

Specialized SMEs in the Hotel Industry and Market Positioning in Croatia

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The aim of this paper is to research the positioning of small- and medium-sized hotel companies as entrepreneurs in the tourism business competitive environment as well as to consider further development potential. Potential for future activities and possibilities of valorization of SME companies on the international tourism market are presented through examination and the knowledge gained.

The positions of the Croatian hotel industry have been looked at using scientific quantitative, statistical, and qualitative interview methods. This was followed by research into the opinions of Italian hotel managers, where Italian tourism and its hotel industry are recognized as a leader in SME hotel entrepreneurship – a source of best practice that developing markets could learn from. On the other hand, the survey research of tourist attitudes was investigated using statistical methodology.

Research results point to the importance of specialization on the part of small- and medium-sized hotels with the implementation of an adequate marketing mix. This includes all the components that valorize a hotel product adapted to modern trends dictated by tourist demand. This research also affirmed the purpose of the paper, opening new questions directed at the continuous activities of market positioning optimization in the hotel industry. The paper puts specialized SME entrepreneurship into the developmental context in an innovative way.

Keywords: hotel industry, small- and medium-sized hotels, market positioning, competitiveness, specialization.

Wyspecjalizowane MŚP w przemyśle hotelowym oraz pozycjonowanie rynkowe w Chorwacji

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Celem artykułu jest badanie pozycjonowania małych i średnich firm hotelowych – przedsiębiorstw branży turystycznej – w konkurencyjnym środowisku, jak również zastanowienie się nad możliwościami dalszego rozwoju ich potencjału. Wykorzystując badania i uzyskaną wiedzę, przedstawiono potencjał przyszłej działalności oraz możliwości promowania MŚP na międzynarodowych rynkach turystycznych.

Pozycjonowanie chorwackiego przemysłu hotelarskiego zostało zbadane za pomocą ilościowych i jakościowych metod naukowych oraz wywiadów. Następnie zbadano opinie kierowników włoskich hoteli, gdzie turystyka i przemysł hotelarski są uznawane za przodujące w MŚP i źródło najlepszych praktyk oraz mogące stanowić przykład dla rozwijających się rynków. Jednocześnie przeprowadzono badania kwestionariuszowe postaw turystów, posługując się metodologiami statystycznymi.

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Wyniki tych badań wskazują na istotność specjalizacji małych i średnich hoteli stosujących odpowiedni marketing, w tym wszystkie składniki służące do promowania produktu hotelowego przystosowanego do współczesnych trendów dyktowanych wymaganiami turystów. Badania potwierdzają celowość pracy i sugerują nowe pytania skierowane na ciągłą działalność mającą na celu optymalizację pozycjonowania rynkowego w przemyśle hotelarskim. Praca ta innowacyjnie lokuje wyspecjalizowane MŚP w kontekście rozwoju.

Słowa kluczowe: przemysł hotelarski, małe i średnie hotele, pozycjonowanie rynkowe, konkurencyjność, specjalizacja.

JEL: L83, L1, L2

1. Introduction

Development of small- and medium-sized entrepreneurships in Croatia in the sphere of tourism occupies a significant position as a strategic goal in the development of the national economy. Potential has been recognized for a sustainable increase in the role and number of small- and medium-sized hotels at tourist destinations. This could affect the formulation of offers for comprehensive hotel services, improvement in guest satisfaction, advancement in international recognition, and an increase in average expenditure per day per stay. A high effectiveness has been noted in the increase in employment and entrepreneurial self-employment as well as in the decrease in seasonality. Through an innovative, specialized, and versatile offer covering a set of high quality service facilities, it is possible to affect an increase in the competitiveness of the Croatian tourism product. Development of something distinct and the evocation of an “experience plus” (special experience) is a global trend in modern tourism and as a result of internationalization, small- and medium-sized entrepreneurs are finding niches for successful placement in the world market.

Consideration of the competitive aspects of specialized SME hotels at the international level as well as of the level of their attractiveness as assessed by tourists, draws attention to the realistic position of the Croatian SME hotel business. Theoretically, this can also be expanded and with synergic contributions can lead to conclusions aimed at the potentials of future development. Three Italian hoteliers – leaders and examples of best practice in the SME hospitality industry – were selected. A look at the opinions of hotel managers regarding the potential of market positioning in terms of hotel specialization is presented in order to explore the implementation of new promotional strategies and use of new technologies in creating new and creative hotel products. The issues that define and impact the qualitative market placement form the main hypothesis of this paper: The specialization of SME hotels has an impact on their better market positioning. This is directly related with the objective of this research. The theoretical section of this study includes a review of the research into SMEs in hotel industry as conducted by many international authors. Subsequently, the paper explores

the potentials of specialization. Analysis of SMEs in the Croatian hotel industry is presented and looked at in relation to Italian best practice, which should be followed and implemented in entrepreneurship. The research part of this paper focuses on two of the stakeholders in tourism – hotels and service providers as well as consumers who present their preferences and booking habits. The synergy of this research leads to conclusions and recommendations forming new knowledge as well as presenting a platform for further research and consideration. The applied methodology includes both qualitative (interview and creative thinking) and quantitative (statistical and mathematical) research methods, including the Likert scale and methods of analysis, synthesis, description, and generalization.

