

Integrated Overall Regional Approach
to Reorganizing and Developing the Tourist Industry
in Croatia and Montenegro

Touristic Masterplan for Montenegro



– Executive Summary –

DEG

Information for the reader

The present study is a condensed version of the Touristic Masterplan for Montenegro. The complete Masterplan comprises detailed studies on strategy and market development; regional planning, environment and transport infrastructure; supply and waste management infrastructure; institutional infrastructure and organization; training.

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The Touristic Masterplan for Croatia and Montenegro can be ordered for a nominal fee of DM 600 from the publisher.

Foreword



Republic of Montenegro
The Government of Montenegro
MINISTRY OF TOURISM

MASTERPLAN – KEY KNOWLEDGE ABOUT PRACTICAL WAYS TO DEVELOP TOURISM IN MONTENEGRO

Senior representatives of the tourist industry and representatives of the municipalities and the Government of the Republic of Montenegro have recently had the opportunity to get acquainted with the Masterplan, prepared by the renowned German institution, DEG. This development plan is generally considered to be of paramount importance for developing Montenegro's tourism industry, surpassing in scope famous international projects such as the UN's South Adriatic Project and the International Consulting Committee Project (following the 1979 earthquake in Montenegro). This document is all the more important coming as it does after Montenegro's decade-long absence from the foreign tourism market and the decline in product quality.

The Masterplan is both an inspiring vision for the long term development of Montenegrin tourism and a great challenge for overall national development, as we can see from the anticipated economic benefits by the end of the year 2020: an impressive accommodation capacity of 280,000 beds with 100,000 of these (or 35.7%) in high-quality hotels and 110,000 (or 39.3%) in suites; 25.9 million overnight stays, of which 70% in hotels, mostly by foreigners; sizable tourist expenditure amounting to DM 2.3 billion; about 75,000 new jobs (some 12,500 people were employed in tourism last year).

If it achieves the above economic targets, tourism will become the leading industry (in terms of GDP, national income, foreign exchange revenue, employment, etc.), making up 20% to 25%. Through its objective and detailed analysis, the Masterplan has ascertained major weaknesses and limitations of Montenegro's tourism product in relation to actual market requirements and dominant segments of tourist demand.

The Masterplan is particularly important because it provides full and often original answers on a number of cardinal issues in future tourism development. The Masterplan will present us with a new strategy for Montenegrin tourism development and a sound scientific basis both for a new town planning policy in the Republic of Montenegro and for innovative local planning as well as general and detailed plans for tourist destinations.

On behalf of the Ministry of Tourism and the Government of Montenegro, let me take this opportunity to express my great appreciation to the esteemed DEG and to its highly competent and professional experts, who put great effort into preparing the Masterplan and presenting it at the International Conference on Montenegro Hotel & Tourism Investments, which is currently taking place in Herceg-Novi.

Podgorica, May 2001

Vladimir Mitrović
Minister

Preface

The aim of the Stability Pact of 10 June 1999, agreed between the member states of the European Union, the United States, the Russian Federation and other states on the one hand and the states of Southeastern Europe on the other, is to bring stability to the region by promoting peace, democracy, respect for human rights and economic prosperity. By defusing the threat of conflict in the region its concern is to promote the development of dynamic free market regimes, economic cooperation within Southeastern Europe and between it and the rest of Europe.

For this reason, the Federal Ministry for Economic Cooperation and Development (BMZ) commissioned DEG - the German Investment and Development Company - to prepare a general integrated regional approach to reorganize and develop tourism in Croatia and Montenegro, i.e. this Masterplan. The study was financed by BMZ from the German contribution to the Stability Pact.

International tourism is one of the fastest growing industries in the world economy. It is a keystone for the economic development of Croatia and Montenegro. The Masterplan analyzes the status quo and the prospects for tourism in both countries, provides a strategic planning tool for the responsible ministries in both countries and proposes individual pilot schemes. It foresees developing mass tourism, as it prevailed in 'old' Yugoslavia, into quality tourism. This calls for a coherent market alignment of touristic products, hotel privatization, the modernization and construction of hotels and holiday facilities, investments in infrastructure, reform of the training system and sustainable environmental protection.

The Masterplan was prepared by the consulting firms AS & P - Albert Speer und Partner, Frankfurt, creatop, Rostock, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Eschborn, ghh consult, Wiesbaden and Prof. Dr. Dr. K.-U. Rudolph, Witten. As well as DEG, the Kreditanstalt für Wiederaufbau (KfW), GTZ, the Centre for International Migration and Development (CIM) and the Carl Duisberg Foundation (CDG) have been charged with implementing the Masterplan. This requires general agreement amongst the governments, the private sector, foreign investors and institutions.

I would like to express my most sincere thanks to everyone who has contributed to drafting this Masterplan. This includes the representatives of the governments of Croatia and Montenegro and those in charge at BMZ as well as the staff of the consulting firms, who all showed great personal dedication in mastering this extraordinarily large, complicated and difficult challenge. DEG - and I personally - will be very pleased if this Masterplan contributes to the rapid and successful development of tourism in Croatia and Montenegro.

Cologne, May 2001

Franz-Josef Flosbach
Director

Touristic Masterplan for Montenegro

- Executive Summary -

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1 Montenegro: situation at the outset

Tourism is accorded the highest development priority of all industries in Montenegro. The sustainable use of natural resources, the involvement of the public and private sector, the attractiveness of the overall product and international competitiveness are the factors which will decide on employment and prosperity for large sections of the population, for the coming generation as well.

In view of the economic, environmental, social and cultural changes attendant on expanding the tourism sector and of the complexity of all the issues involved, close cooperation at interministerial, regional and municipal level is as indispensable, as is social dialogue, conceptual thinking and action and strategic planning and its implementation. Montenegro can draw on the experience gained by other Mediterranean destinations and learn from market developments to move in a new, even innovative, direction.

Developing the tourism sector will be more difficult than predicted by the WTO with its overoptimistic growth forecasts, because markets change and all destinations face tougher competition and will have to struggle for their market stakes. They are improving the quality of hotels, service and infrastructure. They are diversifying, staging events and scenery and building artificial worlds. They are reviving their cultural and historical heritage and are concerned with sustainability. This alone is a reason to take action. Moreover, as a result of globalization and concentration a few vertically organized tour operators have been able to acquire dominant market positions and build on these. A partner that takes up a weak initial position in cooperation can end up being completely dependent.

Montenegro's position is weak: The country lacks financial resources, a commercial product and adequately qualified specialist personnel. The number of overnight stays has declined from just about 11 million in the 80s to 5 million today. All the foreign markets have broken away; remaining demand is confined to Serbia and Montenegro for six weeks in midsummer and the cheapest accommodation facilities. The hotel sector is a low earner, underutilized and standards are far too low for the demanding guest. Just 1-3,000 of 26,000 available hotel beds are suitable for the international market.

Of just about 95,000 beds available, hotels account for 26,000 (27.5%) and of these 82% belong to the official B category (equivalent to 2**), camping sites for 18,500 (19.5%), 'other types of accommodation' (company, young people's hostels of an elementary standard) for 30,000 (31.5%) and registered private lodgings for about 20,000 (20%). The tourism ministry estimates the number of unregistered but available private beds at almost 60,000 and the number of available but statistically unrecorded beds in vacation dwellings at 90,000. If we assume this, the hotel segment shrinks to 10.5% and the higher categories to 0.4-1.2% (1-3,000 beds).

This is not a basis for developing a thriving tourism industry – let alone quality tourism.

Added to this are further problems:

- A large 'grey market', whose size can only be determined by means of water and bread consumption and which incurs costs and pays no taxes
- Bottlenecks in supply (water, energy) and waste management (wastewater, solid waste)
- Illegal building marring the landscape
- Lack of cooperation amongst distributors and operators
- A vague image on the market, except as a low-budget destination
- Low investor interest, as issues of property ownership and investment incentives are unsettled

In view of

- the aims
 - to raise the number and quality of jobs
 - and the standard of living of the population;
- the limited financial resources in the country;
- a monostructural product in the low-budget segment,
 - which is also obsolete and dilapidated with
 - a concentration on the short summer season;
- the expectations of a changing West and North European market;
- the demands and income level of the Southern and East European markets;
- the need
 - to keep demand in the lower price segment,
 - increase income per overnight stay at the same time,
 - build up new market segments,
 - that generate more income and
 - also travel outside the high season,
 - and develop a new image distinct from the competition;
- the danger of dependence on tour operators, where their assistance is needed to
 - build up nationwide distribution and charter connections,
 - regain market stakes and prolong the season;
- the envisaged privatization, which
 - will initiate individual business interests and
 - personal product ideas;
- shortcomings in infrastructure;
- inadequate human resources and

the precept of sustainable development to conserve resources, simple strategies – an excellent publicity campaign for example – are quite inadequate. There is a need for

- agreement and close cooperation at all political, administrative and social levels and cross-border cooperation in border regions to bundle forces and resources;
- a legal frame with implementation rules for the administration as well as international standards for the tourism sector and infrastructure;
- detailed development plans defining goals and guidelines, identifying opportunities and making proposals, safeguarding latent resources and setting priorities
- and new bedding capacities in modern holiday facilities.

