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**THE COMPETITIVENESS OF TOURISM AND RURAL TOURISM
OFFER IN BOSNIA AND HERZEGOVINA THROUGH
APPLICATION OF THE MARKETING APPROACH**

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THE COMPETITIVENESS OF TOURISM AND RURAL TOURISM OFFER IN BOSNIA AND HERZEGOVINA THROUGH APPLICATION OF THE MARKETING APPROACH

Abstract

This paper considers the essence, significance and necessity of application of the marketing approach, i.e. planning, organizing and control of marketing activities in tourist and rural tourist policy, intending to add to competitiveness of the tourism offer in Bosnia and Herzegovina. The paper elaborates theoretic and substantial aspects of marketing element in tourism and rural tourism, with a special view on importance and contribution of marketing approach in competitiveness of tourism and rural tourism offer in Bosnia and Herzegovina. The marketing approach in tourism and rural tourism, presented in this work, may serve as a basis for creating policy and developing marketing approach in B&H tourism and rural tourism.

Key words: marketing, tourism, rural tourism, conceptual model of tourism development, Bosnia and Herzegovina.

Introduction

The turbulent occurrences on the world service market which have been perceived on both the demand and as well as the supply side, require respect and application of marketing in overall business philosophy.

The marketing is a business function focused on satisfying needs and wishes of consumers through rational exchange. In our case the Kotler's definition of marketing is the most acceptable one: "Marketing is a social and managing process through which individuals and groups acquire what they need and what they want by creating and exchanging products and values with others."¹ The goal of this paper is to examine competitive advantages of tourism and rural tourism, to present the importance of marketing in tourism offer and to analyze options for development of rural tourism in Bosnia and Herzegovina.

The role, place and importance of application of marketing in tourism and rural tourism

Although origination and development of tourism may be observed from the birth of human civilization in comparison to other industry branches and activities its theoretical elaboration and practical application of the marketing concept started later.

¹ Philip Kotler, John Bowen, James Makens "Marketing for Hospitality and Tourism", Third Edition, Prentice Hall, New Jersey, 2003. pp. 13.

From the marketing point of view, at the end of the 1960s, a more serious treatment of the tourism, as an economic process, business concept and especially as a scientific discipline, started. This is period of theoretic elaborations and improvements of marketing in tourism as a scientific discipline.

Practical application of marketing in tourism (in relation to previously elaborated theoretical stand) happened with certain delay. The basic reasons of the later change of marketing in tourism may be covered in the following way:

The later application of the marketing in all service industries is the result of the influence of factors recognized as unique for all service industries, and of the occurrence of certain problems conditioned by particular characteristics of services. This is about characteristics of services such as: intangibility, indivisibility, heterogeneity.

Existence of a large number of business entities of small economic power on the side of tourist offer – which were not, due to lack of knowledge and means, interested in application of the marketing conception.

The tourist market is a relatively young market – its expansion started during 1950s.

Inventiveness in market economy was limited by longtime domination of the traditional approach to dealings in tourism and in that way it became an obstacle for application of the marketing concept in tourism and rural tourism.

Besides the mentioned obstacles, which set up conditions for the later application of the marketing conception in tourism, its role in finding balance between satisfying needs, wishes and requests of selected market segments and maintenance and improvement of wellbeing of consumers and society as a whole instigates a more intensive application of the marketing in tourism service industry. The marketing monitors turbulent changes in its environment, adjusts to them and in that way facilitates sale of products and services in accordance with demands and needs of tourists.

In the second half of the 20th century the marketing in tourism was a young scientific discipline which defined basic ideas and categories, analyzed concepts, methods and techniques, and set up scientific stands, theories and definitions.

From the time of origination of initial works until today a significant change in tourism, when it comes to concentration on individual elements and categories of marketing in tourism, as well as the very approach and defining of marketing in tourism, can be perceived.² In the first scientific works large attention was paid to defining a tourist

² First definition of marketing according to Krippendorf: "Marketing in tourism is to be understood as the systematic and coordinated execution of business policy by tourist undertaking at local, regional, state or international levels to achieve optimal satisfaction of the needs of identifiable consumer groups and in doing so achieve on appropriate return." Dr Jovan Popesku "Marketing in tourism", page 34. In contemporary domestic literature on

product and to coordination of different activities on the level of tourism enterprises. Less attention was paid to coordination on the macro level. In contemporary works significant attention is given to marketing management in tourism i.e. planning, organizing and control of marketing activities of business enterprises operating in tourism, as well as tourist destinations.³

On the basis of these scientific researches contents of the marketing in tourism, as well as in rural tourism, can be determined. The contents cover “situational analyzes i.e. analyzes of external and internal environment, defining mission, goals and guidelines, establishing global and individual strategies (and tactics) and marketing mix, designing level of organization and control and revision of all activities on both micro and macro levels.”⁴

Starting from the characteristics of tourism as an economic activity, characteristics of tourist market and interest the society shows for its development, the marketing activities may be observed through two related forms of activities:

- marketing as a basis for business policy creation and management of tourist industry enterprises, and
- marketing as a basis for business policy creation and management on all levels (micro and macro levels).

Based on application of both forms of marketing in tourism it (tourism) can be defined as a coordinated activity of business and tourist policy bearers with an aim to achieve optimal satisfaction of needs of selected/targeted market segments along with accomplishment of maximum economic results and respect of the influence on social and natural environment and achievement of satisfactory quality of life.

Therefore, application of marketing in tourism, especially as a business conception, is supposed to contribute easier process of exchange at international and domestic tourist market.

