation', declare him or herself as a liberal, nonconformists, 'forever young' and active. Such tourist perceive travel as a necessity, not a luxury, prefer 'active relaxation' (eg, hiking, fishing, touring) or intellectually stimulating travel (eg, cooking schools, themed tours).

'Generation X' rely on their own strength and are enterprising. This generation loves challenges, adaptable to change, are distrustful and 'value for money' is imperative. In the journeys they are constantly searching for 'undiscovered', fueling demand for individual journeys of special interests.

'Generation Y' grew up with technology, in "the global village", with Internet. Fast communication and constant changes are part of their daily routine. They generate additional demand for individually tailored travel programs and special interest tours. General trends in tourism demand indicate that the time available for vacation is growing, although working active and capable to pay, they are increasingly under greater pressure from business obligations. Although they are wealthy, they are in lack of time.

Nowadays, tourists are traveling on a shorter but more frequent trips or buying those forms of travel arrangements that save time. Wealth, increasing levels of education and travel experiences and new social values influence on the growing demand for active forms of holidays. Use of the Internet as a source of information and purchasing travel products and services is a reality of modern tourism demand. Tourists will have an increasing opportunity for comparison of products and prices and therefore control over their own choice.

Modern tourists increasingly use an option of making their own travel arrangements offered by combining modules. Buying travel arrangements over the Internet will encourage the trend of last minute booking.

Growing environmental awareness affects customers who choose products, including destinations and hotels, in relation to the level of satisfying the 'green' criteria or 'naturalness'.

Higher levels of education and significant changes in social values and attitudes affect tourist individuals as customers and influence on their needs and preferences for tourist travel. More pronounced individualism is one of the fundamental value changes in contemporary society. This shift can be explained with rising levels of education, economic well-being and independence, and this resulted with post-material values in which higher quality of life becomes a more important than profit. Tourists who have

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<sup>12</sup> Institut za turizam, Nacionalna udruga obiteljskih i malih hotela Hrvatske, *Marketing plan nacionalne udruge obiteljskih i malih hotela*, Zagreb, 2008., page 15.

these characteristics want products that are customized to them. The need for market segmentation and differentiated approach towards different groups of consumers is manifested through preferred activities such as visiting cultural attractions, physical activity and shopping. At the same time, there are interests or hobbies of tourists that become motives of specialized trips, whether it is, for example cycling, diving, bird watching or skiing. Modern tourists are looking for experiences that will bring balance to their usual hectic and stressful lives. It can be the experience of physical activity, spirituality, naturalness, simplicity.

Health and being in good shape, achieved through exercise, healthy nutrition, anti aging treatments and medical prevention, are important aspects of contemporary everyday life that are transferred also on the period of holidays. Internalized responsibility towards the environment influences on the purchase decision whereby preserved natural ambience is appreciated, so the popularity of 'ecofriendly' products is in constant growth.

Today in tourism there is increasing emphasis on offer of experiences that are possible to achieve in certain destination, and not on the physical properties of the destination. The hotel facility is experienced similarly, the place where the atmosphere has become more important than the content. Most of these features are contained in family hotels.

### **3. METHODOLOGY AND RESEARCH RESULTS**

The subject of research development model of family hotel industry is based on surveys that have been conducted during summer months, July, August and September 2013th on the Central Dalmatian islands of Brac, Hvar, Vis and Šolta. The research covers foreign tourists, who spent holiday in that time on these islands. Research was made through a questionnaire with closed-defined questions and in direct contact of the interviewer with tourists.

Hypothesis of the research are: a) there is an increased interest and demand of foreign tourists for stay in family hotels especially in the area of the Central Dalmatian islands; b) family hotels are one of the main directions of development of accommodation facilities in the area of the Central Dalmatian islands.

Research results for the island of Brac are based on a sample of 53 foreign tourists. The island of Vis sample is represented by 32 foreign tourists. The island of Hvar research results are based on a sample of 54 foreign tourists and the island of Šolta the sample was 44 foreign tourists.