2

Strategic aims

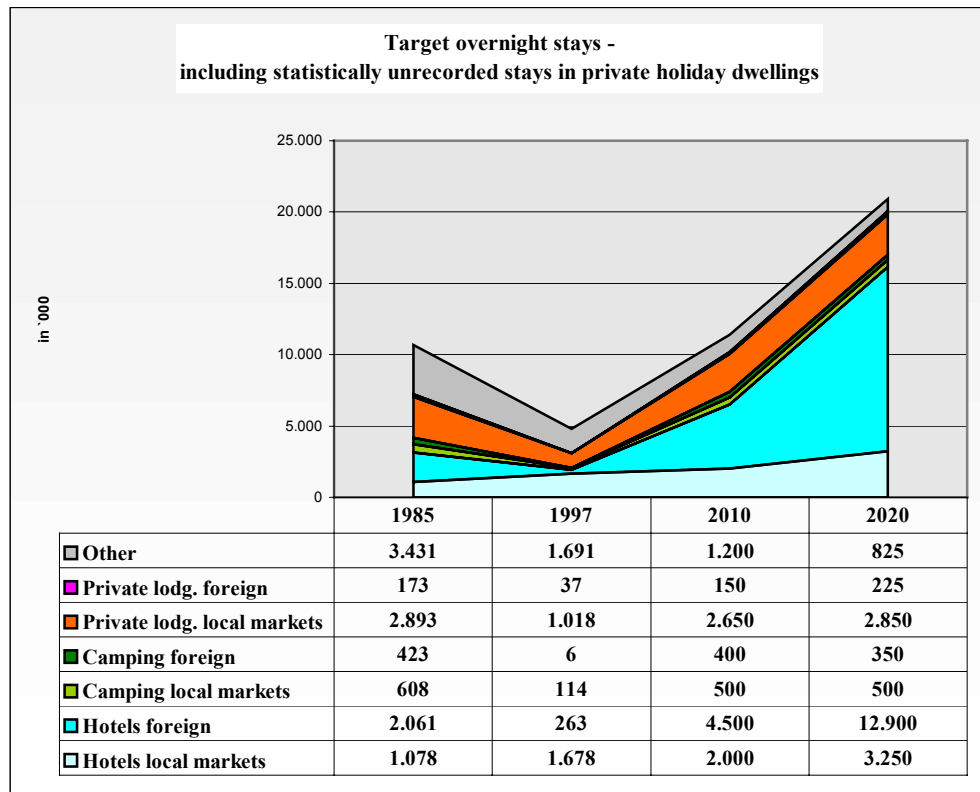
The aim: In the summer half-year Montenegro will become a 'high-quality Majorca' and in winter a qualified niche provider with special products. This will secure the country an exclusive market position at the Mediterranean.

The figures: Hotel bedding capacity will be enlarged by 2010 to 50,000, to 100,000 by 2020. Parallel to this, the whole accommodation sector will be reorganized stepwise in line with demand and generally geared to quality by setting standards and category volumes.

Development strategy for bedding capacities											
	1997				2010				2020		
	Statistics ^A			Estimate ^B		Target			Target		
Hotel	Beds	%		Beds	%	Beds	%		Beds	%	
Total	25,879	100	27.5	25,879	10.1	50,000	100	22.2	100,000	100	35.7
L/5*****	240	0.8	--	240		2,500	5	1.1	10,000	10	
A/4****	4,489	17.3	4.8	4,489	1.8	15,000	30	6.7	40,000	40	
B/3***	20,830	80.5	22.2	20,830	8.6	20,000	40	8.9	40,000	40	
C/2**	273	1.0	--	273		12,500	25	5.6	10,000	10	
D/1*	47	0.2	--	47		--	--		--	--	
Camping	18,492		19.7	18,492	7.6	15,000		6.7	10,000		3.6
Vac. Dwellings	19,592		20.8	78,434	32.3	50,000		22.2	50,000		17.9
Other	30,033		32.0	30,033	12.4	15,000		6.7	10,000		3.6
Hol. Apart.				90,090	37.1	95,000		42.2	110,000		39.3
Total	93,996		100	242,928	100	225,000		100	280,000		100

Sources: A) Statisticki Crne Gore 1999, p. 161/169; B) Estimate of Tourist Turnover in Montenegro p. 14; C) Tourist Turnover in Montenegro p. 14. Official statistics contain no information on vacation dwellings.

Expanding hotel capacities will lay the foundation for a nationwide charter network. Hotel quality combined with an attractive infrastructure and a range of leisure and special options will result in a longer summer season of 150-165 fully-booked days. Altogether, the number of all overnight stays will rise to about 15.68 million in 2010 and approximately 25.85 million in 2020. These also include overnight stays in private vacation dwellings not yet statistically recorded. The overnight stay quota of hotels in the total figure will go up from 25% in 1997 to 40% in 2010 and 60% in 2020.



Due to improved quality, the expansion of hotel capacity and the longer season, daily per capita turnover in accommodation will increase from the presently estimated DM 35 over the years to DM 90 (10% below the Majorca average of DM 100). As a result of reorganization and price rises total turnover in 2010 will amount to DM 1.06 billion and DM 2.3 billion in 2020, when the measures have been completed. Tourist expenditure outside of accommodation has not been included (excursions, car rentals, shopping).

3 Quality and market alignment

The focus in hotel capacity expansion is on the international 3-5*****star category to arrive at a qualitative product mix in the upper segment. The existing hotels are measured against these standards, adjusted, graded or converted (apartments?). Where this proves to be impossible or as soon as demand declines or they start to make a loss, they will be removed from the market, demolished and replaced by more attractive facilities.

Standards will also be set for private lodgings, camping and 'others' and implemented gradually together with price increases. Longer periods are required for private lodgings combined with intensive public relations, so that the market and the landlords can adjust. Minimum standards should also apply for the 'other' facilities (sanitation) which will lead to closure if not met.

The differences in the product mix of hotels are not just the result of standards. Diversification will continue in scale and management (private or hotel companies)

and through specialization. This is bound up with the basic qualities of the regions (e.g. Boka Kotorska = high quality, Tara river = nature), the towns (Herceg Novi = chic, Budva = middle class, Tivat and Sutomore = basic) and locations (Ulcinj = family, all standards).

All basic lines of development are based on the same principles:

- Sustainable development: The environmental standards of a destination are taken for granted by the market. They afford no competitive advantage. What people take for granted must be provided; it is not a selling point. Customers are solicited with special attractive features or added benefits.
- Demarcation from competitor destinations through quality, typical local characteristics (regional architectural style, building material, colour schemes, visual assimilation into the landscape scenery, gastronomy, music, traditions, legends, personalities, historical events, folklore, handicraft, etc.) and a distinctive overall product geared to the market.
- Regional distinctions through different basic orientations that pick up on varying general natural conditions.
- Distinctive products: Every holiday centre needs its own design with a core product geared to the target group and given individual traits by planners or operators.
- Standardization of basic components provided by larger companies (room, equipment, furnishing and fixtures) for easier distribution and management. Individualization is via accessories (car industry).
- Landscape design as the simplest, most economical and in the long term most effective way of making holiday resorts more attractive.
- Individualized products: The uniformity of existing hotels cannot be eliminated, but it can be mitigated by facade decoration (plants, colours), interior partitions, furnishings, wall decor, lighting, PA systems, colour schemes, including staff dress, buffet presentation and the atmosphere for guests.
- Promoting private initiative: Regardless of the indispensable professionalism of the main provider, private enterprises have a unique advantage. Instead of sophisticated professionalism, financial resources and market efficiency, they have the personal note, the most dedication, adaptability and variety and they have direct contact to what their guests think and feel. So for all the concentration, the tourism industry still needs small and medium-sized enterprises. A prerequisite for private initiative, though, is that it can make a living from tourism. This calls for a set of rules (administrative regulations), mainly tax incentives for startups, soft loans to finance the investments and a long enough season.

4 Source regions and main direction

Due to its geographical location, Montenegro is largely interesting for West, North and Eastern Europeans as a charter destination. Holiday trips, from Germany to the Mediterranean for example, are largely made by plane (72%). Southeast Europeans, however, will largely travel by car. Considering the different income levels and outbound travel intensities, Montenegro must concentrate on two source regions in the short and medium term:

- the local market, i.e. the countries of the former SFRY
- Western and Northern Europe

The holidaymakers most likely to raise income per day and guest and fill rooms over a longer summer are those from the prosperous Western and Northern European markets. Demand from Eastern Europe will be low at first and be geared to price like the local market. Only when standards of living have improved can growth be expected in the coming years, also attended by higher requirements, though. The motives for travelling can then be assumed to resemble those of West Europeans. Proceeding from this scenario Montenegro must take up two product lines:

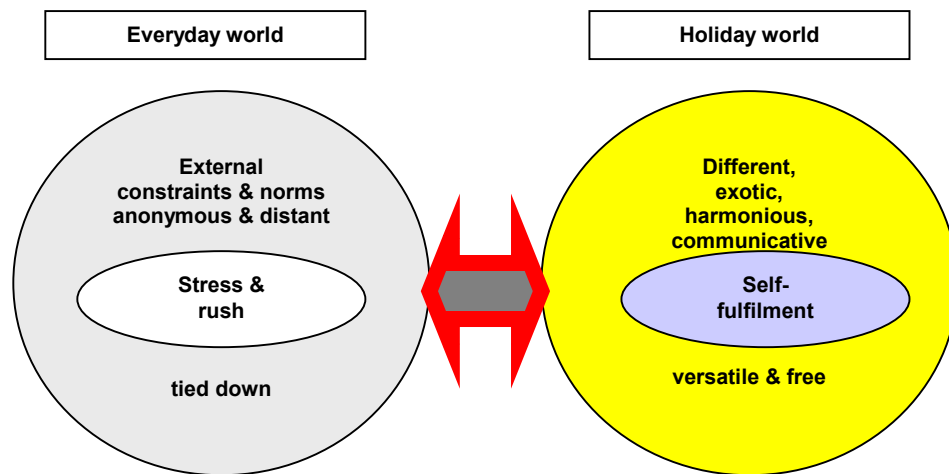
- A reasonably priced product for the local market and Eastern Europe. This approach builds on existing capacity, which will not be extended but gradually improved and fetch higher prices. After a transition period this capacity will be downsized in line with demand, except for facilities capable of expansion.
- A high-quality product first for Western and Northern Europe that progressively replaces the cheap offers and is ultimately equated with Montenegro's tourism industry. To last, this product must be geared to the demanding motives of Western and Northern European tourists and take up general market trends, wherever Montenegro's natural resources allow.