2. Literature Review

Small- and medium-sized companies play a valuable economic role. The hotel accommodation sector in Europe is dominated by small businesses that provide about 90% of the total number of rooms, while only 10% are owned by leading hotel operators (HES-UNWTO, 2011:4). The changing dynamics of the industry and the reforms initiated by the government have opened up a plethora of opportunities for small and medium enterprises (SMEs). Numerous authors consider the aspects of entrepreneurship in SME hotel companies and analyze the possibilities of their market positioning and placement. Jones and Haven (2005) researched tourism SMEs, service quality, and destination competitiveness, while Lee-Ross and Lashley (2009) explored family businesses, hospitality, and commercial homes within entrepreneurship concepts.

Understanding the needs of the highly demanding customers and continuous innovation is what is going to help the SMEs establish themselves in this competitive industry. However, small- and medium-sized businesses, as opposed to large hotel companies, find themselves in economically problematic positions more and more often. As discussed by Soriano and Castrogiovanni (2013), numerous SMEs have grown from trade and independent activities and faced with the circumstances of the organized international market economy, they have come across difficulties conditioned by a lack of education, experience, and limited resources. Bell et al. (2005) also studied aspects of business efficiency, small firm internationalization, and business strategy, explaining the close relationships between product policies and market focus, with product or process innovation often providing an important stimulus to international expansion. Identification of specific developmental strategies for internationalization as an essential step in the development of small- and medium-sized companies is related to four key dimensions of internationalization: operations, market, product, and time. Ruzzier and Konecnik (2006, 17–35) note that depending on resources, each individual hotel company finds a corresponding dimension.

Westhead et al. (2002, 51) suggests that SME companies may need to target customized export programs to meet the specific situational demands of established micro and small firms. Moreover, Jekanyika and Matnadam (2012, 509) discuss the internationalization process as mostly being driven by company-based factors, such as managerial orientation, maintaining business reputation, enhancing market share and revenue, technological advancement, and flexibility of operations.

Proebstl and Mueller (2013) examined the importance of specialization and certification in the hotel industry for the development of competitive SMEs. The same is true of Ifko (2010), Henderson (2011, 2013), and Koncul (2012) who explored selective forms of tourism and specialized hotels at tourist destinations. Specialized and themed hotels offer specialized services focused on a single niche related to culture, health, sport, etc.

Small businesses generally do not engage in strategic planning because of “planning barriers” such as a lack of time, lack of specialized expertise, reluctance to share strategic plans with employees, inadequate knowledge of the planning process, inadequate communication, and overall strategy goals that are not well understood, as discussed by Morrisons and Thomas, (1999, 148). The same aspects are also analyzed by Jaafar et al. (2011, 827) who explore the issues and problems that SME confront in relation to their survivability in the industry. Koryak et al. (2015, 89) also discuss the competencies of entrepreneurial leadership, capabilities, and their influence on the growth of small- and medium-sized enterprises (SMEs). Similarly, El Gohary et al. (2013, 113) pointed to the fact that SME owners as well as marketing and sales managers have limited knowledge on the different export entry modes that are available in the sense of affirmation of the placement channels.

Lee-Ross and Johns (1997) as well as Philips et al. (2005) researched the business efficiency and yield management of SME entrepreneurship in the hotel industry. The formation of small- and medium-sized entrepreneurship companies in the tourism and hotel industry is not always conditioned by profit maximizing. Bosworth (2005) discusses the same issues, suggesting that “... small firms could be expected to be profit seeking.” In contrast, Carter and Jones-Evans (2000, 102) have pointed out that “... not all owners see growth as an important business objective.” The latter ones also include an inclination towards the preservation of historical heritage, cultural identity, and other aspects of non-material cultural heritage. As an important tourism resource, the culture of life and work (Kušen, 2002, 103) affirms the historical, civilizational, and tourist identity. Small- and medium-sized companies, privately owned by local investors, recognize the potential of their valorization through specific qualities, theming, and specialization of the hotel product.

Owner motivation to enter small business can be “pushed” or “pulled.” “Pull” factors include an owner’s desire to create personal wealth and change

his or her lifestyle (Sheedy et al., 2010). Additionally, it was noticed that “pull” factors include a current lack of opportunities or job frustration, where the owner hopes to escape from being continuously supervised or threatened with unemployment. “Push” factors create an environment where owners feel compelled to create a business while “pull” factors suggest benefits to potential owners of small businesses. If ownership motivations are related to pursuing non-financial objectives such as improvements in lifestyle or traditional sentiment, the owner is less likely to engage in strategic planning and profit maximizing (Lashley and Lee Ross, 2009).