The research methodology in this paper, starts from the field research. Methods of confrontation of attitudes and opinions of foreign tourists, who stayed on middle Dalmatian islands, during the tourist 2013 season, has led to concrete results that can be the basis for the principal conclusions and specific proposals for undertaking specific steps in order to improve development of family hotel industry on middle Dalmatian islands. The research methodology is based on the comparison, interface, quantification of opinions of foreign tourists in terms of the most important



determinants of the development of tourism with special alternative-development of family hotel industry. Experiences and research results can be applied to a wider area, in entire Croatia.

**Table 1: Arrival motives of foreign tourists on islands of Brač, Vis, Hvar and Šolta**

MOTIVES	Brač (%)	Vis (%)	Hvar (%)	Šolta (%)
Rest and relax	66,0	50,0	70,2	70,0
Natural beauty	59,6	50,0	61,4	64,2
Nice beaches	54,5	50,0	35,3	17,1
Uniqueness of the island environment	20,9	12,5	58,1	31,3
Recommendation	30,3	50,0	32,4	34,2
New experiences and adventures	16,4	12,5	31,0	21,3

- the possibility of multiple answers

The main motives for visit of foreign tourists to the island of Brač, Vis, Hvar and Šolta is rest and relaxation, natural beauty but also the recommendations of friends and relatives who have, certainly, experienced unforgettable moments and vacation on these islands. Recommendations of friends and relatives are the main source of information (over 30%) tourists on these islands.

**Table 2: Activities of foreign tourists during their stay on islands of Brač, Vis, Hvar and Šolta**

ACTIVITIES	Brač (%)	Vis (%)	Hvar (%)	Šolta (%)
Bathing and swimming	95,3	87,5	91,3	92,9
Walk	94,4	70,0	72,6	71,4
Eating at restaurants	86,0	77,5	78,1	50,0
Visit cultural monuments	64,9	25,0	60,3	21,3
Buying souvenirs	23,4	12,5	20,0	7,1
Biking	27,8	27,5	20,0	35,7

- the possibility of multiple answers

The most important activities of foreign tourists during their stay on the islands of Brač, Vis, Hvar and Šolta bathing and swimming, as well as walk in the nature. The high level activity of foreign tourists visiting islands is related to restaurants – the enjoy the local gastronomy (going to restaurants) and visit cultural sites.

**Table 3: Average ratings about certain elements of tourist attractions on the islands of Brač, Vis, Hvar and Šolta**

ELEMENTS	Brač	Vis	Hvar	Šolta
Friendliness of staff in the accommodation facility	4,84	4,65	4,70	4,34
Silence and Peace	4,52	4,58	4,12	4,60
Hospitality of population	4,51	4,60	4,10	4,31
Quality of accommodation	4,59	4,03	4,80	4,18
Personal security	4,53	4,58	4,45	4,67
Natural integrity	3,24	4,70	4,12	4,71
Town/village decoration	3,93	3,75	3,70	3,58
Preservation of village authenticity	4,81	4,58	4,10	4,67
Preservation of cultural sites	4,78	4,00	4,50	3,64
Gastronomy	4,63	4,38	3,90	3,64
The richness of domestic product offer	3,28	3,75	3,10	3,21

- average rating

Own assessment about certain elements of the tourist offer foreign tourists expressed through Likert scale in value relation: very dissatisfied (1), dissatisfied (2), satisfied (3) very satisfied (4) and very satisfied (5). In the assessment of the tourism environment Brač, Vis, Hvar and Šolta hospitality of staff in the accommodation and hospitality of the population are the leading answers. The silence and peace is almost the highest ranked in the evaluation of elements of the tourism environment by foreign tourists. This indicates that they received this element of offer that particularly motivated them to visit these islands.

With high ratings (above 4) is assessed personal safety and the preservation of nature on the islands of Brač, Vis, Hvar and Šolta. This indicates a high degree of personal and ecological preservation of the region and the main preconditions for a serene and pleasant stay of tourists in the region.

