

# Evolution and Development of Tourism and Hospitality on the Island of Mljet

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**Evolution and Development of Tourism and Hospitality on the Island of Mljet**

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### **Abstract**

The purpose of this study was to explore the evolution and development of tourism and hospitality on the island of Mljet. As the tourism develops everyday and introduces new trends, it is necessary to understand how is tourism developing on an island with all of its pros and cons in comparison with the mainland, its past, present and future perspective of tourism development. For the purpose of this study secondary research was done and tourism and hospitality were explained on 3 levels; Croatia, islands and in the end the island of Mljet. Primary research was conducted using the online survey distributed to the service providers on the island of Mljet. The questions were based on exploring past, present and future situation focusing on different factors affecting tourism and hospitality on the island such as infrastructure, tourist board, communalities, than focusing on specifics of the restaurants and the prices of the dishes. Both, studies from the secondary research as well as the results from primary research confirmed the development of tourism on the island of Mljet over the years of 21<sup>st</sup> century.

*Keywords:* tourism, hospitality, restaurants, Croatia, islands, Mljet, survey

One of the largest industries in the world in the recent past has been hospitality as a center of tourism industry. Hospitality's "taking care of the travelers" developed and evolved over the years and this paper examines hospitality and tourism, specifically food and beverage category of hospitality focusing on restaurateurs. The era of digitalization has brought many improvements to hospitality and tourism industry, changed the way people travel, how businesses operate, the relationship between service providers and travelers. And this specific evolution and development is the primary focus of this research paper. The era of digitalization has brought into the picture authentic customer service and importance of guest experience (Sawerschel, n.d.). These two constructs are determining successfulness of businesses' hospitality meaning current success and profit and future returning loyal customers as well as positive WOM. Consistent, quality guest experience and providing excellent service form an authentic immersion. In the era of digitalization leisure travelers are discovering new secluded destinations far away from the popular crowded ones so new types of tourism are appearing (Sawerschel, n.d.). Agritourism- where travelers can discover local traditional nature and food and food being a powerful way to represent local cuisine is the focus of this senior project. The historical, present and future perspective of the tourism over the last years on the island of Mljet is the main focus of this research paper. Croatian "sun and sea" tourism model is the most important part of Croatian economy and accounts the highest GDP out of all other EU state members (Ivanovic et al., 2015). National park Mljet as a part of Dubrovnik region is trying to attract luxury market, yachting & sailing tourists, so there is a question what does it have to offer to attract and retain luxury segment.

The purpose of this research is to examine and understand the evolution and development of tourism and restaurateurs on the island of Mljet with all of the advancements made so far as well as future possibilities in order to improve the offer and its quality and advance more in this segment. This research paper is exploring the beginnings of tourism on the island of Mljet and the development and growth over the time considering how their offer, products and services evolved over the last years. The paper is focusing on all the aspects; historical, present and future possibilities for improvement.

The main research question being explored in the senior project is:

RQ Is there a change in the hospitality and tourism industry, specifically restaurateurs, on the island of Mljet, over the last 20 years and what is the future perspective?

Studies have shown that starting 2005 significant positive movements were made in Croatian tourist offer development (Ivanovic et al., 2015). Other studies have shown that not only positive movements were made, but there are also some concerns about the direction in which these developments are going as far as natural resources such as National park Mljet are in the focus (Orsini & Ostojic, 2018).

### *Tourism & Hospitality*

Tourism as one of the biggest and most important industries in the world and the number 1 industry in Croatia is very important research topic that still needs huge attention and dedication especially for the country such as Croatia where tourism comprises the highest GDP out of all other EU states and it is by far the most important part of Croatian economy which makes this country vulnerable as it relies only on 1 industry (Ivanovic et al., 2015). According to UN WTO tourism is defined as activities of person traveling to and staying in a different destination other than his/her place of residence for less than a year and for various purposes such as leisure, business or traveling. Tourism industry has a central idea in its core and that is hospitality. Hospitality means “taking care of the travelers” and in today’s era of digitalization it becomes very challenging to provide satisfactory level of hospitality because people are no longer interested in products or services but rather experiences, memorabilia, engagement, edutainment (Pine & Gilmore, 1999). In order to be competitive in today’s marketplace businesses need to design authentic customer service that will provide guests with unique and memorable experiences. This results in loyal and returning customers, positive WOM, which make higher profit for the business rather than attaining new customers. Another important aspect is forming relationships with customers both current and potential, improving the offer and quality as well as the way of marketing in order for businesses to benchmark from the competitors since so many destinations and service providers offer similar attractions (Ivanovic et al., 2015). All of the above mentioned is very important since tourism and hospitality offer mostly intangible products and services and for that reason it is crucial to provide the best possible people-oriented services. Millennial generation