While considering innovations and specialization that are implemented in the marketing mix of small- and medium-sized hotels, Beaver (2002, 99) has concluded that “... small firms also need, as an aid to innovation in business processes, to encourage the use of new technology and training to raise their performance and productivity...” This includes the use of the Internet, various social networks as well as smartphone applications, which, pricewise, represent an accessible and flexible tool for the creation of an efficient optimal promotional mix (Marshal and Todd, 2009). Equally, new technologies transform up-to-date channel structures and relationships among the mediators in the distribution chain, as reasoned by Jantan et al. (2003, 427). In their research on distribution channels in small- and medium-sized entrepreneurship in the hotel industry, Shegg et al. (2013, 554–565) observed a regrouping in the positions of tour operator businesses and direct placement in the sense of a continuous strengthening of e-Placement through B2B and B2C sales. Furthermore, Gratzler and Winiwarter (2003) explored the major threats and opportunities for hotels by evaluating the framework for competitive advantage in e-Business.

Small- and medium-sized hotel marketing appearance and promotional mix often encounter problems with the financing of quoted activities. The solutions that are proposed are in the form of linking up with other hotels, DMOs, and other tourism stakeholders to form cluster consortia for the purpose of marketing branding and common market appearance and positioning. Also, the importance of selection of an adequate promotional mix is stressed where modern technologies and Internet marketing, separate from traditional media and channels, take over the leading role in market positioning (Kriechbaumer and Christodoulidou, 2014).

Mura and Buleca (2013, 905) conclusively point out that internationalization of business creates new market opportunities, the possibility of organic growth, and the strengthening of market position.

Modern tourism is differentiated and segmented, flexible and adaptable, and rests on the 6-E concept – experience, excitement, escape, education, entertainment, and ecology. Modern society consumers are experienced and well-educated. They are looking for something new, different, authentic, and realistic as well as for a higher quality and standard of services. They are environmentally aware and vacation more frequently, staying for shorter

periods of time on their journeys. They require the destination of stay to provide them with a unique experience, which includes the 5-C characteristics – calm – tranquility and safety, character – authenticity and meaningfulness, charm – atmosphere and communication, courtesy – above average kindness, and cuisine – culinary choice (Galičić, 2010).

Data on segmentation are obtained by research and is needed to provide a basis for defining product policy, i.e. all its relevant characteristics, including price. They determine basic promotion ideas, i.e. advertising messages that can influence the behavior of tourists and that affect the choice of the media by which tourists are targeted. They also form a basis for the positioning of the hotel products of small- and medium-sized entrepreneurs, i.e. for determining the place they will occupy in the selected market. The place of the product is determined by how the target segment experiences and receives it, i.e. target segments and the level of services as well as price have a significant impact on the position and image of a hotel facility in the market (Berc and Radišić, 1999, 96).

3. Small- and Medium-Sized Entrepreneurship in the Croatian Hotel Industry

Looking at small- and medium-sized entrepreneurship in the hotel industry of Croatia – a post transition country – many questions that potential investors and entrepreneurs should consider in project planning are evident. Tourism, being an internationalized activity, bases its development on a unique platform for the smooth interaction of three main factors: advanced environment, adequate incentive system, and the raising of the level of knowledge and skills (Ivandić and Kunst, 2014). This is implemented in the National Development Program for Small- and Medium-sized Entrepreneurs in Tourism – a strategic document adopted by the Croatian government. With the support of European Union funds, it will be implemented over the period from 2014 to 2020 (Ministry of Tourism, 2014). In line with this strategy, there are programs that directly bear on small- and medium-sized hotels (COSME – the Competitiveness of Enterprises and Small- and Medium-sized Enterprises program) as well as other programs that enter into the sphere of tourism and the hotel business with their activities (HORIZON 2020, Connecting Europe Facility, LIFE+, etc.).

In the group of small- and medium-sized companies, the Croatian legal and institutional framework includes registered companies that, according to the criteria of number of employees, turnover in euro, and size of the balance, are categorized as follows:

- Micro: up to ten employees, turnover of up to two million euro or a balance of up to two million euro;
- Small: up to fifty employees, turnover of up to ten million euro or a balance of up to ten million euro;

- Medium: up to 250 employees, turnover of up to fifty million euro or a balance of up to forty-three million euros.

The Republic of Croatia government has developed its National Development Program for Small- and Medium-Sized Entrepreneurships in Tourism through the Ministry of Tourism, Ministry of Business and Trade, Ministry of Economy and Ministry of Finances as well as through the Croatian Chamber of Commerce (HGK), i.e. Croatian Chamber of Trades and Crafts (HOK). This program defines operative guidelines for complementary activities of the main stakeholders responsible for the stimulation of small- and medium-sized entrepreneurships. It encompasses a wide range of activities – accommodation facilities, food and beverage facilities, service trades, shops, entertainment, recreation, nautical charter, “floating hotels,” tasting facilities, theme parks, ethnographic proposals, organization of excursions and guided tours as well as other tourism-related activities.

Looking at developmental potential, questions are raised regarding current positions. These include the low levels of initiation (*Global Entrepreneurship Monitor*), i.e. the small number of newly-established SMEs in tourism and the hotel industry, which can be explained by the short season and poor destination value chains of developed tourism products built on an attraction basis. With valorization, prerequisites are created for the formation of specialized small- and medium-sized hotels.