The attractiveness of these islands confirms also the rating given by foreign tourists in terms of preservation of the authenticity of the village and cultural attractions of Brač, Vis, Hvar and Šolta.

The gastronomic offer and the rich and diversified offer of local products are highly ranked in the evaluation of foreign tourists. This indicates that upon this foundations and features it is necessary to build new forms of tourist attractions and accommodations where family hotels had one of the most important roles.

**Table 4: The attitude of foreign tourists on the future development of tourism activities on Brač, Vis, Hvar and Šolta**

ACTIVITIES ON THE TOURISM DEVELOPMENT	Brač	Vis	Hvar	Šolta
Open agrotourism with domestic offer	2,75	3,00	2,64	2,28
Build more promenades (along the coast)	2,95	2,67	2,85	2,74
Build bicycle routes	2,61	2,62	2,7	1,85
Build small & family run hotels	2,63	2,75	2,58	2,35
Build riding routes	1,79	2,37	2,4	2,07
Build big luxury hotel	1,54	1,75	1,5	1,14
Build apartment village	1,41	1,87	2,1	1,28
Open casino, night club	1,25	2,00	1,8	1,14

- average rating

Defining, through own attitudes (I do not agree (1), can not evaluate (2), agree (3)) foreign tourists determined towards the model of development of accommodation in these islands. Foreign tourists have a very clear attitude when it comes to the future development model of construction of accommodation capacities on the island of Brač, Vis, Hvar and Šolta. They recommend building promenades, bike routes and paths for riding. Foreign tourists are strongly against the construction of large and luxury hotels, apartments and the opening of casinos and nightclubs.

Attitudes towards future activities in the development of accommodation capacities in these islands are the authenticity of accommodation capacities and activities in direct contact with nature and the local ambience. Foreign tourists in terms of accommodation facilities clearly expressed the view that they prefer rural households with domestic offer and family hotels.

**Table 5: Which of these three possibilities for the development of tourism on the islands of Brač, Vis, Hvar, Šolta seem the best?**

POSSIBILITIES	Brač (%)	Vis (%)	Hvar (%)	Šolta (%)
Larger number of tourists, a large number of hotels and apartments, a lot of new tourist attractions	11,1	13,2	15,1	10,5
Growth in the number of tourists to a certain level, tourism development in harmony with nature, non infringement landscape and village identity	65,4	62,5	61,3	72,3
Tourism without movement in any direction, this is good	23,5	24,3	23,6	17,2

Foreign tourists are quite clear when it comes to the development of accommodation on the island of Brač, Vis, Hvar and Šolta. Foreign tourists have clearly expressed their opinion (over 62%) that tourism in these islands is developing with growing number of tourists to the certain level, and the development of tourism in harmony with nature, landscape and identity of village or town.

Research results clearly confirm hypotheses that start from realistic assumptions of development of family hotels on middle Dalmatia islands, and can become a major element in the development of tourism on these islands. The research clearly proved that the main motives of foreign tourists for coming to middle Dalmatian islands are rest and relaxation. This indicates the exceptional value of natural resources as basis for development of tourism on these islands. Research has clearly demonstrated that the main activities of foreign tourists during their stay on middle Dalmatian islands were swimming and bathing and stay in the peace and tranquility of the island's environment. Friendliness of personnel and hospitality of the island population have been especially pointed out by foreign tourists as specificity of tourist offer of these islands. The research results have proved extremely positive attitude of foreign tourists towards accommodation, their stay during vacation in rural households in the island's environment and family hotels. Foreign tourists directly recommend development of this type of accommodation on middle Dalmatian islands. Distinctly, foreign tourists do not agree with the construction of monumental and luxurious hotel complexes on these islands. When it comes to the quantification of tourism development on these islands, foreign tourists are specifically looking for growth in the number of tourists to a certain level and growth in harmony with nature.

Certainly family hotels in this development concept play a key role. Results from the research suggest a positive attitude of foreign tourists towards family hotel accommodation facility, which boasts with family atmosphere, hospitality and authentic local gastronomy and the surroundings. It is evident that foreign tourists in the surroundings and the family atmosphere of the hotel can fully satisfy their travel needs.