today chooses destination where to travel based on the factor called instagramability based on the social networking platform Instagram and its impact to the lifestyle (Sawerschel, 2020). Opportunity that is rising in favor of Croatian tourism is new trend of avoiding overcrowded destinations and seeking new unexplored secluded destinations. Such a new trend is bringing new unique types of tourism such as agritourism, dark tourism, astro-tourism. Hospitality can be divided into 4 categories and that is lodging, food & beverage, recreation, travel & tourism (Wich, 2019). Each of the categories have subcategories and at the same time they are all interconnected comprising umbrella of hospitality businesses yet they are all very different facing its own opportunities and challenges.

Evolution of the modern tourism is divided into 3 stages (Sciarelli et al., 2018):

- Early-stage years from 1996 to 2000 where business-to-business model played a key role in a relationship with a customer and where destinations interacted with tour operators and travel agencies. Also 1996 was the year when online travel agencies started to appear such as Expedia and this also started increasing tourists' individual purchases.
- In-between stage from 2001 to 2006 was more complex than the previous stage because distribution and communication started to be interrelated and tourists used internet to search for information.
- Current stage is offering complete overlap between distribution and communication and internet is being used as an information verification by tourists.

*Evolution and development of tourism and hospitality in Croatia*

Croatia as EU member state is very important country in terms of tourism industry both for itself as well as the Union. Croatia has a huge potential when it comes to development of tourism industry yet in comparison with other state members it needs a lot of improvement to catch up with more developed nations. The positive path in the development of tourism in Croatia was noticed from 2005 and on. However this development had both positive and negative outcomes that will be discussed later. Mass tourism in Croatia expanded in 1960s and 1970s while Croatia was still part of Yugoslavia. It was stopped in 1990s during the war but after the war it slowly recovered and since then it is just booming. The war destroyed a lot of infrastructure, cultural heritage and reputation of a safe destination. It took a couple of years to regain all of that to the starting position and then acquire the development of the same. Tourism is the most important industry in Croatia and international tourists' expenditure in this country amounts around 20% of GDP and this amount is the largest in the EU (Orsini & Ostojic, 2018). Croatian tourism model is characterized as "sun & sea" model that is popular over the summer months in the coastal area and solely along the Adriatic coast which means that tourism in continental part of Croatia is barely developed (Dujmovic & Vitasovic, 2020), so it brings some concerns such as high seasonality, limited range of products and services. Besides this, Croatian tourism is characterized with the dominance of large hotel establishments in the low-mid price range where state owns huge number of hotels, average tourist expenditure is way below than those of other EU state members and the reason is because of the lower prices (Orsini & Ostojic, 2018). Croatian tourism model needs small-scale tourism so Croatian resources, attractions, environment are not over-



consumed rather preserved as well as improvement of quality of life of locals. Since the busiest cities are Dubrovnik, Split, Rovinj and Porec, inhabitants expressed their dissatisfaction with quality of life in the summer season (Dujmovic & Vitasovic, 2020). Those cities can be compared with Venice and Barcelona that are alongside with Dubrovnik considered open-air museums. Another issue with the touristic offer in Croatia is that it lacks authenticity and originality in their offers such as restaurants, souvenirs. The restaurant menu is the same all over Adriatic coast with fast-food offers, pizzerias, and seasonal restaurants offering non-traditional meals nor promoting local cuisine. For the economic purposes local culture and traditions were removed from the areas attracting large numbers of tourists focused solely on the revenue (Dujmovic & Vitasovic, 2020). Since Croatian economy is mostly build on tourism industry and in 2018 it accounted 19.6% of its GDP it makes this country vulnerable in every other aspect of its economy as well as for the state budget. Croatia needs strategic planning in developing other industries such as food production so it can at the same time better tourism industry as well as develop new industry that will complement each other. In order for Croatia to become economically developed country it needs its share of tourism in GDP to fall below 5% (Dujmovic & Vitasovic, 2020). With the excessive tourism development from 2005, Croatia is facing great exploitation of the coastline in terms of environmental and social aspects. New trends that should be acquired is sustainable development in tourist offer which would focus not only on development of 5 star hotels that are not state owned but also development of eco hotels and preservation of resources, continuous new and innovative product and service offers that would strengthen all year around business and not only promoting the coast but continental part of the state as well