Five key programs for the stimulation of small- and medium-sized entrepreneurships in the tourism and hotel industries were formulated through the National Program (Ministry of Tourism, 2013).

1. The “All Year Round” program that relates to the decrease in seasonality of the destination value chain, with its activities affecting:
 - Stimulation of production clusters at regional/thematic level,
 - Creation/commercialization of comprehensive tourism products,
 - Active online sales system for individual/package SME services, and
 - Public and stakeholder awareness programs.
2. The “Something Special” program relating to the expansion of the destination experience system, with its activities affecting:
 - Development of activity-based tourism experiences,
 - Development of selective forms of tourism (rural tourism products, theme parks, ethnographic and culinary tourism as well as eco-tourism), and
 - The provision of information to users and mutual promotional activities (foreign bloggers, journalist study trips. etc.).
3. The “Quality All Around Us” program that relates to the integrated quality system at the destination, with its activities affecting:
 - Theming and specialization through certification,
 - Criteria for excellence and quality of the SME offer in tourism and stimulation of innovative contents,

- Vocational categorizations adapted to market requirements as well as quality labels/special standards, and
 - An annual system of grading and awarding SMEs in tourism, destination public and stakeholder awareness programs.
4. The “We Are Still Learning/We Can Do Better” program relates to advancement in entrepreneurial skills and service quality and is directed to education.
 5. The “We Too Are Changing” program relates to the strengthening of institutional capacity.

The following data is presented to portray small- and medium-sized hotels in Croatia:

Hotels by categories	Number of SME hotels	Share (%) In SFH ^a	Share (%) in total number of hotels	Number of beds	Number of arrivals	Number of overnights	Average days of stay
5*	2	1.1	8.0	75	3,180	9,067	2.9
4*	31	16.8	19.4	988	39,930	86,127	2.2
3*	123	66.8	39.2	4,101	152,170	326,529	2.1
2*	28	15.2	27.7	873	23,414	45,874	2.0
Total	184	100.0	30.7	6,037	218,694	467,587	2.1

^a SFH – Small Family Hotels

Tab. 1. Small- and medium-sized hotels in the Republic of Croatia. Source: processed by the author according to: Bartoluci, M. (2012), Poduzetništvo u turizmu bbz.hr/images/uploads/683/poduzetništvo_u_turizmu_-_bjelovar.ppt, accessed on 28.12.2015.

As of 2013, 605 hotels operated in Croatia. The 30.4% share of small- and medium-sized hotels is indicative in the total number of available accommodation facilities (Pavia et al, 2013). The three-star category is also revealing. It points to the organization and offer quality trend of the small- and medium-sized hotels of Croatia. Average stay analytics (2.1 days) make it evident that guests stay longer in higher category small- and medium-sized hotels. Five-star hotels generate 2.9-day stays, while two-star hotels generate 2.0-day stays. At the same time, stays in large hotels were at an average level of 5.3 overnight stays and analysis of indicators for overnight stays per bed were seventy-seven overnight stays Thus, there is room for a qualitative and quantitative shift that could extend stays, which would result in a better occupancy rates and better financial results (Florčić, 2013).

Organized development and stimulation of small- and medium-sized entrepreneurship in the hotel industry in Croatia started in 2004 with the “Incentives for Success” project targeting investment in small family

hotels. The project included the support of business banks, which involved twenty-year bank loans at an interest rate of 2% offered by the Croatian Bank for Restructuring and Development. The “Under Ancient Roofs” project was next. It valorized original historical, architecture and it was within its scope that around 100 small- and medium-sized hotels were established in Croatia to date. A total of 450 loans amounting to 275 million euro have been approved to date in order to stimulate small- and medium-sized entrepreneurship in the hotel business. Thanks to this, 14,000 beds were created and 3,700 people employed in 184 small- and medium-sized family hotels. The National Association of Small and Family-Run Hotels, which has 138 members, supervises coordinated activities for small-and medium-sized entrepreneurs in Croatia.

Taking into consideration the competitive environment of geographically close receptive countries – Austria and Italy – data show that there are 10,000 facilities for winter and continental tourism in Austria. Of these, 70% of the accommodation capacity is organized in the form of small family hotels. In Italy, 23,000 facilities account for 50% of accommodation capacity. In Croatia, however, small family hotels make up around 7% of the accommodation capacity – i.e. around 31% of the total number of hotels. This points to potential for qualitative growth.

4. Material and Methods

In line with the National Development Program for Small- and Medium-Sized Entrepreneurships in Croatia, the key challenges for the internationalization of small- and medium-sized hotels are responding to consumer expectations, increased specialization, new technology, marketing mergers, and pricing policy. This research was conducted in order to recognize the importance of and consider the aspects and positions of the internationalization and positioning of small- and medium-sized entrepreneurs in the hotel industry with the aim of their intensification. Another goal is to point out and research market potential for the placement of specialized small- and medium-sized hotels as well as to assess the promotional mix of instruments – investigate at the power of the Internet as opposed to traditional promotional media.