5 Market trends and travel motives

West and North Europeans mostly book a Mediterranean holiday through a tour operator (Germany 57%) or travel agency (Germany 19%). Only 9% of Germans book direct and 19% travel without booking in advance. In the United Kingdom, Scandinavia and Benelux this percentage is likely to be even higher due to the distances. This is why the bulk of the bedding capacities must meet the requirements of the organized distribution channels. So what is needed are products that provide value for money and are easy to market for the tour operators, which in turn means sufficiently large, standardized and diversified holiday facilities in the 3*** and 4**** star range with 5***** star for product blocs.

Regardless of individual holiday motives as well as special demands and expectations of holiday content, there are uniform basic needs whose shape, intensity and level differ by background, age, education, personality, lifestyle and nationality.

In general the holidaymaker is seen as a temporary dropout looking to experience something completely different in the vacation than in his everyday life. He seeks a different atmosphere and world that differs distinctly from daily life at home, at the office, in an industrial landscape.



What he fears most is boredom, without a definite idea of what he wants to experience, except for the tourist with a fixed preference (sailors, divers, mountain bikers, nature and culture lovers). This is why the promise of experiencing something exerts an absolutely irresistible attraction. Experiences do not make for satisfaction, however, they stimulate the appetite for more. Providers meet the swelling demand for experience with product quantity and variety. Apart from variety, a holiday product looking to take and keep the lead must contain components that are inimitable, timeless and authentic. These include

- The visual assimilation of the surrounding landscape (panorama panes, vistas, open rooms, activating the whole outdoor premises) and setting the scene
- An exotic garden, comfortable interior and harmonious architecture
- Drawing on typical elements of style which are exotic for the guests (mostly town dwellers) and correspond to their dreams (the dream of unspoilt village life: Sveti Stefan)
- Service as a major competition factor, where service means more than professionalism, where it means taking time for the guest and his individual needs

There are two major discernible trends in tourist demand patterns: complex motive and activity bundles and the diversification of target groups.

- Complex motive and activity bundles: The central motive is recreation. Added to this are pleasure, social contact, sensory experience, health, activity/exercise and widening horizons.

Holiday activities address several motives at the same time. Motives shift within a day and from day to day.

- Target group diversification: Membership of social groups and demographic cohorts has now proved to be an inadequately precise classification for the tourist

market. A distinction is drawn between lifestyle and motive groups, which in turn are broken down into subgroups.

For example, the target group of older people (over 65) are now classified into subgroups such the 'new senior citizens', 'active senior citizens', the 'classic senior citizens' etc. There is a similar variety of lifestyles and attitudes in youth tourism with single tourists, family tourists, etc.

There is also a trend towards greater diversification amongst the interest tourists (with cyclists, for example, being divided up into tourers, excursion cyclists, mountain bikers, racing cyclists, fun bikers).

6 Product strategies

The providers have responded to changes in tourist motivation patterns and travel habits with several strategies addressed to target groups.

- Standardization: This trend is global and exists in various price brackets. The success of standardization is based on several advantages for the customer: efficiency, calculability, comparability, predictability and control.
- Specialization: Striking are the various specialization strategies in the hotel sector (wellness, romantic, club, gourmet, singles, nudist, art, tennis, golf, riding, baby and children hotels, etc.). They may soon make the all-purpose hotel into a marginal segment.
- Developing complex products: Multifunctional holiday facilities in response to today's complex motive and activity bundles. These resorts offer a modern variety of ways to find social contact, pleasure and enjoyment.
- Setting the scene: Increasingly, the classic product (flight and bed) is not enough to satisfy holidaymakers' needs. Instead, the demand is for innovative touristic products that alongside basic standards also offer unusual experiences, surprises and stimulus. Increasingly, the tourist expects an additional atmospheric or emotional component (ambience, experience, pleasure, fun, adventure, authenticity). Experts see artificial, staged worlds of experience as a major trend in tourism.
- Development towards larger-scale operations: (600-800 beds), because only larger operators are economically capable of financing a variety of services at a professional standard, efficient marketing and further training programmes at commercial prices and provide these at cheaper operating costs.

7 Competitor destinations

All of Montenegro's competitor destinations have continuously adjusted to market changes and developed further, but they are also picking up on identifiable trends and enlarging their product range. Their methods differ in part, but 7 basic strategies are discernible:

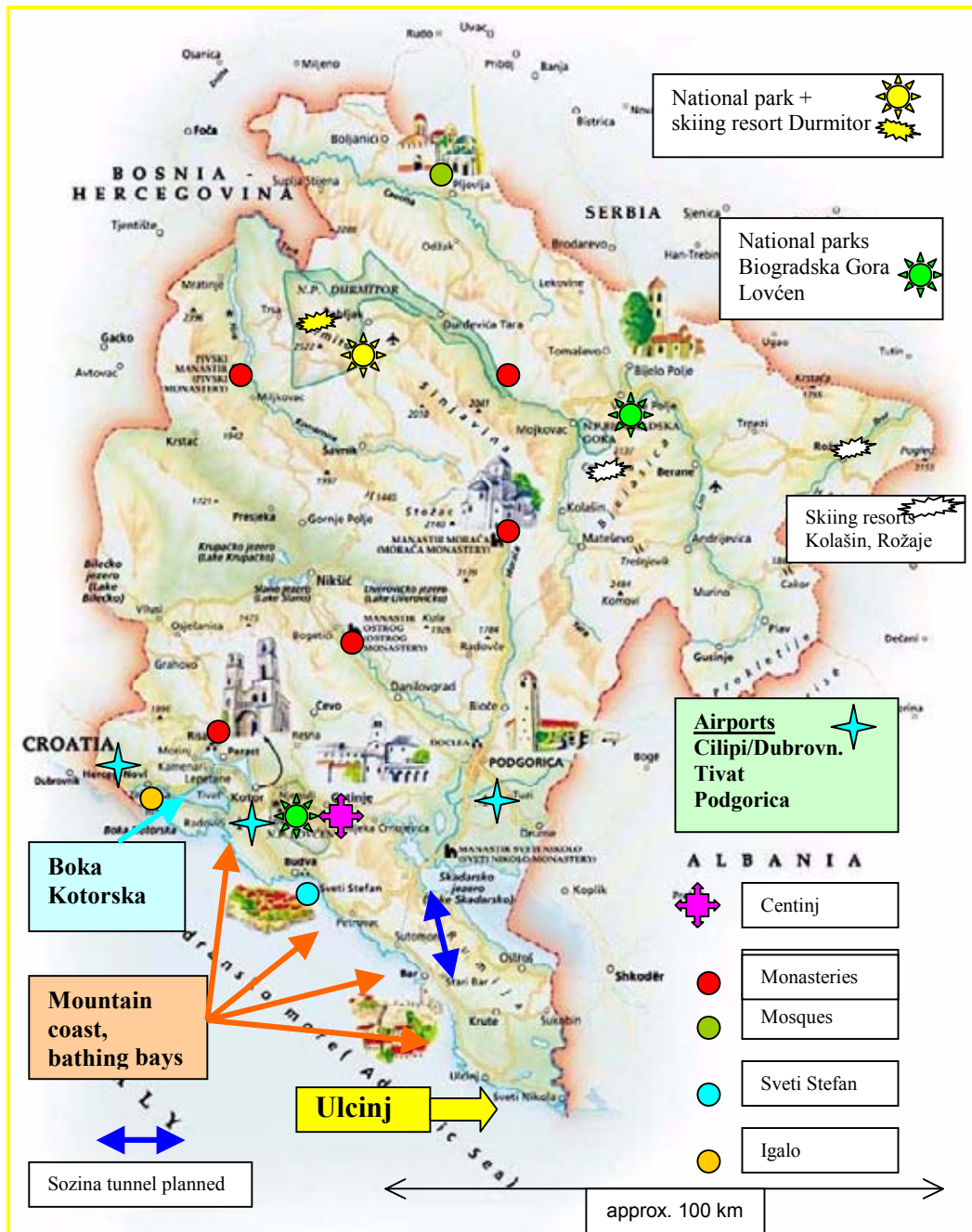
- Quality of accommodation and concentration on the upper categories
- Diversification in special products – sports, culture, congresses and incentives
- Environmental protection through waste management infrastructure and landscape management
- Staging events/environments and adopting typical local features and styles
- Upgrading vocational training and creating new occupational profiles
- Developing non-seasonal products
- Stepping up marketing measures and concentrating on major markets

8 General conditions and outlook for Montenegro

The country is small (13,812 km²) and all locations can be reached by car relatively quickly. The landscape, however, offers a huge variety: High rugged mountains and deep ravines alternate with expansive plains and a fascinating coast. The nearest comparison would be with Switzerland, the northern Italian lakes and Majorca. The vegetation also varies with altitude. Montenegro is one of the most beautiful countries in the Mediterranean. As early as some 20 years ago, TUI/TOUROPA came to the judgement: “*Montenegro is probably the brightest hope for Yugoslavian tourism.*” The latent resources have not been used to the full so far and the SFRY's 'cheap vacation' strategy has not done justice to them, either in terms of quality or quantity. Abroad Montenegro was not marketed as a separate holiday destination but as an anonymous part of the Adriatic coast. The name alone holds the promise of an attractive, different kind of holiday: 'The land of the black mountains'.