and all of this acquiring with successful marketing activities using newest marketing tools on the international market (Ivanovic et al., 2015). As previously discussed agritourism is a popular new type of tourism that can easily be implemented in Croatian tourist offer. Even though they are present still Croatian tourism needs further development in the areas where it has huge potential and that would be nautical, camping, rural, cultural, religious, hunting, fishing, wine, culinary, nature-friendly, eco-tourism. These types of tourism predominantly focusing on agritourism would be easily implemented in both coastal and continental area and their mixture would form one rich tourist offer (Demonja, 2014). Rural tourism in Croatia started its development in 1990s when the Ministry of Tourism of the Republic of Croatia started initiatives for its development and finally it was seen in practice from 1998. Development of rural tourism in Croatia is divided into 2 periods (Demonja, 2014):

- First period from 1995 to 1999 when the government created and adopted the program for development of small to medium entrepreneurship in tourism in Croatia.
- Second period started from 2003/2004 after a couple of years of pause between the periods, when government through its ministries of tourism and agriculture started some visible improvements for rural areas and their economic activities.

Current situation in agritourism is characterized with mostly half-day or single-day excursions to rural family households during the summer season with mandatory reservation entrance for mostly wine and tasting facilities where wine, olive oil, cheese and honey are offered. Production of organic food and indigenous products need special attention and promotion because there is a huge potential yet is unused.

Cooperation between institutions in charge is what Croatian tourism lacks and in order to achieve the goal of tourism development all of the institutions need to develop cooperative program and strategy that will be implemented in the near future (Demonja, 2014).

*Evolution and development of tourism and hospitality on the islands*

Croatian tourism is based mostly on the Mediterranean coast with more than a thousand islands and due to its rich coastal resources nautical tourism is very important in Croatia. Since it is still not developed to its potential, it presents great opportunity for shift from mass tourism to modern and luxury offer (Jolic et al., 2010). With the development of mass tourism in 1960s on the Adriatic coast, islands were also included in this boom but the ones closer to the mainland. The ones further behind took a couple of years more to catch up with the rest and in this category one can find Mljet, Lastovo, Vis, Dugi otok to mention few (Razovic & Tomljenovic, 2015). Those islands were considered underdeveloped due to emigration of young people, poor investment in basic infrastructure, lack of tourism facilities even though they do have unique features for development of unique tourism products, services and experiences. Island is defined as a land surrounded by the sea and the main characteristics are the territory, distance from the mainland and population (Razovic & Tomljenovic, 2015). Islands are especially attractive for tourism since they mostly represent secluded and exotic places waiting to be explored. When considering historical perspective of tourism on Croatian islands, first notion was documented at the end of 19<sup>th</sup> century on Hvar, Brijuni, Losinj where they offered winter health resorts. After WWII summer demand expanded and continued to grow for mass tourism in 1960s with development of air transportation (Razovic & Tomljenovic, 2015). By the end of the 20<sup>th</sup> century tourism flourished more on remote islands due to frequent ferry connections, road constructions on the islands, water supplies, accommodation facilities. More than 1200 islands in Croatia account for 69% of its coastline and 5% of the overall state territory (Razovic & Tomljenovic, 2015).