#### **4. FAMILY HOTELS AS A DEVELOPMENT OPPORTUNITY OF CROATIAN HOTEL INDUSTRY**

Family hotels, as a components of Croatian hotel industry, are operating more than two decades. Although this is a new trend in the hotel industry, family hotel industry is gaining increasing importance in the development of Croatian tourism offer and new forms of tourism accommodations. Because of its tourist attractions and good transport connections with the emissive markets, Croatia has become a desirable tourist destination.

Tourist demand recently has begun discovering the specific qualities of accommodation and stay in family hotel. In relation to large hotel capacities, family hotels have evident advantages, among which are more immediate relationship with guests, family atmosphere, hospitality and willingness to please the host and satisfy the needs of their guests-tourists.

Reasonably, tourism as an economic sector is expected to become a generator, of new economic growth, generator for employment and raising standard of local population. According to their ownership structure and the entrepreneurial spirit of the owner, family hotels should contribute to the achievement of development goals that are set in front of Croatian tourism. Results and experience from the previous research on the

development of family hotels in Croatia, can easily be illustrated by the following elements of SWOT analysis.<sup>13</sup>

SWOT analysis of family hotels in Croatia

<b>Strength</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>- Defined institutional framework</li> <li>- Tenderers associated through their own association</li> <li>- On-line booking system of members of the association</li> <li>- Larger number of specialized objects</li> <li>- The increasing offer quality</li> <li>- The attractiveness of microlocation</li> <li>- Attractiveness of destination's macro environment</li> <li>- Value for money</li> <li>- Individual access towards guest</li> <li>- Hospitality and 'warmth'</li> </ul>	<ul style="list-style-type: none"> <li>- High indebtedness</li> <li>- The lack of working capital</li> <li>- Development of small family hotel industry</li> <li>- insufficiently accompanied by credit institutions</li> <li>- Low profitability</li> <li>- Legislation overnorming</li> <li>- Specificity of activity not recognized by institutions</li> <li>- Insufficient recognizability of brand</li> <li>- Large seasonality of business</li> <li>- The lack of trained personnel</li> <li>- Uneven offer quality</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>- Long-term favorable trends of demand</li> <li>- A more pronounced segmentation of demand</li> <li>- Tourism development in rural area</li> <li>- Development of cycle tourism</li> <li>- Development of 'soft adventure' tourism</li> <li>- Growing interest in "culture of life and work" products</li> <li>- Offer thematisation</li> <li>- Growing demand for alternative 'lifestyle' accommodation</li> <li>- Growing demand for" green accommodation</li> <li>- The availability of EU funds / programs</li> <li>- Modern forms of promotion</li> <li>- 'Niche Marketing'</li> <li>- Direct Marketing</li> <li>- Establishment of clear spatially planning determinants of new construction</li> <li>- Private-private and public-private cooperation</li> </ul>	<ul style="list-style-type: none"> <li>- Unselective system of incentives towards small family hotel industry</li> <li>- Non-transparent business environment</li> <li>- The level of fiscal and parafiscal taxes</li> <li>- Corruption at the local level</li> <li>- Loss of interest in family business</li> <li>- The image of cheap summer 'sun and sea' tourist destination</li> <li>- Underdeveloped system of destination management</li> <li>- Management of Croatian tourism development in accordance to interests of large capital</li> </ul>

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<sup>13</sup> Institut za turizam Zagreb, Nacionalni program razvoja malog obiteljskog hotelijerstva, 2013, page 7.

Definition of the institutional framework and pooling subjects - family hotels - through their own association represents an important basis for the systematic development of family hotel industry in Croatia. Special organization forms of family hotel industry create preconditions for the establishment of destination macroenvironment.

The association creates preconditions for subjects to get place in attractive micro-location and the possibility of family hotels to connect through the thematisation of object and the establishment of unified on-line booking system. Elements that can slow down the development of family hotel industry is insufficient understanding of credit institutions for financial monitoring of the family hotel industry development. It can be argued with the low profitability of family hotel industry, legal overnorming and insufficient knowledge of work specificity of family hotel industry, and result is the slowdown of development of this branch of Croatian hotel industry.