The potential and various aspects of market positioning of specialized SME hotel companies were researched through two approaches. First, using a qualitative research methodology – i.e. the interview – small- and medium-sized hotel management attitudes were researched in the case of cultural tourism destinations that are specialized and themed on destination resource basis. Second, in the form of quantitative research carried out using the Likert scale and subsequently processed applying statistical methodology. Other scientific and research methodologies were also used. These included analysis, synthesis, description, and meta-analysis. The aim

was as comprehensive as possible consideration of the topic well as the testing of the following hypothesis: Small- and medium-sized hotels achieve better competitiveness on the international market and develop as tourist attractions in tourism destinations through specialization.

5. Results and Discussion

By its multiplicative function, the international trend of development of small and medium entrepreneurship stimulates the growth in scope of service activities that accompany tourism as well as their quality and diversity. Monitoring long-term demand trends, which include increasingly pronounced segmentation in the development of selected forms of tourism coupled with incentives and programs supported by the European Union, enables the creation of preconditions for the achievement of market competitiveness and international placement. Research results and conclusions contributing to new knowledge follow.

Small- and Medium-Sized Hotels as Tourist Attractions

In order to achieve better recognizability and market placement, small- and medium-sized hotels are grouped and promoted using cluster strategic promotion that is implemented in cooperation with DMOs and tourist boards. Destination tourist products are formed through the synergy of marketing, in a manner directed towards the valorization and affirmation of small- and medium-sized stakeholders, service providers, and intermediaries as well as local entrepreneurs. The research was conducted in March of 2015 at the ITB International Travel Trade Fair in Berlin, which represents the world's largest gathering of supply, demand, and associated stakeholders and sets future trends and defines the potential of international tourism development.

The development of small- and medium-sized entrepreneurs using the example of the Italian hotel industry is presented jointly, including marketing coordinated with destination companies. Three hotels were chosen from among thirty-nine SME hotels that the author researched through a meta search and interviews with hotel management and representatives. The hotels are unique in their specialized services and operate as SME hospitality entrepreneurs with developed marketing strategies, destination identities, and high occupancy ratios. Below is a brief overview of the hotels as well as the hotel manager interview results:

- Etruscan Chocohotel – The first ever hotel dedicated to chocolate. It is situated in Perugia, the Italian capital of chocolate. The hotel has ninety-four accommodation units, themed according to different types of chocolate and chocolate delicacies, a restaurant, tasting rooms, and a shop. There are also conference and wellness centers within the hotel.
- Byblos Art Hotel-Villa Amista – This hotel is located in Verona in a 16th century villa. It has sixty uniquely designed rooms, a restaurant,

a bar, a wine cellar, a wellness center, and a remarkable permanent contemporary artifact exhibition.

- Nebrodi Ospitalita Diffusa – A distributed hotel in Sicily that offers accommodation in traditional Sicilian houses. As a hotel concept, it links up several small entrepreneurs and uses cultural and historical heritage in the form of accommodation structures for the purposes of tourism.

Modern tourism is responsible, it strives to sustainably valorize resources and, market-wise, it is oriented towards guests it identifies individually. The business concept is based on experiences and emotions. The guests themselves take part, thus becoming loyal consumers and promoters. Small- and medium-sized hotels at culture and tourism destinations valorize the resource base and create a themed and specialized hotel product that they then place on the tourism market. Thus, they achieve a new competitiveness through their specific characteristics and using strategic marketing and modern technologies they intensify the promotional mix of channels improving recognizability among the mass of undifferentiated hotel offers. The possibility of a stronger promotional presentation and cooperation with local DMOs for the purposes of placement intensification has been recognized.

Through the hospitality offer, specialized SME hotels could promote cultural values, both tangible and intangible, that can be developed into tourist attractions. These include historic buildings, localities, and urban area as well as traditional culture performances, handicraft workshops, and cuisine that can be organized and served in SME hotels.

Since the hotel industry is an economy with a multiplicative impact on the local community – the development of specialized SME hotels that promote local services, ingredients, and other products – it can strengthen the local economy and increase the competitiveness of intangible exports through tourism.

Specialized SME Hotels: Tourist Perception

The second part of the research relates to the perceptions of the guests of specialized offer small- and medium-sized hotels. It supplements the first research section on analyzed positioning potentials. Best practice from abroad presents a potential roll model showing how Croatian and Istrian SME hotels should organize their marketing mix. In order to cover the topic in whole, attitudes of consumers are explored and a general overview of their preferences is given, thus presenting the level of agreement with statements developed in the first part of the research.