*Evolution and development of tourism and hospitality on the island of Mljet*

Island of Mljet, one of the largest in southern Dalmatian region is 37 km long and 2.5-3 km wide with about 1.1 thousand permanent residents in 14 villages with Babino Polje as an administrative one, and the main feature of the island is 2 deep bays called the Great Lake and the Small Lake. But the main characteristic of the island is its declaration of the north-western part of the island as a National Park in 1960. Protected area is the location under protection in terms of natural, ecological or cultural values and National Park of Mljet is one of 8 national parks in Croatia (Petric & Mikulic, 2012). Considering the growth of nature based tourism, eco-tourism and adventure tourism, the island of Mljet has all predispositions to develop all of the above trends and establish sustainable tourism alongside with its National Park island protection. If protected area such as Mljet focuses on development of the above tourism trends then the benefits it will gain are financial/economical, socio-cultural and environmental. Economic benefits will come through increased number of jobs for locals and incomes, strengthening local economy. Socio-cultural benefits will come through many values that both locals and tourist will appreciate and intercultural understanding will add value to their experiences. Environmental benefits comes through protection of biodiversity, natural resources, education of both locals and tourists about sustainability. Lack of knowledge and empowerment among all stakeholders especially institutional organs' lack of cooperation with investors, locals and tourists is holding back the development of new trends in tourism (Petric & Mikulic, 2012).

When it comes to tourism development on the island it all started between 2 world wars when it had 2 restaurants and 17 rooms. In 1962 hotel "Melita" was opened with 63 beds

and during the 1970s second hotel “Odisej” was built. Today the two hotels account for 310 beds, 230 camping sites and 778 beds in private accommodation (Razovic & Tomljenovic, 2015). Investigation on island of Mljet was conducted by Razovic & Tomljenovic (2015) between resident population and foreign tourists and what these groups had in common based on the survey results is that agritourism needs special attention for further development since it represents one of the most important sectors on the island. Alongside with agritourism, both groups agreed on further development of accommodation facilities and tourist products. Both groups see the potential in development of family-run hotels and local authentic cuisine. This way locals would preserve their lifestyle, tradition, environment especially National Park on Mljet and tourists would enjoy peaceful and relaxing atmosphere on a secluded island. Direct contact between locals and tourists would help in development of CRM, which results in higher profit for the businesses and more unique and authentic experience for the tourists. Study was done by Hazdovac Bajic (2013) where Mljet was investigated in the timeframe from 1981 to 2011 and it was recorded that from 1953 up to 2011 the island of Mljet lost its 47% of population due to migrations to the mainland in bigger cities. Over these years people also emigrated from the villages inside of the island to the ones directly on the shore due to development of tourism and neglect of agriculture in the inside of the island. Older population is predominant on the island and that directly reflects on the development of new trends in tourism. What Mljet currently offers is natural resources, sun and clear sea, but it lacks offers and attractions that would make tourists come and stay longer. In the same package of challenges there is also the issue of undeveloped infrastructure on the island, infrequent ferries, depopulation of the island, seasonality

(Hazdovac Bajic, 2013). At the same time Mljet has strengths that can foster the development of tourism but also help locals improve their lives. Rich fields for agriculture, fishing and mari culture would help locals with jobs and economy and at the same time develop new trends in tourism on the island. The establishment of Nation Park on Mljet had played major role in the development of tourism and migration of island's population (Sulc, 2012). It also helped to reduce wild and illegal constructions due to the strict laws and protections. It moved people from inland of the island to the coastal villages and National Park, stopped further migration to the mainland and big cities and helped in the development of tourism on the island, improved jobs, income and quality of life yet slowed development of other industries. Ecosystem is also affected in the summer season due to inadequate treatment of the sewage, pollution of the sea caused by nautical tourism and if these issues were approached with a strategic plan on how to solve it, it would help in the development of sustainable tourism on the island of Mljet. Nautical tourism is very important to Croatian economy and tourism development, so new investments with a long-term vision are crucial (Ivanic et al., 2018). New trends of tourism such as ecotourism, rural tourism, agritourism, health tourism, spring-fall trips and excursions should be introduced in the strategic planning of sustainable tourism on the island of Mljet in order to acquire the desired level of tourism industry on the island of Mljet but Croatian market as well (Sulc, 2012). Besides of the importance of agritourism on the island of Mljet, gastronomy as a very important new trend in tourism represents all related to cooking and culinary and gastronomy tourism can create memorable experiences for tourists bas on local authentic cuisine (Drpic & Vukman, 2014). New trends in gastronomy tourism need to be followed closely by restaurant