Montenegro can be subdivided into 5 adjacent touristic regions:

- The fine sandy beach of Ulcinj, the Velika Plaza (13 km long, 60 m wide) is the only sandy beach on the eastern Adriatic coast.
- The picturesque Boka Kotorska fiord is unique in the Mediterranean.
- The rocky coast between Tivat and Ulcinj, a range comparable to southern Dalmatia, is more attractive to tourists due to the many beach bays (pebble).
- Skutari Lake is another unique feature.
- The mountainous hinterland provides a spectacular background for beach holidays, an excursion destination and a niche segment for a longer summer season.



On top of the landscape assets there are interesting influences from three cultures:

- The coast was influenced by Venice and somewhat by the Habsburgs with some remarkable small towns: Kotor, Perast, Herceg Novi, Budva, Ulcinj.
- The highlands can be described as Slav-peasant-orthodox.
- The South and Northeast have an Ottoman-Islamic character.

Other touristic highlights are the former miniature capital Cetinj in the highlands with architectural sights of historic interest from the second half of the 19th century, a large park and a grand hotel in need of renovation, the well-known fishing village hotel Sveti Stefan and the Igalo health centre at Herceg Novi which was once up to international standard, and could be again.

Montenegro's touristic potential is enhanced by the attractive border areas of neighbouring countries. Almost every visitor to the northern coast will also want to see Dubrovnik. There are also sure to be other sights in the border region (the castles of Samobor, Zupicici, Ustikoina, Foca Srbij in Bosnia-Herzegovina) that could also be included in tour programmes.

Altogether, in an exotic, impressively beautiful setting for West and North European eyes, Montenegro can meet all the major conditions for dream bathing holidays, by far the most important market segment:

- Beaches – sandy beaches
- Clean, clear water and sea
- A beautiful, unspoilt landscape
- A pleasant climate, sun and warmth

In the summer half-year – from the end of April to early November – the bathing climate is identical with that of Majorca - the same air and water temperatures with the advantage for Montenegro: If it gets too hot at the coast the tourist can reach the much cooler highlands in a short time.

In the winter half year, in contrast, Montenegro records almost the highest rainfall in Europe. This climate is not suitable for holiday guests seeking sun and warmth, so that Montenegro must shift in the winter period to small niches but cannot expect large numbers of North and Central European tourists.

For climatic reasons, then, Montenegro must gear itself to a long summer season of about 7 months (70% of season utilization =150 fully booked days) and a weak winter season – like all Mediterranean destinations.

In winter – from mid-December to the end of March – Montenegro has additional trump cards: three skiing regions. The country is not unique in this in the Mediterranean, however, nor can it compete with other Central European skiing resorts on the quality front. This product does have a regional dimension, though.

9 Key factors: transport links, infrastructure

Reliable transport access to a destination region, the convenience, speed and cost of travelling there are key to touristic development. This is what affects the decision of the tour operator and the private holidaymaker planning his holiday trip. This goes hand in hand with developing resources and tourist facilities, but effective marketing and getting the bookings depends on the efficiency of the transport system.

Because of the distance, Montenegro is primarily a charter destination for Central, North and East Europeans. A nationwide charter network calls for adequate

capacities within a radius of 1-2 bus transfer hours from the destination airport. An efficient charter flight operation at a significant scale can therefore only be started up after the renewal and extension of hotel capacities.

The two international airports in Montenegro – Podgorica and Tivat – meet basic aviation requirements and have reserve runway and landing strip capacity. From a tourism point of view, though, there are considerable shortcomings at the terminals. They are in need of basic modernization and extension to cope with demand.

The northern coastal strip of Montenegro – to about Budva – also lies in the catchment area of Croatia's Dubrovnik-Cilipi airport. For reasons of economy and efficient distribution it would be a good idea to have close cross-border cooperation aimed at serving the whole region with two international airports: Podgorica and Dubrovnik-Cilipi. Cilipi's neighbouring airport, Tivat, would only play a regional role.

The road system can cope with current normal traffic volumes. It makes little economic sense to gear the trunk road from Belgrade to the coast to the high peak loads on major travelling days. There is, however, a need to do something about some touristically interesting but heavily damaged or very narrow minor roads (Virpazar-Stari Bar, Kotor-Cekanje).

Building the Sozina road tunnel would make for a large improvement. It would shorten the transfer time from Podgorica airport and the journey from Montenegro's hinterland and Serbia to the coast and make this safer, especially as it would facilitate the link to the seaport of Bar for normal traffic. Concentration on Podgorica airport and building the Sozina tunnel are essential for developing tourism to the beaches Ulcinj and the southern beach bays.

Indispensable for developing tourism are water supply, power supply and telecommunications as well as the environmentally safe disposal of sewage/wastewater and solid waste. There are some serious deficits in water and power supply and even more so in the disposal of wastewater and solid waste (pollution of bathing waters, landscape littered with garbage, etc.). In all sectors there is a need to make many investments and improve operations. We recommend concentrating the available capabilities of international development assistance on waste management (waste water and solid waste) and to confine efforts in utilities to selected individual cases (hinterland).

The telecommunications and power supply sectors are capable of functioning on their own and can be organized locally with private finance.

The following project options have been preselected:

Project options in supply and waste management	
Croatia-Montenegro aquaduct	Securing current operation and improving cross-border cooperation
Water mains	Immediate measures (management and grid rehabilitation) in line with the KfW-sponsored programme underway
Long-distance water	Extension of coastal long-distance pipeline from Budva to Bar
Wastewater	Decentralized wastewater treatment for larger discharge volumes (hotel operations) in sensitive waters at main touristic development points

10 Landscape and resource conservation

The ubiquitous dumps all over the landscape and the efflux of untreated sewage into bathing bays (Sutomore) impair the latent resources and the image of the country, which lays stress on its ecological responsibility, but the unsystematic, frequently apparently illegal spread of buildings also mars the scenery and hampers development prospects. Montenegro has the sandy beach of Ulcinj and numerous attractive bays, but its overall land area is limited. For ideal quality projects with restricted building heights and broad green zones, you need a large land area. Product components such as generous park and sports facilities and integrated buildings should act as prominent quality elements that afford Montenegro a decisive competitive advantage.

11 Target groups and regional distinctions

Montenegro's main target group are summer bathers from the local markets and Western/Northern Europe and increasingly Eastern Europe in future.

The bathing tourist category comprises the most numerous subgroups. They differ by accommodation preferences, forms of holiday and expenditure patterns. Currently, Montenegro's tourism industry is based on this group. A range of projects need to be developed for this group, primarily in the hotel sector. With its product qualities Montenegro can only attract small numbers at present from Western Europe. This holds even for Ada Bojana (nudist resort), now that naked bathing is allowed everywhere and nudist vacations are on the decline.

A group that could be addressed now, however, are the culture-nature tourists. Provided the quality of coaches is acceptable, Montenegro offers an adequate variety of unusual experiences, especially as the tourists feel they are encountering something authentic and making a discovery.

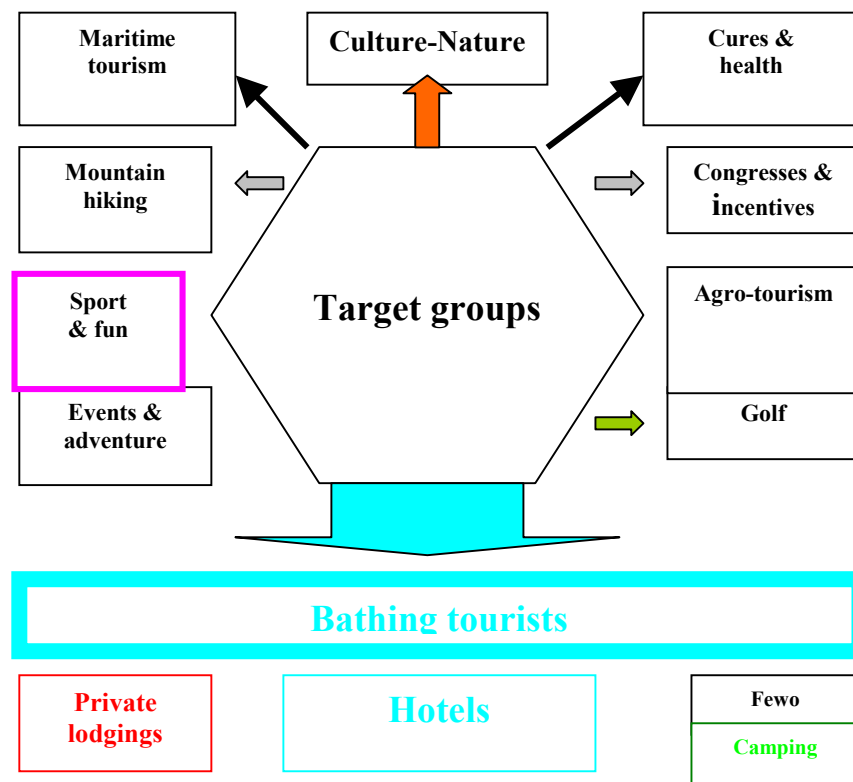
A second group already eligible for targetting is 'cures and health' in Igalo. The centre can be brought up to a more modern standard for a small investment. The standard of medical care is excellent. Igalo already had an international market in Scandinavia, Arabia etc. This market must be retrieved. The decisive selling points are comfort, ambience, light activities (strolling), culture and also golf for the Scandinavians.