Research on the attitudes of tourists who stayed in the Croatian-Istrian cluster of Southern Istria during the festivity season points to the existence of potential for the development of specialized hotel businesses through small- and medium-sized entrepreneurship (SME). Using the survey methodology, a questionnaire was completed by 103 respondents. This was out

Etruscan Chocohotel	Byblos Art Hotel	Nebrodi Ospitalita Diffusa
1. What was the original purpose of the building where your hotel operates now?		
The hotel is a modern building, designed for hotelier purposes	The hotel is an old villa with a contemporary image of the Valpolicella region	The diffused hotel is formed on autochthonous Sicilian houses, appointed with historical details
2. How does your hotel promote cultural tourism and does your hotel have historic details?		
The hotel is specialised in gastronomic tourism; it is a modern building and has no historical details	Through marketing channels, by means of promotion and modern technologies. We have no historical details in the hotel, but a contemporary art exhibition	Through all types of promotion, we emphasise the importance and historical heritage: Roman, Byzantine and Greek
3. How does the market respond to your hotel's specialised features?		
Guests are impressed by the theme of chocolate, present in all segments of the offer. We are applying for the TripAdvisor certificate of excellence and have a lot of positive reviews	Our guests are fans of designer hotels and contemporary art	Guests' positive impressions; they wish to be in authentic touch with the traditions of life and work in Sicily
4. As a SME hotel, do you promote yourself through a DMO marketing mix and how?		
No, we promote our hotel independently, using brochures, fairs and Internet	We do recognise the importance, but we are not using it yet; we have our own independent promotional activities, catalogues, Internet and fairs	Yes, we are cooperating well through different media, campaigns and activities

5. Are your specialised services, as a SME entrepreneur, achieving competitive advantage?		
Yes, we offer local products, chocolates, souvenirs made of chocolate and souvenirs made on that theme	Yes, our contemporary art exhibition and our designer rooms attract guests	Yes, the houses are authentic, attractive, and they offer history, culture and traditional heritage
6. Are you implementing specialised gastronomic offer and are you linking up with the local entrepreneurs?		
Yes, we cooperate with agencies through our restaurant and shop	Yes, we offer authentic regional cuisine, as well as modern and international dishes	Yes, we offer local food and organise excursions to the local producers for tasting and purchase
7. Does your business affect the development of small and middle-sized entrepreneurship in the destination?		
Yes, we cooperate and promote the local producers' products	Yes, we cooperate with the local food producers and we offer excursions	Yes, in cooperation with the local businesses and as a part of a project under the EU* auspices

* The project financed by the EU, the Republic of Italy and the Sicily Region, dal P.O. F.E.S.R.2007-13 l.i. 3.1.4.3 Dipartimento dei Beni Culturali e dell'Identità Siciliana.

Tab. 2. Attitudes of managers of specialised SMEs in the hotel industry. Source: author's research.

of 300 survey questionnaires that were prepared and represents a response rate of 34.3%. A minimal number of survey questionnaires were invalid – i.e. 1.9%. The sample was random, but the targeted group was representative in that the approached respondents were typical customers (by demographic structure, emissive market, and motivation) of Istrian hotels. Thus, their representativeness is accepted as being appropriate for generalization.

The research results were processed using the Likert scale – from one to five, where the highest level of agreement with the statement was expressed by a grade of five and the lowest by a grade of one. Using this information, the average grading of the importance of a specific hypothesis as perceived by tourists was calculated. Using statistical methodology, a sample looking at origins – the tourist emissive market – was included. Tourist gender and age were analyzed, as where motivation for coming to this tourism destination and valorization of SME hotel business.

The results of the research, which contribute to the formation of conclusions and recommendations, may be found below.

Nationality	No.	%
Italian	43	42
Slovenian	21	20
German	17	17
Austrian	10	10
Croatian	10	10
Other	2	2
Total	103	100

Tab. 3. Respondents' nationality survey. Source: author's research.

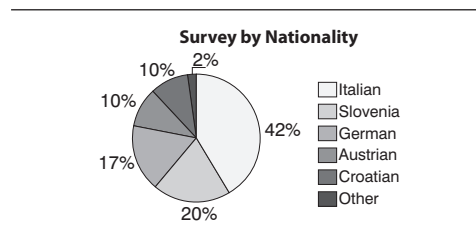


Fig. 1. Respondent Nationality Survey. Source: author's research.

Research looking at the tourist emissive markets points to the importance of proximity to the tourism destination. Out of the total number of conducted surveys, 42% of respondents were from the Italian market, 20% from the Slovenian one, 17% of the surveyed guests were from Germany, 10% from Austria, 10% from Croatia, and 2% from other emissive countries (Bosnia and Herzegovina, and Spain).

Gender	No.	%
Male	46	45
Female	57	55
Total	103	100

Tab. 4. Respondants gender survey. Source: author's research.

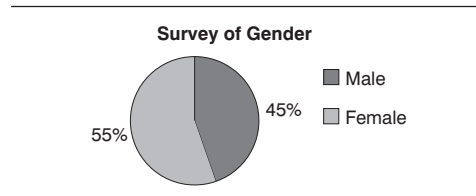


Fig. 2. Respondent Gender Survey. Source: author's research.

The research regarding the respondents' gender points to equal participation of both sexes, with a more frequent response by the female respondents (55%).