owners and managers on the island of Mljet since the competition and more demanding guests are creating new tourist offers that need to be not just followed but taken to another level of experience. With the development of gastronomy tourism on the island of Mljet a whole spectrum of positives would appear such as enrichment of entire tourist package and offers, development of inland tourism on the island and prolonging of the season, development of new businesses and employment, preservation of authentic ambient and local culture, more spending per tourist (Drpic & Vukman, 2014). Developed gastronomy tourism can bring economic development to the island, local agriculture development, new dimension of tourist offer experiencing local culture, it changes 3S image (sun, sand and sea) and can be used as part of a tourism promotion and marketing (Simic & Pap, 2016).



### *Survey*

According to Ponto (2015) survey is defined as “the collection of information from a sample of individuals through their responses to questions”. Survey can use quantitative, qualitative or both research strategies. Quantitative would present questionnaires with numerical rated items while qualitative represents open-ended questions. Surveys can be done face-to-face, telephone surveys, online surveys and traditional paper-based surveys. For the purpose of this research online survey method will be conducted on the island of Mljet among service providers.

### *Sample*

Sample population for this research consists of 35 service providers on the island of Mljet. Since the goal of this research was to investigate the development of hospitality and tourism on Mljet in the last 20 years as well as to investigate its future perspective, 35 permanent hospitality and service providers on the island were given an online survey and the results are shown in the next section.

### *Instrument*

The survey consists of 18 questions with the answers stated in different forms such as “yes or no”, multiple choice, Likert scale from 1 to 5 with 1 being not satisfied/expensive/demanding/ to 5 being very satisfied/expensive/demanding. The questions were based on exploring past, present and future situation focusing on different factors affecting tourism and hospitality on the island such as infrastructure, tourist board, communalities, than focusing on specifics of the restaurants and the prices of the dishes.

### *Results*

The survey results that came from 35 service providers from the island of Mljet showed that the main RQ was answered positively. RQ asked “Is there a change in the hospitality and tourism industry, specifically restaurateurs, on the island of Mljet, over the last 20 years and what the future perspective is?”

The respondents were asked to compare only 2 last years and the visibility of the change in business was confirmed (response rate 94.3%) and the most visible change for the survey takers was the change in number of guests visiting the island (response rate 80%) and when asked which type of the guests are visiting the island the response rate showed mostly long-term guests (response rate 50%).

The questions were based on exploring past, present and future situation focusing on different factors affecting tourism and hospitality on the island such as infrastructure, tourist board, communalities, than focusing on specifics of the restaurants and the prices of the dishes.

Most of the respondents have been in hospitality and tourism sector for many years mostly between 10 and 15 years or more (response rate 28.6) and they are mostly running traditional family owned businesses (response rate 82.4%) offering traditional Croatian dishes and atmosphere (response rate 94.1%) serving fish and seafood dishes (response rate 85.3%). In terms of the prices of dishes (both meat and fish offering) they are placed in the middle range prices between 300-500 kuna (response rate 94.1 % for fish and 52.9% for meat) and less than 300 kuna for vegetarian dishes (response rate 85.3%).

The current state on the island presents neutral opinion of the majority of the respondents with the satisfaction of the current infrastructure on the island (response rate 48.6%) as

well as equal percentage of neutral to unsatisfactory opinion with the current job done by the tourist board (response rate 40%). Prices of the communalities on the island are rated close to the extreme of Likert scale of 4 representing expensive to the comparison with the mainland by the majority of the respondents (response rate 51.4%). Majority of the respondents think that having a business on the island is more demanding 4 from 5 to the extreme on the Likert scale compared to having it in Dubrovnik on the mainland (response rate 48.6%) due to the shorter business season as the main factor (response rate 60.6%).

When respondents were asked about future of the island, majority of them had moderate expectations for 2021 (response rate 82.9%). More than half of the respondents think that in order to attract tourists to the island improvements in marketing and advertisement are highly needed (response rate 54.3%) since knowledge and awareness of the island is too low. Significant percentage follows in the offers on the island (response rate 20%) as well as infrastructure (response rate 20%). Offer is not diverse and an infrastructure is not highly developed to serve the need of the tourists as well as support tourist offers. Majority of the respondents think that they can reduce the costs of business expenses on the island through the usage of European Union fund incentives (response rate 48.6%).