Herceg Novi/Igalo should be made into a golf centre and cooperate here with Dubrovnik/Konavle. Golf is a sport with a promising future which has a long season and is a quality feature.

The third already activated target group comes from the regional markets: mountain hikers in summer, skiers in winter. For the keen Central European, mountain hiking can be attractive in combination with or without a bathing holiday as soon as a basic, typically local infrastructure has been set up (accommodation, trails, trail maps). The same applies for cycling tours. There are no signposted and traffic-free cycling routes (Boka Kotorska, Skutari Lake).

The natural resources for the other target groups are available. There too, though, there is a lack of sufficient quality infrastructure for congresses, maritime tourism, events or adventure holidays.

Sport and fun (discotheques, bars) is available in the high season. In themselves, though, they are not enough to solicit bookings as the tourist can find them in every destination region. They are important additional benefits that stimulate demand when the basic facilities – mostly bathing infrastructure – are of a high enough quality.



In the medium-term agrotourism could develop, less as farm vacations but more in the direction of prosperous town dwellers from the industrialized nations with urban fatigue buying up and restoring dilapidated farmhouses (Boka Kotorska), provided the legal provisions permit. About 800,000 Germans alone have acquired domiciles in the sun in Spain, Italy and France.¹

¹ DER SPIEGEL of 24 Feb. 2001, No. 9/p. 56

The regional differences in natural resources are considerable. The core products can be tailored accordingly and regional distinctions drawn:

Features: Unique landscape, culture, small town milieu

Boka Kotorska

Herceg Novi

Kotor

Perast



Ambience: leisurely, expensive & exclusive

Small well-tended hotels & guesthouses, restaurants, wine bars, cafés, dancing, bathing terraces at the fiord, parks, cycling routes, hiking trails, walks, golf, casino, fitness, health, marinas, boat trips & excursions, museums, music, folklore, galleries, etc. congresses, conferences, incentives

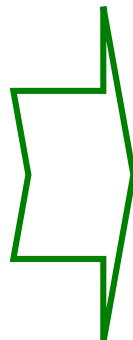
Features: Pebble beaches & bays, younger public, lively vacations

Rocky coast

Tivat

Budva

Sutomore



Ambience: leisurely, expensive & exclusive

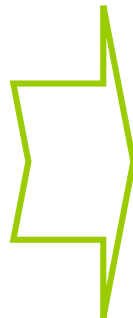
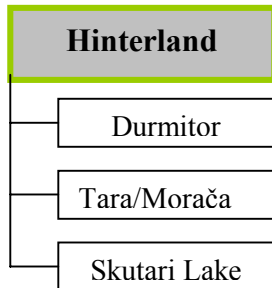
Small well-tended hotels & guesthouses, restaurants, wine bars, cafés, dancing, bathing terraces at the fiord, parks, cycling routes, hiking trails, walks, golf, casino, fitness, health, marinas, boat trips & excursions, museums, music, folklore, galleries, etc. congresses, conferences, incentives

Features: sandy beaches, modern holiday complex, sporty, families



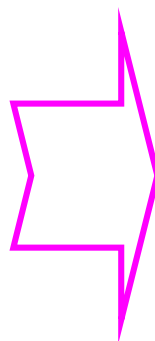
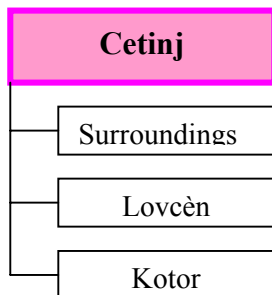
Ambience: informal, sporty, natural
 Large holiday centres (600-800 beds) variously specialized on different target groups: hotels, club hotels, holiday villages and clubs, apartments; broad sports options, golf, tennis, riding, spacious landscape design, restricted car traffic, animation centres, cycling routes, etc.

Features: culture, nature, local colour



Ambience: natural, hospitable
 Small private hotels, guesthouses, private lodgings, rural gastronomy
 Sports: mountain hiking, skiing, riding, canyoning, free climbing,
 Activating national parks
 Signposting sights
 Picnic sites and bathing locations

Features: well-tended spa, culture, sports, recreation, congresses



Ambience: royal seat
 Health resort of urban upper class, culture, congress and excursion destination
 Theatre, concerts, gastronomy, museums, sports: golf, tennis, riding, hiking, walking
 Wellness & health programmes

12 Product design

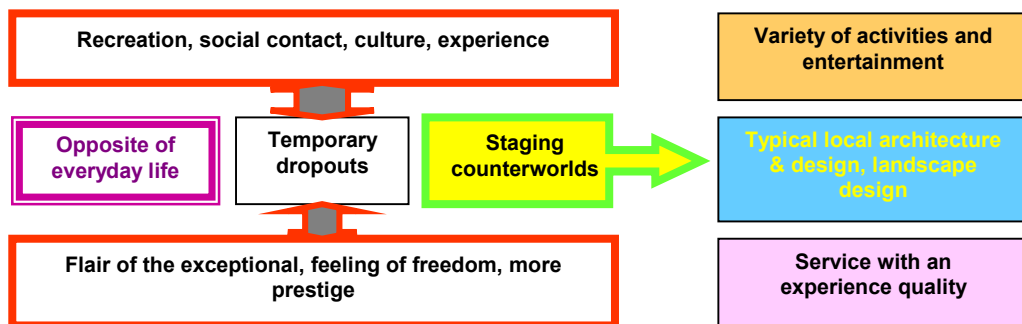
Tourism must gear its individual products to the 'hybrid consumer', whose travel decisions and holiday activities are becoming increasingly complex. As the demand for comfort, service and tourism infrastructure increase, expectations will also. The holidaymaker expects perfection and illusion.

The prime motive is the desire for recreation. This is attended by a bundle of additional travel motives. Several motives always coincide. They change from day to day and in a day.

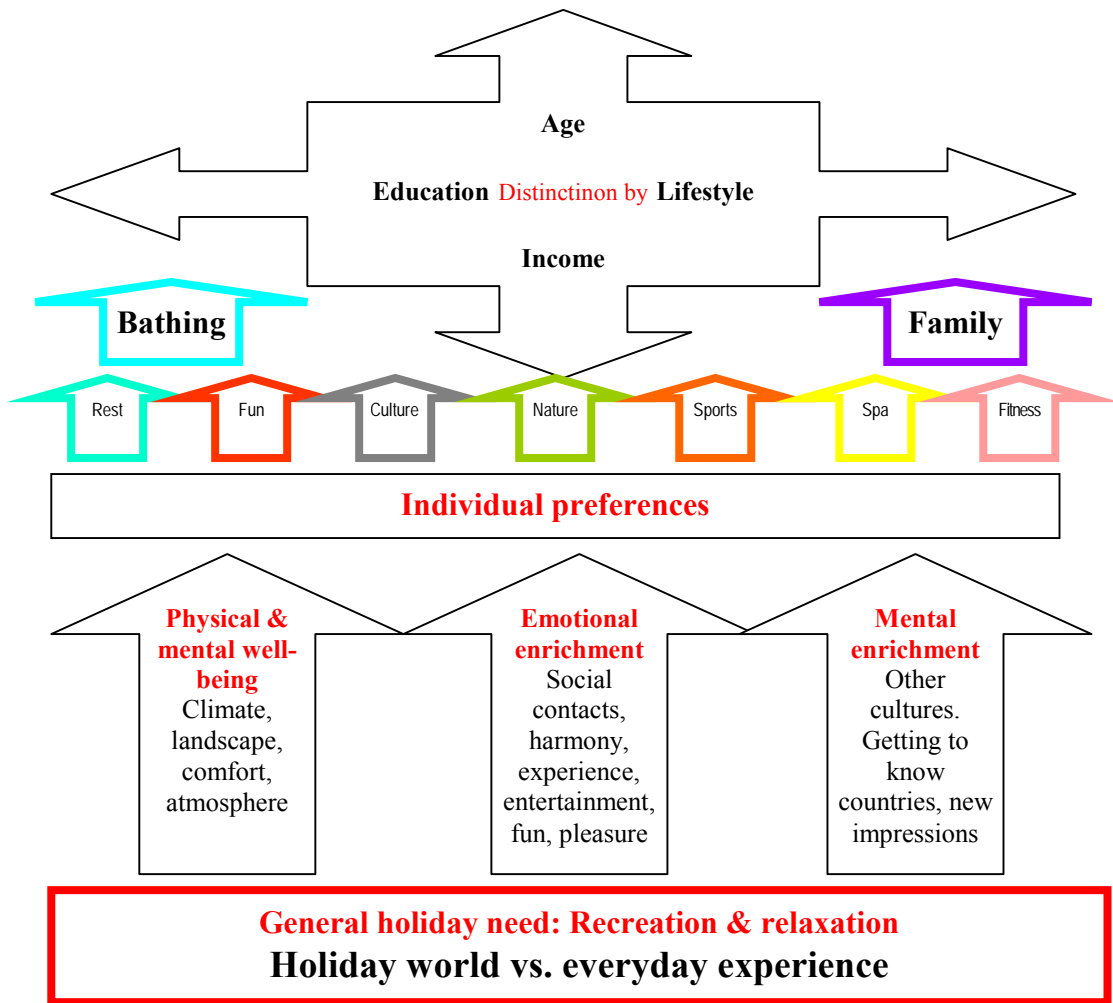
These holiday motives vary by socio-demographic characteristics (age, education, income), inclination, personal and family exigencies (physical health, children), destination (Mediterranean, mountains, remote holiday destinations) and type of holiday (hotel, holiday club, vacation dwelling, camping). Depending on target group, the product can be varied accordingly.