Age	No.	%
20–29	4	4
30–39	10	10
40–49	19	18
50–59	22	21
60–69	32	31
70–79	16	16
80–89	0	0
Total	103	100

Tab. 5. Respondents' age survey. Source: author's research

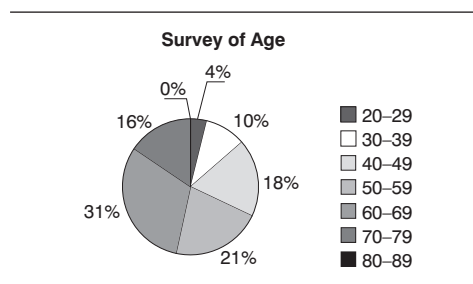


Fig. 3. Respondent Age Survey. Source: author's research

Examining the respondents' age structure, research indicates that the dominant share of the sample – 68% – is older, between fifty and seventy-nine years of age. This also implies that the destination market positioning as well as the orientation of services and facilities of the Southern Istria cluster should target the middle-aged to older demographic. The quoted segment is a consumer of the destination cultural products – excursions and cuisine offers account for 44%. This is evident from the following table.

Motivation	No.	%
Vacation-Relaxation	33	32
Excursion-Gastronomy	45	44
Loyalty to tour operator	22	21
Price	3	3
Total	103	100

Tab. 6. Respondents' motivation survey. Source: author's research.

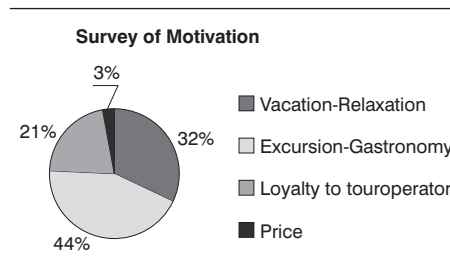


Fig. 4. Respondent Motivation Survey. Source: author's research.

The 32% tourist motivation of vacationing and relaxation is also indicative. At the same time, loyalty to tour operator points to tourist confidence in the sense of letting the tour operator – who cooperates with local businesses – package services and choose the destination on their behalf.

The illustration found in Table 7 is of the results of respondent research on specialized SME hotels, including a review of average grades for a specific statement. Moreover, the discussion examines the significance and relevance of the research results.

Tourists' perception survey – statements	Average grade
1. I often stay in small and medium-sized specialised themed hotels.	3.6
2. I prefer specialised hotels as opposed to the standardised offer of large hotels.	3.6
3. Tourist attractiveness and a hotel specificity affects my choice of destination	3.9
4. Internet is an important source of information about small specialised hotels	3.8
5. I choose specialised tour operators as SME mediators for booking of specialised hotels	3.9
6. I read specialised magazines and watch TV programmes related to selective forms of tourism and small specialised hotels	3.3
7. Brochures, magazines and newspaper articles are important for the development of small and medium-sized hotel business marketing.	3.6
8. By staying in small and medium-sized hotels, I support local entrepreneurship	3.6

Tab. 7. Tourists' perception of specialised SME hotel aspects. Source: author's research.

The questionnaire was prepared on the basis of eight indicative questions that examined the impact of small- and medium-sized specialized and themed hotels on tourist demand – i.e. on tourist perceptions of specific features that affect hotel tourist attractiveness and market positioning. The frequency of respondent stays in small- and medium-sized specialized hotels was researched as was the level of their preference in choosing such hotels as opposed to large standardized hotels. An average grade of 3.6 points shows a positive trend as well as the preferences of tourists in their perception of small- and medium-sized hotels as being a favorable form of accommodation. The third question was intended to assess the importance of small- and medium-sized hotels when selecting a tourism destination. The high level of attractiveness of specialized small- and medium-sized hotels at the destination – an average grade of 3.9 – points to a potential comparative advantage of the destination, which is developing small- and medium-sized entrepreneurship in tourism and in the hotel industry.

Three questions in the research deal with sources of information about small- and medium-sized specialized hotels at the tourist destination. Large hotels making up hotel company systems and international brands (regardless of whether they are operated on the basis of management contracts, as franchises, or ownership) have large budgets for marketing. They use various marketing tools and promotional mixes in order to have an aggressive market presence. Small- and medium-sized companies in tourism and in the hotel industry are fighting for marketing recognizability with only

limited financial resources. This is, of course, the result of their size and their ability to invest in marketing. Thus, small- and medium-sized hotels specialize their own specific features, theme their offer, and present their product on the market through a differentiated and specialized marketing mix. This marketing mix includes their promotional efforts on world tourism markets, where small- and medium-sized hotels often merge into themed clusters and present themselves through themed cultural routes. Examples include the Strada dell Radicchio in Italy, the Porcelain route in Germany, wine routes and olive oil routes, and the Glagolitic Alley in Istria, Croatia. Small- and medium-sized hotels on the quoted cultural and culinary routes offer specialized and themed services in original indigenous environments or in replicas stimulating sustainable cultural development, comprehension, and education. This was also encompassed by the first part of the research devoted to the attitudes of management towards the market positioning of small- and medium-sized hotels at European culture and tourism destinations.