### *Discussion*

The evolution and development of hospitality and tourism on the island of Mljet have been increasing as the mass tourism started in 1960s. Hotels, private accommodation, restaurants opened their doors to tourists and each and every year brought different changes in the tourist offer.

RQ of this senior project asked “Is there a change in the hospitality and tourism industry, specifically restaurateurs, on the island of Mljet, over the last 20 years and what is the future perspective?” The questions were based on exploring past, present and future situation focusing on different factors affecting tourism and hospitality on the island such as infrastructure, tourist board, communalities, than focusing on specifics of the restaurants and the prices of the dishes.

Both, studies from the secondary research as well as the primary research confirmed the development of tourism on the island of Mljet over the years of 21<sup>st</sup> century. From the conducted survey, respondents compared 2019 and 2020 and more than 90% of them confirmed the change in hospitality and tourism that was mostly visible in the number of tourist. The limitation of the conducted survey was the lack of further knowledge on this subject weather the change was positive or negative and weather the number of tourists on the island was influenced by COVID-19.

Majority of the respondents are running family owned business with the traditional Croatian offer of fish and seafood dishes. With this fact there is possibility for future improvement in gastronomy and agritourism since local service providers want to offer fresh domestic products prepared in a unique way of local cuisine. Gastronomy and agritourism as new merging trends in hospitality and tourism have enormous potential for

the future development on the island of Mljet that can prolong the season, enrich the tourist offer on the island, develop new tourism trend that can enrich not only tourism offer on the island but for the whole Croatian market it can serve as an example. Since prices of the meals in the restaurants are placed in the low to middle price range and majority of the restaurants have the same offer, menu redesign is highly needed for the offer diversity and improvement.

Surprising results were expressed in terms that survey respondents do not have well shaped opinion when it comes to satisfaction with the island infrastructure and job done by the tourist board. On the other hand, they showed their extreme opinion when it comes to cost of communalities and running business on an island compared to the mainland in Dubrovnik. Local people need to be involved more when it comes to the questions of island infrastructure and job done by the tourist board because infrastructure is going to support new trends in tourism and new offers while tourist board is going to promote those new trends and attract tourists to the island. Due to the more tourist offers on the mainland it helps to prolong the duration of high season and survey respondents highlighted this issue as one that needs to be addressed if island is going to be competitive on the market.

When it comes to future perspective majority of the respondents had moderate expectations for 2021 and another limitation of the project is that this topic was not further investigated to find out is that the reason because of COVID-19 or there is impact of other factors. Survey respondents acknowledged that marketing and advertisement can attract tourists to the island even before they invest in improvements of the tourist offer. The tourist board needs to invest in the segment of marketing and advertisement to

promote the island so it gives a chance to individual businesses to promote themselves and their offers. The cost of running a business on an island is more expensive than on the mainland and majority of respondents believe that usage of European Union fund incentives can help in developing strategic plans on reducing the costs on an island. Another limitation and opportunity for the future investigation would be to explore which issues need to be prioritized and addresses with the funds of European Union.

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## Appendix

### Survey Questions

1. Were there any changes in business from 2019 compared to the year of 2020?
2. In which sector were the changes most visible?
3. Where would you place your expectations for the year 2021?
4. How satisfied are you with the current infrastructure on the island?
5. How satisfied are you with the current job done by the tourist board?
6. What are the other changes required to attract more tourists?
7. Rate the prices of the island's communalities compared to the mainland.
8. How would you reduce the cost of business expenses on the island?
9. Do you find that having a business on the island of Mljet compared to Dubrovnik is more or less demanding?
10. If your answer is more demanding, why?
11. I have been in the hospitality business for how many years.
12. Is your business a traditional family business?
13. What is the type of guests that visit your restaurant?
14. What is the price range of a fish dish for 2 people in your restaurant?
15. What is the price range of a meat dish for 2 people in your restaurant?
16. What is the price range of a vegetarian dish for 2 people in your restaurant?
17. What restaurant type do you own?
18. On what is your restaurant offer based mostly?