The basic set of expectations remains the same, though.

So the provider can 'construct' his product accordingly.

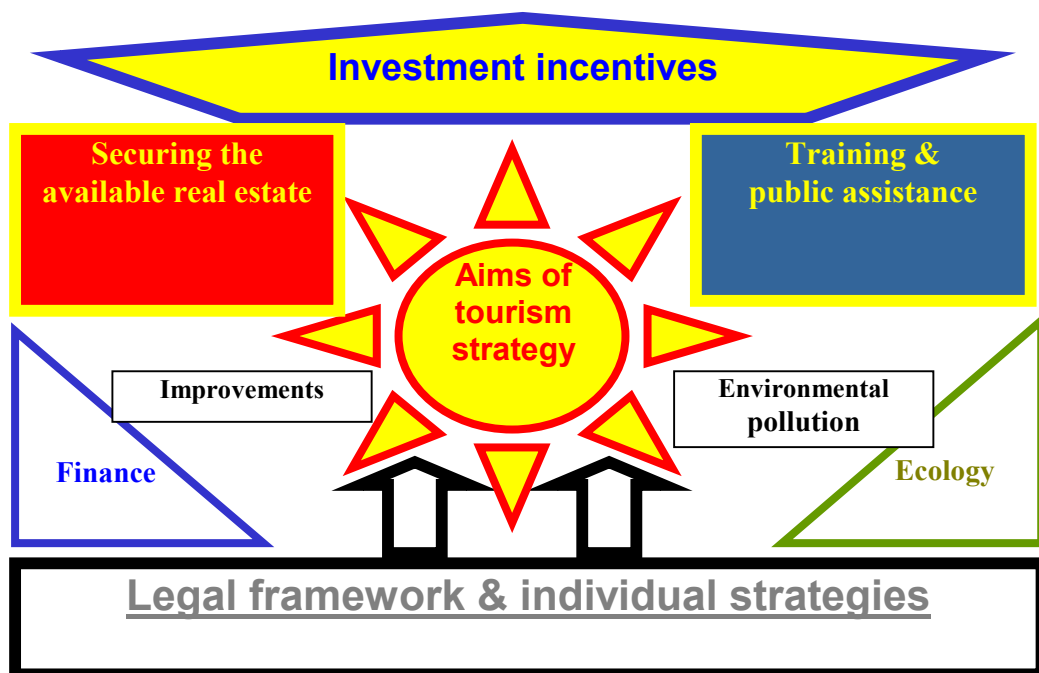


The wealth of individual management decisions for certain target groups and the response to the typical motives of the selected groups of tourists engenders a broad array of products.



13 General legal conditions, raising awareness and incentives

The implementation of the ambitious targets largely depends on attractive conditions for investors from the private sector and clear specifications on what can be built where and how. This is particularly important for Montenegro, where illegal building is apparently spreading and a part of the real estate available and the landscape has already been lost or is endangered. Legislation alone will not suffice to solve the problem of illicit refuse dumps marring the natural landscape. Also needed is an efficient organization of waste disposal paired with the removal of the unofficial dumps and intensive public relations to alter the common habit of dumping garbage in the landscape.



It lies outside the ability and scope of a tourist development strategy to propose the legal framework. This framework must, however, be the first outcome of a masterplan as soon as this is adopted by the decision-making bodies responsible. Pointers can, however, help. These are taken from the destinations that have carried out or started comparable structural adjustments.

- In response to excessive low-budget capacity, Majorca specifies for the individual types of accommodation the future minimum standards for renewing or issuing operating licences. Hotels that are unable or unwilling to adjust are shut down in the medium term, some even demolished. Portugal has adopted the same approach.
- On top of this, the island's government requires from now on minimum areas in every new project for every bed (60 m²), for parks, sports facilities and for swimming pools (3 m² per bed). Montenegro should set even higher standards and play a spearheading role in quality improvements.
- Gran Canaria too has recently decided to allow the construction of 4-5***** star hotels only. Applications for permission to build 100,000 bed facilities in the 3*** star range have already been shelved.

- Some destination regions issue regulations on form, height, style and building material to preserve their homogeneous landscapes or highlight their cultural features.
- Others classify useful building fabric as an historical monument, so that they can have a say in refurbishment for new touristic purposes.
- Still others confer rights on established environmental organizations to lodge legal objections. This can deter investors or delay interesting projects. An objection almost always prompts public discussion, which can help improve the project.
- EU law specifies the strict conservation of fauna, flora and habitats and enforces this with sanctions, such as non-disbursement of pledged subsidies.
- Project development should always be preceded by an environmental audit which is not confined to the protection of fauna and flora. Townscapes and landscapes are equally important.

It is a good idea to have these criteria taught at technical colleges to sharpen the sensibility of future architects, town and country planners for these concerns and instil an awareness that a holiday resort must satisfy other needs than a city hotel for travelling businessmen.

The general conditions and incentives for investors must take two things into account:

- Tourism investors are coveted all over the world.
- The climatic conditions in more southern climes allow for an all-year season, which is more lucrative for investors.

Anticipated profits decide on the commitment. Key investment incentives for long-term success are the attractiveness of the area, the climate, costs (e.g. low pay) and labour law, the catchment area and the image. Nevertheless, certainty in law and the legal and fiscal scope play a major role as incentives.

This is why some Mediterranean destinations deploy a whole set of instruments to stimulate investments in tourism:

- Provision of supply, waste and leisure infrastructure
- Subsidies from own or EU funds
- Concessionary long-term loans for acceptable collateral
- Tax relief or exemption for many years
- Training allowances
- Marketing subsidies
- Real estate at favourable terms (hereditary leasehold or purchase price)

- Extension of supply and disposal infrastructure up to the project premises
- Public-private partnerships
- Extension of public leisure and amusement facilities
- Extension of transport links

To encourage local as well as foreign engagement a similar set of instruments will be needed, concentrating on tax relief, long-term loans at reasonable conditions and assistance in product strategy, product design, training and marketing.

All measures should be tailored and phased to local and regional conditions to make sure that products are enlarged and improved but also that the regional development strategy aims are achieved.

Personnel training in the accommodation sector should not be confined to the classic tasks of the individual activity areas. There is an increasing call for multifunctional job profiles where each person exercises his hidden talents: as the attentive host, as the chef with the guests at the barbecue, as a joker at a children's party or as the ace in a sports competition. The concern is always to create the right atmosphere for the target group.

The same holds for the architect, interior designer and landscape designer. Ambience is the key to long-term success. The Italians know how to do this. It is not enough to create areas tailored to holiday contents that just perform physical functions. Emotional, mental and atmospheric needs have to be satisfied as well. In American planning projects in the tourism sector the landscape designer's creative vision is accorded precedence over the architect, with good reason. The United States also has a new job profile, the 'imaginator', who helps invent artificial holiday paradises – as a perfect counterfoil to the everyday world.

Everywhere, people are resorting to the world and language of theatre. The hotel manager has abandoned his desk to take up the job of director. The scene is set, for celebration, the holiday resort is now the backdrop, the public domain, a stage. The guests play the lead roles. The personnel are the hosts.

14

Pilot projects

The theorists have provided findings on the need for an environmentally and socially viable development of tourism, on travel motives and markets, on cost-saving and efficient business organization. Likewise, some destination regions have learnt from experience and responded to adverse developments with radical reorganization measures to secure their market position (Majorca). But this is more the exception and it is relatively rare for theoretical findings to be put into practice in actual projects. Individual experience is usually lacking for dealing with the very disparate, but complex networks of specialisms that have to be taken into account. Innovative developments that make use of all the available know-how are therefore very rare. As a rule, what works elsewhere is copied. This is already the first step in a new interchangeability, which will also culminate in a downward price/performance spiral.

This is also a danger for Montenegro, as neither during the era of monostructural low-budget tourism nor in the 10 crisis years could the market be developed. Montenegro has three unique assets (Velika Plaza, Skutari Lake and Boka Kotorska), a number of beautiful bays and its mountains, but these are one-time resources and they are limited. To make the best use of them and ensure long-term acceptance, we therefore recommend averting possible undesirable developments through integrated pilot schemes and know-how transfer.