As a modern technology tool, the Internet has made it easier and faster to spread information, which becomes accessible to a wide population in all parts of the world. This was never possible with the limitations of traditional printed and audio-visual media. However, traditional media, understood as specialized editions of magazines, travelogues, books, and TV programs (3.3/3.6 average grades), contribute to the development of the need for the selective forms of tourism based on natural resources as well as cultural tourism in special hotel accommodations. Educating tourists and raising awareness of their needs for a special “experience plus” opens new potential for development of small- and medium-sized specialized entrepreneurship in the hotel industry.

Specialized offers are being formulated. Historical edifices are being transformed into hotels, thus becoming tourist attractions while small- and medium-sized entrepreneurships are being encouraged at all tourism industry levels. The respondents awarded an equally high grade of 3.9 to the development of specialized tourist agencies serving as a market intermediary in achieving market competitiveness by specialized hotels.

Finally, in the last question, tourist opinions on the impact of small- and medium-sized entrepreneurship in the hotel business and the achieved tourist flow on local economy development were researched. An average grade of 3.6 points to the respondents’ positive reply and to a perception of the importance of the contribution to the local community through stimulation of SMEs thanks to the tourism and hospitality business.

6. Conclusion

Conclusions and recommendations support the discussion to intensify entrepreneurship in the hotel industry as well as to link up entrepreneurs from all branches of business related to tourism. Specifically, tourism is a set

of business branches that, apart from the hospitality business and trade, also includes transportation services, banking services, and excursion services. Together, they represent a potential flywheel for the economic development of a tourism destination. Selective, specialized forms of tourism as well as demand requirements open new possibilities for the creation of innovative products and services by small- and medium-sized businesses. In fact, they affect the gross domestic product of some regions and clusters.

This paper researched the marketing aspects of small- and medium-sized specialized hotel market positioning in the international context. As a result, room for the development of new forms of the accommodation offer has been noted. This is especially true as the UNWTO has pointed out that differentiation and specialization is a modern trend of development of international tourism.

The destination material and non-material cultural product represents a basis for the development of specialized entrepreneurship. It ennobles the offer and provides a special “experience plus” that has its impact on an increase in competitiveness. From the point of view of the new consumer, this created experience and added value should be mature, spontaneous, comprehensive, distinctive, and complementary.

For these reasons, the following recommendations are suggested:

1. The linking up of specialized small- and medium-sized hotels with the destination offer into an integrated destination product – accommodations, restaurants, excursions, workshops, and transportation services – makes up business projects through which it is possible to support the activities of the local community.
2. When considering stays at the destination, the importance of the indigenous and themed culinary offer for the hotel is evident. It opens windows of opportunity to new entrepreneurial initiatives. Such specialized hotels at tourism destinations are becoming tourist attractions in and of themselves as well as a motive behind the visits. This can find additional support through the development of public and stakeholder awareness programs.
3. The support provided for small- and medium-sized entrepreneurships from the institutional level is also important. This includes European Union funds. Together, this provides support for entrepreneurship projects in tourism and the hotel industry. Support is also possible through the deregulation of legislation with the aim of facilitating the launching of businesses, the transfer of property involving small- and medium-sized companies in the hotel industry, and the reduction of para-fiscal charges as well as the better provision of information.
4. Expansion and an improvement in the quality of the offer is also recognized as being important and can be augmented by the introduction of international standards and norms.

5. Furthermore, it is possible to intensify strategic marketing through modern technologies by way of an adequate optimizing of Internet pages to express presence on the international tourism market as well as by opening new e-distribution placement channels.
6. The importance of linking up with the local DMOs and DMCs is also recognized. Through promotional synergy as well as mutual investment in marketing, the financial burden for small entrepreneurs is reduced and more efficient promotion is achieved.
7. The potential of the horizontal and vertical integration of small- and medium-sized tourism businesses can be enhanced through the creation of marketing brands, mutual appearance, or the organization of cultural tourism routes.

Further research into these problem areas should also include analysis of the factors that contribute to good performance in the marketing positioning of specialized small- and medium-sized hotel business entrepreneurs, which can be observed through processes, environmental protection, aesthetics (the customer's sensory experience), information accessibility, cooperation among stakeholders, staff education, etc. This is important in order to achieve customer identification, attraction, and retention. The research results correspond to the results presented by several international authors (Koryak et al., 2015 and El Gohary et al., 2013) who recognize the importance of awareness of new technologies, better information sharing among SME managers, and the use of modern management skills.

This paper includes several premises in the form of component parts of a single hypothesis: "Specialization of SME hotels impacts on their better positioning." Researched and analyzed from the two different and opposite viewpoints – supply and demand – the unequivocal results point to the importance of specialization and SME hotels development.

Over the course of the research, the author also came across certain limitations. The response to the survey was somewhat poorer than expected, which was explained by potential respondents being too busy with excursions and related activities. This is not necessarily negative. The fact that guests on excursions consume local products that are delivered to destinations by local entrepreneurs, already in and of itself represents potential for future research and a basis for new scientific knowledge.

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