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**ENHANCING THE COMPETITIVENESS
OF TOURISM IN THE REPUBLIC OF
SERBIA USING THE CLUSTER MODEL**

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Abstract: The Republic of Serbia has the chance to raise its competitive strategy for growth, independently or with the support from the international community, by defining the development objectives and determining the economic structure. In this context, tourism represents an essential complex with untapped growth potential. Tourism is an economic sector of exceptional business opportunities. There are four touristic clusters in the country: Vojvodina, Belgrade region, South-Eastern Serbia and South-Western Serbia. The paper suggests cluster approach in considering ways to increase competitiveness of national tourism services.

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Introduction

Any organization that seeks to operate effectively in a business or nonprofit sector must always anticipate the future and the changes that will follow. It is useful to prepare the organization in advance to be flexible for changes in the future, in other words, good management in the present provides an excellent basis for effective action in the future.

The previous requirement is hardly attainable, especially in complex economic and other fields. Tourism is an area through which economic, cultural, political, demographic, environmental and numerous other components are manifested. Therefore, the management of tourism activities whether at the level of enterprises, institutions or other organizations is always very complex and based on a planning approach which considers the extreme volatility of these components. Strategic planning as an initial phase of management process is the assumption of adequate market behavior.

The Republic of Serbia has the chance to raise its competitive strategy for growth, independently or with the support from the international community, by defining the development objectives and determining the economic structure. In this context, tourism represents an essential complex with untapped growth potential. Tourism is an economic sector of exceptional business opportunities. Because of that, the majority of countries involve tourism into their development policies as a mean of economic diversification, employment growth, urban regeneration and social welfare increase.

The conditions of tourism in Serbia

Based on extensive research and current practice it is estimated that it is unrealistic to expect that tourism will quickly and easily transform into a promising economic sector unless well designed strategy of economic or social recovery and development.

Numerous natural and anthropogenic attractions, favorable geographical position, historical monuments and authentic folklore represent an opportunity for

development of Serbia. These elements are not enough, unless an appropriate strategy for tourism development is set. For the realization of strategic tourism-related projects there is a need for huge financial resources and extensive investment in offer facilities, basic infrastructure, marketing, transportation, and other complementary activities. Currently, these resources and conditions are not available sufficiently or not allocated efficiently in the country.

On the global tourism market Serbia as a tourist destination has not taken its place that corresponds to all the potential and resources it has. Especially due to the fact that the country still has neither national touristic brand nor formulated and commercialized internationally recognized touristic products, and has a very low budget for tourism promotion.

The strategy of tourism development in Serbia should be a project that would offer rational and credible approaches and solutions to the challenges in organization and growth of Serbian tourism, its effective involvement of in international markets.

In order to enhance the efficiency and certainty of decisions, the SWOT analysis is increasingly being used in the recent years. The basic reason why it has been used is because it anticipates the future opportunities and risks due to the fact that the environment is highly unsteady and turbulent. In the process of analyzing the position of tourism as an economic sector, the SWOT analysis is used as an indispensable instrument for the identification and systematization of the possible key strategies and policies for achieving the set goals.

**Raising the competitiveness of
tourism by the cluster model**

There are more and more polemics on the concept of competitiveness in tourism. Significant changes in economic, social and institutional environment require a new, market and business perspective. In the mid 90's the issues of competition and competitive advantages have gained in importance because there has been a noticeable saturation at the global market of tourism. According to

some researches, many countries have increasingly included tourism in their development policies because there was a trend of growth in travelling.

The main goal of competitive development is to enable the increase of the welfare of individuals and countries as well. In this context, tourism should

contribute to the quality of life of residents and also enable the economic growth with minimal social and environmental costs. The competitiveness represents a business opportunity that contributes to economic, social and ecological stability of the economy.

TABLE 1. SWOT ANALYSIS OF TOURISM IN SERBIA

Strength	Weaknesses
<ul style="list-style-type: none"> - Human Factors (good technical staff, many graduates of technical sciences, lower cost, highly skilled labor force) - Evaluation of untapped natural, development and production potential (opportunity for growth) - Geographical location (proximity to current and future EU members from South East Europe) - Close to EU market - A dynamic private sector growth 	<ul style="list-style-type: none"> - The existing economic structure - Dormancy of existing production capacity - Outdated technology - Degraded infrastructure - Monopoly status of enterprises in the public sector - Lack of linkages between universities and R & D institutions and industry, and outflow of high quality staff in foreign countries - The low domestic investment, implementation gap, inefficient government administration - Large regional differences - The inefficiency of the law, corruption - Poor image of Serbia in the World
Opportunities	Threats
<ul style="list-style-type: none"> - More efficient use of existing human resources (lower outflow of quality staff abroad) - Faster evaluation of unused capacity by larger inflows of foreign direct investment - The involvement of Serbia in international transport and energy corridors - Integration into the EU and free trade with the countries of SE Europe, - The importance of a stable Serbia with the EU 	<ul style="list-style-type: none"> - Relatively lagging behind other countries - The unclear position of Serbia in terms of EU integration - Unfavorable demographic trends - Lagging behind in some areas of transition (privatization, public enterprises, etc.) - Political instability

Source: Horwath Consulting Zagreb, 2005.