Montenegrin/International working groups need to be set up from all the relevant disciplines to deal with all the major topics in the pilot project in a network. On the Montenegro side both experts and suitable students from the individual disciplines should take part to gain practical experience and insight.

For the pilot schemes, we propose the three regions whose sustainable development is key for the positioning and long-term economic success of Montenegro's tourism:

- Ulcinj – as a high-quality beach/bathing resort
- Boka Kotorska/Herceg Novi – as an exclusive individual resort
- Skutari Lake – as a touristic-rural landscape park

In addition, reorganization models should be devised for a bay (Valdanos, Buljarica?) and a hotel to obtain target specifications for similar real estate.

On top of this, commercial standards should be developed in line with international norms for

- Hotels
- Holiday apartments
- Private lodgings
- Camping sites

and proposals for their implementation. These standards should not be confined to product elements in accommodation, but also include objectively measurable components of modern tourism products.

The following specialists are needed for the various phases

- Tourism industry, leisure, marketing
- Hotel business and vocational training
- Landscape management and national parks
- Environment, regional planning and transport
- Architecture and interior design
- Building and hotel engineering
- Supply and waste management
- Culture and education
- Economics, labour and social policy
- Law and administration

Short-term assistance is needed in the following

- Remediating waste disposal problems in wastewater and solid waste
- Drafting a marketing plan
- Setting up a distribution structure
- Drafting a tour programme (culture-nature)
- Specifying investment conditions
- Soliciting investors
- Training hotel specialists
- Identifying and securing latent development resources

15 Plan of action

In redesigning its tourism products Montenegro should retain and raise current demand on the one hand and at the same time acquire and build up a new market in Western and Northern Europe. The medium-term and long-term preparatory work is key to achieving the economic goals: the creation of new jobs and raising income from tourism.

Accordingly, Montenegro must proceed on a dual track :

Regardless of all the deficits, the local markets will continue to stream to the coast in July and August because of the low prices. Considering their income level and holiday habits as well as the economic constraints on the country, quality and prices should be raised but this can only be done gradually. There does not appear to be any need to raise volume from these markets at present, because these tourists travel solely on the basis of their familiarity with the country and the facilities.

So Montenegro can concentrate on Western and Northern Europe, which will also benefit guests from the local market as far as infrastructure, supply and waste management or leisure facilities are concerned. Apart from detailing legal, economic and planning parameters, these are the problems that need solving most urgently because they damage the environment, impair national reputation or even endanger health. Parallel to this, the quality of capacity must be raised, tourist attractions developed, a new image created and distribution and training expanded.

Short-term measures up to 2002		
Destination regions + areas	Aim	Measures marked in yellow as permanent measures
Montenegro	Pilot projects, drafting strategies and guidelines, solving waste disposal problems, starting reorganization & PR work	
Environment	Finance of environmental measures	Car ecotax as of 2002 – income from eco vignette for environmental protection
	Refuse dumps	Remove illicit dumps and organize waste disposal
	Sewage/Sanitation	Build treatment plants and sanitary facilities at public beaches (Sutomore)
	Landscape	Halt spread of building, set controls, construction specifications and building areas
Infrastructure	Securing resources	Identify and secure development land
	Developing tourist attractions	Search and inventory, guidebook Take over international tourist control system (examples: WTO, France); begin local implementation
Tourism planning & strategies	Adopt masterplan	Discuss, revise, announce
	Regional plans and pilot projects	Prepare strategies (example Majorca) and safeguard resources, regional planning
	Legal certainty	Promulgate implementation laws
Privatization	Private initiative	Set/Implement general conditions
Investments	Foreign capital	Set and market basic conditions and investment incentives .
Hotel business	International standards	Prepare and set
	Quality improvement	Inventory & classification of existing hotels combined with orientation strategies
	Setting examples	Implement pilot schemes
Private lodgings	Standards	Prepare, set, enforce
	Improving quality in stages	Issuing new licences only for 3***star and upward, publish long-term strategy
Camping	Standards	Prepare, set, enforce
	Raising income	Raise camping fees as of 2002
	Quality improvement	Draft development plan for raising quality, capacity reduction, shut-down and securing of property for new development.
Marketing & distribution	Niche segments	'Culture-nature' tour programme
	Operator cooperation	Bathing, tour & niche tourism
	Demand trends & information, bathing tourism	Marketing and marketing strategy Open and maintain multilingual Internet site with practical booking instructions
	Image upgrading through publicity	Commission an international PR agency for a separate Montenegro image
Human resources	Improving training and know-how	Visit competitor destinations
		Set training objectives, curricula and set up training facilities
Pilot projects	Know-how transfer	Define projects and form teams
	Recommendations	Ulcinj: strategy and regional planning
		Boka Kotorska: strategy and transport planning
		Skutari Lake: strategy for innovative 'ecotourism'
	Standards	Hotel business, apartments, private lodgings, camping
	Real estate plans	Reorganizing a hotel, 1 bathing bay

Medium-term development steps up to 2005/2010 – Phase 1		
Destination regions + areas	Aims	Measures
Montenegro	Raising quality, volume and daily turnover	
Transport	Improving travel links	Extending and improving roads at hazardous points
		Modernize Podgorica terminal
		Build Sozina tunnel
Hotels, guesthouses	Quality improvement, expansion of capacity	Diversification and specialization of hotels with individual strategies, building new facilities, product mix
Private lodgings	Improving quality in stages	Introduce classification and signposting; new licences only for 3***star standard and above
Camping	Quality improvement, capacity reduction	Downsize capacity, raise quality to 3***star and prices
Culture	Develop all sights	Implement a tourist control system, modernize museums
	Improved attractiveness	Cross-border programmes
Marinas	Attractiveness increased to local magnets, greater capacity	Lay out marinas (Boka Kotorska, Budva) & create milieux (Port Grimaud, Puerto Baños), cooperate with Croatia
Maritime tourism	Main niche and image flagship	Diving, Boka Kotorska & Skutari Lake solar-driven shipping, water sports
Diversification	Specialization and variety with quality	Wellness hotels, sport hotels, family hotels, cycling routes, trend sports
Golf	All-year tourism and image flagship	Concentration on Herceg Novi to a golf region of international standard, cooperation with Dubrovnik/Konavle
Boka Kotorska Herceg Novi Kotor Perast	Aims	Expansion of capacity, landscape management, expansion of culture and sports facilities
	Quality leadership	4-5 star hotels, casino, gastronomy
	Target groups	Demanding guests 35-40-years of age and upward
	Features	Landscape, flair, vegetation, culture, typical local architectural style (Perast)
	Focal points	Health/Igalo, golf, congresses, elegance
	Accents & sports	Galleries, shopping, tennis, sailing
	Transport	Traffic planning/Solve parking problems
Coast Tivat Ulcinj	Aims	Expansion of capacity & infrastructure
	Lively bathing resort, quality upgrading	Capacity expansion only as of 3***star standard, private lodgings, guesthouses
	Target groups	International, family, young people
	Features	Sport, experience and amusement
	Focal points	Recreation, bathing, pleasure, sports, dancing
	Accents & sports	Plan Stari Bar theme park
	Bathing bays	Plan large-scale pilot projects
Ulcinj Velika Plaza	Aims	Planning, extension and startup
	Tourism focus	Capacity target 2020 – 45-50,000 beds
	Target groups	International, demanding bathing tourists
	Features	Typical local, sporty, environmental, spacious landscape design
	Focal points	3-4 star facilities with 600-800 beds
	Accents & sports	Children, tennis, riding, golf, entertainment

Medium-term development steps up to 2005/2010 – Intermediate stage		
Destination regions + areas	Aims	Measures
Montenegro	Raising quality, volume and daily turnover	
Hinterland	Aims	Expansion of capacity, activation of national parks & 'hidden' attractions
	Nature-Culture tourism	Small family hotels + inns
	Target groups	Sports niches, local markets
	Features	Mountain landscape and 3 cultures, local products & arts and crafts
	Focal points	Hiking & skiing area, Durmitor, Lovcen Tara, Moraca,
	Accents & sports	Hiking, mountain biking, river trips
Skutari Lake	Aims	Expansion of capacity & infrastructure
	Unique product, eco-experience tourism	Networking of nature-agro-tourism Expansion only in traditional farm style Local products only
	Target groups	Nature lovers, sports fans, families, trippers
	Features	Quiet, peaceful, natural
	Focal points	2-3***star family-owned enterprises, private lodgings
	Accents & sports	Nature observation and exploration, hiking, boat trips, fishing, sailing
	Bathing locations	Set up, tend, boat hire, etc
Cetinj	Measures	Planning, extension & startup
	Excellence in miniature	Staging & building style regulations, urban redevelopment programme
	Target groups	Day and weekend tourists
	Features	Well-tended, romantic, historical, exotic
	Focal points	Culture & congresses, training centre
	Accents & sport	Golf, tennis, riding

Long-term development steps up to 2010/2020 – Phase 2		
Destination region + area	Aims	Measures
Montenegro	Raising quality, volume and daily turnover	
Hotels, guesthouses	Increase in capacity to 100,000 hotel beds	Diversification and specialization of hotels, demolition of unprofitable operations
Private lodgings	Quality standard	Obligatory classification & signposting, new licences only for 3***star standard and above
Camping	Quality standard, capacity reduction	3***-5 star, close down poorer establishments, make use of real estate
Culture & events	Extension of season	Tend to tourism control system, establish focal points (Herceg Novi), extend museums
	Improved attractiveness	Cross-border programmes
Marinas	Extension of season	Regattas, windjammer meetings
Maritime tourism	Main niche and image flagship	Diving, Boka Kotorska & Skutari Lake, solar-driven shipping, water sports
Diversification	Specialization and variety with quality	Wellness hotels, sport hotels, family hotels, cycling routes/hiking trails, trend sports
Golf	All-year tourism and image flagship	International tournament cooperation with Dubrovnik/Konavle

16 **Marketing and distribution**

As with its product design, Montenegro must gear its marketing to the holiday motives of its visitors and at the same time account for their finances and propensity to spend. Particular stress must be placed on product features that

- are important for the holiday guest and prompt him to make a booking;
- pick up on the product elements, where Montenegro is unique (USP = unique selling points);
- can also enhance the image aimed at.