Special limited circumstances which may unfavorable affect on development of the family hotel industry can be recognized as a non-selective system of incentives for small family hotel industry, high level of fiscal and parafiscal givings and, what is most unfavorable, loss of interest in family entrepreneurship.

Numerous opportunities which are present in modern tourism market indicate developmental opportunities of the Croatia family hotel industry. On the tourism market the segmentation of tourist demand is more and more expressed.

This resulted with the development of tourism in rural areas, development of cycle tourism, "the soft-adventure tourism," but also the growing interest of tourists in products of the "culture of life and work." Those are the characteristics of the environment in which a family hotel operates.

Special incentives for development of family hotel industry are: a) an increase in demand for alternative 'lifestyle' accommodation; b) an increase in demand for "green accommodation"; c) private-private and public-private cooperation, d) establishment of clear determinants for spatially planning of new construction; e) the availability of EU funds / programs. Based on these elements it is possible to determine the basic principles of the development of Croatian family hotel industry.<sup>14</sup>

The first principle of development should be the answer on the question: How should the family hotel industry in Croatia look like? Croatian family hotel industry should be recognizable in the international tourism market. This can only be achieved through long-term and systematic process of branding of this part of the Croatian tourism offer.

Considering the tourism demand and preferences of modern tourists, family hotel industry still needs to make developmental step forward in the field of thematisation offer forms that are based on those segments of demand (active vacation, "green tourism") that are preferred by the most frequent groups of tourists.

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<sup>14</sup> Institut za turizam Zagreb, Nacionalni program razvoja malog obiteljskog hotelijerstva, 2013, page 8.

Considering the environmental awareness of modern tourists, development of Croatia family hotel industry should be almost completely oriented towards environment.

The second principle of development should be defined through the answers to the following question: Which are the key preconditions for development of Croatia family hotel industry? Without a favorable investment climate that is accompanied by flexible legislation it is difficult to increase the motivation of entrepreneurs for their investment in family hotels. Favorable business climate and business unity with current and potential family hoteliers can be achieved by cluster connection. By increasing hoteliers' managerial and operational skills and knowledge, it is possible to reach considerably greater price acceptability in the international tourism market.

The special principle of the family hotel industry development is defined through the answer on the question: What is the thing, the family hotels in Croatia, will attract demand? The basis of every family hotel offer is the warmth and hospitality of the host but also the complete privacy of guests during their stay. Another feature of the family hotel offer is high or excellent quality of overall offer. Family hotel industry does not recognize being average and routine. Family hotel industry can only develop on the elements of authenticity and tradition but as the basis and the "scenario" for the richness of the guest's experience staying in the family surrounding of the hotel.

From the above mentioned, development principles can define the vision of Croatian family hotel industry.<sup>15</sup>

*A small family hotel is branded, authentic, thematised and is focused on certain 'lifestyle' clientele form offer that emphasizes its ecological orientation and excellence serving.*

*And*

*With maximum orientation towards diversity and quality of the experience, small family hotel industry is especially characterized by hospitality, flexibility and privacy of guests.*

Following the development scenario, guidelines for the Croatian family hotel industry development are; *reaching profitability of family hotel industry also in other Mediterranean countries, which are members of the EU.*<sup>16</sup>

Defined guidelines are possible to achieve through the following objectives:

a) improving international recognition of family hotel industry as part of Croatian tourism offer; b) stimulating the product association (regional thematic clusters and / or associations) of family hotel industry; c) networking of with other providers of tourist services on destination level, as well as in whole Croatia; d) improvement of the market ready tourism products system / experience systems suitable for 'consuming' also out of the summer season; e) extending the full utilization of the capacities of family hotels on over than 200 days; f) connecting with scientific-educational and professional

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<sup>15</sup> Institut za turizam Zagreb, Nacionalni program razvoja malog obiteljskog hotelijerstva, 2013, page 28.