The success of a competitive tourist destination depends on the efforts made in the realization of tourism activities, and the ability of tourism organizations to offer a higher market value than their competitors. The ability of providing higher quality allows the tourist destinations to achieve higher prices and for their organizations to operate more effectively in the market with strong competition. The ability of creating new touristic products which will provide better service and offer more diverse experiences will keep the loyalty of existing customers and attract new ones. Therefore the conclusion is that the one way of maintaining long-term prosperity of tourism is being competitive (Jordanovic, 2007). Highlighting current high prices and profits in the tourist sector in the short term, without providing the quality is a bad effect of strategic marketing, which threatens the long-term business and stability. The fact is that the holders of the international competitive advantages are often located in narrow regions of certain countries. Existing clusters should be linked with organizational efforts and adequate programs in order to make the touristic offer more attractive and competitive at a global level.

Cluster in its content and character can develop one or more business opportunities, which provide different keys for success, business rules and relations with competitors. The cluster includes companies directly associated with tourism, but also with tourist attractions, infrastructure, services, amenities that complement the activities of tourism operations, and finally, with elements of socio-economic environment which directly affect the experiences of tourists. Tourist business, as a specific

destination is the three-dimensional concept determined by a combination of the market, products and technologies.

Tourism business is not a job but a sublimation of jobs that are based on their diversity. Those jobs are related and caused by the development of human needs in the field of leisure time and travel, on one hand, and are dependent on the competitive forces that determine the quality of tourism jobs and the internal conditions for raising competitiveness, on the other hand.

For the touristic offer the most important is the competitiveness of touristic clusters as business entities. The competitiveness is being achieved at the local level with the ability to constantly create new, to innovate the existing and to effectively use the available resources.

There are four touristic clusters in the Republic of Serbia: Vojvodina, Belgrade region, South-Eastern Serbia and South-Western Serbia.

Based on the characteristics of touristic products, market, financial and development conditions in the country, the emphasis should be on the products that provide the highest profit in the shortest time (city breaks, business tourism and MICE (Meetings, Incentives, Conventions & Exhibitions), events, special interest cruises). Using the strategy of differentiation, touristic clusters have the opportunity to present Serbia as a country that offers a variety of experiences. There are countless destinations in the world that offer a natural environment, beautiful cities and diverse experiences, it is necessary to differentiate the offer from the competition

in order to succeed. If the clusters do not emphasize their specificity, Serbia will lose its differential advantage which would lead to the emergence of competition within

each cluster rather than the competition with other destinations.

TABLE 2. COMBINING GENERIC STRATEGIES

		Competitive advantages	
		Low costs	Differentiation
Market coverage	Strategy of leadership in costs		Strategy of differentiation
	Strategy of focusing on costs		Focusing through differentiation

Source: Porter, 1985.

The main attributes of the touristic clusters marketing plan: (Horwath Consulting Zagreb, 2005.):

- each cluster has its own business portfolio strategy, and structure of touristic products;
- each cluster has its own market strategy;
- each cluster has its own specific marketing programs;
- each cluster has its own policy for the distribution and division of marketing tasks.

For the improvement of the effectiveness of touristic clusters, clusters select the target markets based on the evaluation of their structure, their attractiveness and on the competition intensity. The most common dilemma that arises among decision makers within the cluster is where to compete and how to compete.

It is essential for the business orientation of the cluster to recognize the competitors of the particular cluster. The competitors could be: competitors with the same position, or the competitors which are seeking their place on the same market. The most common mistake in practice is the identification of clusters within a close geographical area as the main competitors, while ignoring the competitors outside the region. Competitive-oriented entities have focused their attention on achieving a differential advantage over their competitors, or on the realization of their own superiority. While the superiority to consumers is being achieved through high quality business offers, the superiority to the competition is being achieved with higher realized value. The advantage of positioning is the essence of the competitive advantage. In order to build a stable market position, the primary goal of the cluster is to differentiate its offer (products) from the competition, on the basis of the high value for consumers with minimal realized costs. Porter's generic strategies (Porter, 1985) are very useful for the purpose of creating a good market position which is based on market segmentation and product differentiation. Those strategies are the basics for gaining competitive advantage.

Conclusion

There is no doubt that Serbia has a diverse and good quality basis for the development of tourism. Natural resources, favorable geographic location and numerous attractions indicate the possibility of developing diverse forms of tourism. The valorization of various tourist motives which Serbia has, appears to be *a conditio sine qua non* (a condition without which it cannot be) for a successful socio-economic development of Serbia and its proper integration into international economic and other

trends. Therefore, the claim that tourism is one of Serbia's comparative advantages is not far from the truth. Tourism should be one of the pillars of socio-economic transformation and development of Serbia.

Efficient management of tourist destination is determined by its potential development and the ability to attract investment and create a sense of well-being of local people and visitors, resulting in long-term sustainability of the system. As the competition is becoming sharper, and the time becoming a more precious factor, a rapid response to the emerging or the changing of the consumers needs makes a significant competitive advantage.

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