The marketing can address the dream holidays of the target group but not promise anything that cannot be fulfilled in the holiday. In the short term, feigning things that are not available may result in more bookings, but the disappointed guest will complain to the distributors and claim compensation under European travel law. His complaint will have a considerable adverse repercussions on demand.

Montenegro's marketing targets two source regions: the local markets and Western and Northern Europe. While the local tourists come in any case and the need is more for organizational measures to control and reduce the 'grey market' than publicity, the Western and Northern European markets still need developing. Input here should be confined to what is practicable, which is narrowly limited by the available hotel bedding capacity and quality. This means that Montenegro must concentrate its marketing efforts first of all on major markets within Western and Northern Europe, i.e. Central Europe.

For Central Europe in turn there are three avenues open:

- The mass market of cheap bathing tourism, for which Montenegro can presently provide 1-3,000 beds
- The niche market of culture-nature tours and other smaller, less tangible ones (hikers, canyoning, free climbing, etc.)
- Medium-term image development to address future market segments

It is also important that the 'cheap image' inevitably associated with the present product in bathing tourism is kept separate from the strategic aim of quality tourism. Accordingly, a clear distinction ought be made between

- short-term sales promotion and
- medium-term image development.

Montenegro should only get indirectly involved in short-term sales promotion by supporting other initiatives and leave them to take care of presentation and sales arguments:

- Setting up multilingual direct marketing via Internet with booking instructions and travel information. Image factors should be presented realistically (plain quality = low price, beach, climate, landscape, international guests)
- Cooperation with large tour operators (TUI, C&N, REWE, FTI) that concentrate on bathing tourism
- It would make sense to cooperate with small special operators (RIVA Tours, MISIR) that have focussed so far on Croatia. They are adaptable, familiar with the country and loyal in time of crisis, as they are themselves dependent on the destination region.
- Cooperation with niche providers, whose special products Montenegro can already offer. The culture-nature tour client for example is primarily interested in what he gets to see and how he is treated. Lower quality accommodation does not deter him as long as it is clean and good food is guaranteed and provided he can enjoy a friendly atmosphere, meet people and have authentic and unusual experiences.

To develop an image in the medium term Montenegro must take a strategic approach. It is of little use to the country to make a name for itself and be unable to offer hotel beds. A good name can easily be ruined, if the quality of product is not up to it. So, we need to proceed in steps.

- In Phase 1 the strategic aims have to be defined in a marketing plan prepared for immediate implementation.
- At the same time, PR and press work should prepare for the expansion. It must arouse interest and curiosity in the target groups concerned. Modern themes should be in the forefront. For example –
 - Montenegro is tolerant. It is the only country of the former SFRY that has managed to avoid ethnic conflict and maintain its culturally attractive variety for tourists. Montenegrins, Serbs, Croats and Albanians live together in peace and equality.
 - Montenegro is an ecological country. But like all ex-Socialist countries it has inherited an inadequate waste disposal infrastructure. A priority concern at present is to remedy these deficits.
 - Montenegro's hotel services were geared to a monostructured line of 'cheap offers'. As a result, accommodation in the country is plain and cheap. But unlike other SFRY destinations during the Socialist era, two unique high-quality resorts were built: Igalo and Sveti Stefan.
 - Montenegro has the only sandy beach on the ex-Yugoslavian Adriatic coast.

- Montenegro is almost untouched by international tourism. A country with 3 cultures (Kotor, Cetinj, Plevlja), with 3 types of landscape at the sea (Boka Kotorska, cliffs and bathing bays, Velika Plaza), with a dramatically beautiful mountain realm and the mysterious Skutari Lake. The line of argument is that Montenegro is worth discovering! Preferably these aspects should be publicized via the media (television, magazines, travel supplements) and not via advertizing.
- Montenegro is small, but it has a large variety of attractions. It offers the summer climate of Majorca, the lakes of northern Italy, the mountains of Switzerland, the bathing bays of the Turkish Aegean, the sandy beaches of Djerba.

The logo and slogan must also be considered in the development strategy and marketing plan.



Have the country's unusual features been properly catered for? Do they hold out the promise of something the competitors do not have? Or do they reflect something that is taken for granted and poses no competitive advantage? Environmental awareness is not a competitive advantage, because all providers include sustainable tourism as a component!

The C&N catalogue entitled, Montenegro Summer 2000, reveals what this large-scale operator considers to be an efficient sales line: variety of landscape, the bays and beaches. Further distinctions are already drawn: Budva = lively, Petrovac = well looked after and quiet, Ulcinj = beach, sports and children. It also shows what else are marketable assets: Skutari Lake, Cetinj, Dubrovnik, Boka Kotorska with the Tara river and the Moraca ravine, folklore.

If the image matches the product and if this is connected with particularly attractive aspects for the respective target group over a longer period this results in a brand, a real player on the tourism market, that is no longer interchangeable.

With this aim in view, Montenegro must work at building up its product and image at the same time. As not all tasks can be performed at once, priorities must also be set in marketing and image development concurrent with product development.

After diversification, individualization and specialization have determined market demand, Montenegro must set many appropriate image accents to generate brands. The coastal regions can act as brand platforms. Unlike Budva, the names Boka Kotorska and Ulcinj are not yet associated with holiday images. These must be created. The

name of the country, Montenegro, can furnish the overall brand name, which itself sounds full of holiday promise. The regional concentration in product and image development also facilitates the reorganization of the overall product in steps.

Distribution is in private hands: the local providers, i.e. the hotels, camping sites and letters of private lodgings, etc., the tour operators abroad and the travel agencies.

Most inland providers have desperately poor sales material at their disposal. It is also unclear how the advertising brochures are supposed to reach the clients. Direct marketing is almost unknown, although difficult to operate from Montenegro into Western Europe. The scattering losses would make for prohibitive costs.

Marketing cooperation is one answer, using the Internet, a second. The Internet will play an increasing role but at present it is still inefficient as a sales channel. It is largely used for information.

The major part of distribution is, however, in the hands of the tour operators. With charter flight destinations, they are 'in control'.

In recent years, there has been a rapid merger and concentration process in the whole of sales so that today a few tour operators – vertically organized throughout all levels of the tourism industry – can exert a dominant influence. The consequence for the flight destinations is an increasing dependence on the company headoffices in the tourist industry.²

TUI/PREUSSAG for example occupies a market-dominating position in distribution as the No.1 or 2 on the key European source markets. This is underpinned by their own hotels (100,000 beds), 76 of their own airplanes and agencies in the destination regions.



Preussag's position on the European market

² Le Monde dated 19 Dec. 2000 : "The WTO has recommended that the European Commission conduct a study on concentration processes in the tourism sector, particularly amongst tour operators and take appropriate action."

The powerful position of European tour operators and their formative influence

- on all distribution channels (travel agencies, last-minute, Internet),
- on duration and density of the charter chains and hence the season,
- on advertizing and pricing and hence image and market position

make close cooperation essential if Montenegro wants to cover the important European markets. This means that the producers – primarily the hoteliers – must adjust to the requirements of the tour operators. These only differ marginally from group to group.

- They want to earn profits from all the links in the value added chain.
- They also know the expectations and constraints on the market. Accordingly, they demand standard and special offers, additional service elements and standardized capacity.

The advantage for the destination region of having a large operator is that he is guaranteed to be committed to the region and seek an optimum nationwide marketing coverage. The drawback is that a large part of the profits go back to the group headoffice, where major strategic decisions are taken that affect the whole destination region.

- One way of counteracting the possible dependence on a giant operator is to seek and promote cooperation with as many operators as possible to stimulate the regulative mechanisms of competition.
- In addition, the strategy should be to solicit and support small special operators (Riva Tours, Misir) that are already concentrated on Croatia and are therefore themselves independent, although they may be taken over one day by a large-scale operator. Cooperation arrangements already exist.
- Also important in addition to cooperation with operators is the development of local hotel groups, that are strong enough by virtue of their holiday facilities and their operating results to be treated as equal partners. The hotel groups should, however, be bundled by product structures, not local aspects, to give them the chance to develop their own brand.
- In any case, Montenegro as a country must keep its promising real estate resources in its own hands and only allow it to be used in line with the strategic aims. Otherwise, there is a danger for Montenegro that private real estate developers will pursue their own interests. Appropriate guidelines and controls are essential for every region.

Key, though, is Montenegro's own tourism profile, so that instead of being interchangeable as a destination region, it is unmistakable.