<sup>16</sup> Institut za turizam Zagreb, Nacionalni program razvoja malog obiteljskog hotelijerstva, 2013, page 29.

institutions, with application of lifelong education to act to increase the level of professional qualification of all employees of family hotel industry.

The above mentioned, shows the institutional framework that determines the family hotel industry development of the Republic of Croatia.

In the area of deregulation it is necessary to: a) access to legal modifications of legislation and its adjustment to the requirements of small entrepreneurs; b) define a mixed residential-tourist zone; c) responsible practices on environment protection; d) enable the work of the members of the family. It is especially necessary to decrease para-giving and to inform public continuously public about undertaken activities on the development projects of the family hotel industry.

Expansion and increase of the quality of family hotel industry offer is possible to achieve through increasing support in the preparation of documents for EU funds.

It is necessary to intensify activities on the infrastructure development for mediation between buying process of real estate and the organization of public venture capital fund for encouragement of family hotel industry development. Activities on the family hotel industry development refers to more effective use of ICT. Within this activity it is necessary to establish informative / advisory system "one stop shop" dedicated to the family hotel industry as well as a regional center for the competitiveness of the family hotel industry.

One of the prior activities in the family hotel industry development in Croatia is the reduction of seasonality. It can be achieved with the incentive of development of internationally renowned brands, family hotels. It is necessary to encourage the creation and commercialization of complex tourism products with the use of online marketing and unique active online reservation system, including the vertical connection of destination offer.

Development of the family hotel industry is largely based on experience. On this track it is necessary to develop the destination system of experience whose components are the rural tourism products, wine and food tourism and ecotourism. All of this have to be accompanied with the activities of joint promotional activities and informing of potential tourists.

The process of family hotel industry development needs to be followed by an integrated system of monitoring of the destination quality. Activities as components of this system are the specialization through certification, annual assessment system and rewarding as well as the destination's public sector and stake holder awareness programs.

Principles, guidelines and objectives define institutional development framework on which it is possible to build a model of the family hotel industry as a development option of Croatian hotel industry.



## CONCLUSION

Modern tourists are beginning to discover the specific quality accommodation and stay in a family hotel. The family hotel establishes closer relationship between hotelier- host and guests. The family hotel is characterized by an intimate atmosphere, hospitality and willingness of the hosts to please and meet the needs of their guests-tourists. This is the basic advantage of family hotels in relation to large hotels.

Results from the research show positive attitude of foreign tourists towards family hotel accommodation facility, which boasts a family atmosphere, hospitality and authentic local cuisine and environment. It is evident that foreign tourists, in the family atmosphere of the hotel, can fully meet their travel needs.

Foreign tourists have clearly expressed their opinion (over 62%) that tourism in Central Dalmatian islands is developing and it is reflected on the growing number of tourists. Their opinion is that the development of tourism should be in harmony with nature, landscape and the identity of the village or town. Certainly in this development concept, family hotels play a crucial role. Defining the institutional framework and pooling subjects - family hotel - through their own association, represents an important basis for the systematic development of the family hotel industry in Croatia.

Special forms of organization of the family hotel industry creates preconditions for the establishment of destination macroenvironment. The association creates assumptions that allow subjects to obtain an attractive micro-location and the possibility to connect through the thematisation of marketing facilities and the establishment of a single on-line booking system.

One of the prior activities in the family hotel industry development in Croatia, is to reduce seasonality. This is possible to achieve with the incentive of development of internationally known brands, family hotels. It is necessary to encourage the creation and commercialization of complex tourism products with the use of online marketing and the unique active online reservation system, including vertical connection of a destination offer.

Development of the family hotel industry is largely based on experience. On this track it is necessary to develop the destination system whose components are the experiences of rural tourism products, wine and food tourism and ecotourism. All this must be accompanied with the activities of joint promotional activities and with the informing of potential users-tourists.

The paper defines the principles, guidelines and development goals that represent the institutional framework on which it is possible to build a model of the family hotel industry as a development option of Croatian hotel industry.

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