The following main reasons may be pointed out to accept the marketing concept in tourism.⁵

- changed relations between supply and demand at the tourism market conditioned the need to leave traditional sales orientations of bearers of the tourist offer and to accept marketing concept;

marketing in tourism scientific works, articles, studies and papers of Prof. Dr S. Unkovic, Prof. Dr K. Cacic, Prof. Dr O. Bakic should be mentioned. They analyzed the marketing conception in tourism and confirmed possibility for its practical application in detail.

⁶ Dr Ognjen Bakic "Marketing in tourism", page 21.

⁷ Dr Jovan Popesku "Marketing in tourism" page 35

⁵ Adopted according to Dr J. Popesku, op. quote, page 33.

- the tourism market, as a relative young market, provides enough space for introduction of innovations;
- the tourism market has considerable level of competitiveness;
- high level of the fixed costs in organizations within tourism field puts the capacity utilization in the first plan;
- flexibility of demand, inflexibility of supply, and primarily the service character of tourism imposes significance of providing a stable long-term demand;
- diversity of the tourism demand and socio-psychological factors make influence on behavior of consumers in tourism.

Taking into account the mentioned attributes of the tourist supply and tourism demand, application of marketing in tourism is very logical and reasonable. Its use should balance relations between, on one side, needs of business entities on the side of tourist offer to maximize their target function (to gain as high profit as possible), and requirement of the tourism demand to find appropriate advantages and gain expected benefits through satisfying its wishes and needs, on the other side.

The basic purpose of marketing in the business entities operating in tourism and rural tourism is to provide successful functioning on the tourism market along with appropriate adjustment to social and natural environment.

Successful adjustment to turbulent changes on the tourist market as well to the final goal of profit making must be based on application of the marketing concept by all bearers of the tourist activity. Tourists and satisfying of their wishes and needs are in the focus. Their largely expressed sophistication in the recent years encourages tourism related business entities to create new programs and organize travel events.⁶

If the tourism related business entities offer what consumers, i.e. tourists, want in the manner, at the place and with the quality and price in which they expect it, business goal will be accomplished. The tourism related business entities should make offers which will not be based on their own capacities only, but also on knowing needs and requests of consumers. For the tourism related business entities to operate successfully and rationally and to meet the mentioned demands their business policy has to be founded on application of a marketing conception.

Marketing management on the level of tourist and rural tourist policy

In recent years in the marketing of tourism the managing aspect of marketing (marketing management) is gaining in importance, i.e. how and in what way to plan,

⁶ Dr Krunoslav Cacic "Enterprises operating in tourism", Faculty of Economy, Beograd, 1995. At the end of XX century social marketing as philosophy in which tourism related business entities strive to integrate long term profits through satisfaction of wishes and needs of tourists/consumers started to dominate.

organize and control all those numerous tourist activities which simultaneously happen on micro and macro levels.

There are more and more pieces of evidence that without management which encompasses planning, organizing and control of all activities (especially marketing activities) there is no real market, economic and tourist valorization of one country at the tourist market. Also, this process coordinates and motivates executors of business activities to work better and to make more profit. It means that the task of the managing process is to arrange tourist destinations' business as an effective and efficient one. In this case, the efficiency implies that tourist destinations define and direct their activities according to requirements of targeted tourist environment (to do right things). Also, efficiency encompasses methods applied by tourist destinations which enable achievement of business results with the least possible involvement and spending (to do right things in right way).

Besides the marketing management on the micro level i.e. on the level of a tourist company, marketing management on the macro level i.e. at the local, regional or national level (level of the tourist destination), is equally important.

The tourist destination is "a more or less organized geographic unit which possesses attractive, communicative and receptive factors i.e. all natural, social, anthropogenic, cultural-historical, traffic, accommodation, food, entertainment, recreation, relaxation related preconditions (complete tourist offer)."⁷

Managing tourism on micro and macro levels requires focus on a larger number of factors, orderly sequence of moves for the purpose of establishing of the marketing strategy and tactics, as well as structure which will help in realization of established marketing goals of every tourist destination.

The global conceptual model of tourism development, i.e. marketing management of tourist destination is supposed to contain the following spheres of action:⁸

1. situation analyses (analyses of economical, technological, demographical and other changes in the environment as well as the analyses of internal resources);
2. formulating missions, goals and guidelines;
3. formulating appropriate strategies (differentiation of tourist product, segmentation of market, image profiling and positioning);
4. defining strategic and tactical moves related to each of the marketing instruments (tourist product, price, promotion, sale channels);
5. organization (state and para-state bodies) with managerial support systems; and
6. control of activities.

⁷ Dr Ognjen Bakic "Marketing in tourism" page 69.

⁸ Dr Ognjen Bakic "Marketing management of tourist destinations", Faculty of Economy, Belgrade, 2002, page 30.

The marketing management process of a tourist destination consists of a number of sequential iterative steps.⁹

The initial step in managing marketing of a tourist destination consists of the analysis of environment (macro environment, market and competition) and analysis of internal resources. The macro environment covers changes and events in economic, social, technological and other environments. Changes in market environment, as well as behavior of competition, need to be observed as well. When doing this analysis chances are to be used and threats are to be avoided. Analysis of internal resources represents establishing of weak and strong points. The weak points need to be eliminated and the strong ones used as much as possible. At the end, internal competencies need to be connected with external potential through application of the SWOT analysis.

After the situation analysis, defining mission, goals and guidelines of a tourist destination follows. Defining of mission represents the purpose and reason for existence, and therefore it has to be clear and based on realistic presumptions. The goals and guidelines represent elaboration of a defined mission. The goals determine where a destination “wants to go”, “what it wants to achieve”, while the guidelines represent their quantitative determination.

Formulating the destination’s strategy, meaning differentiation of the product, segmentation of the market, profiling the image and positioning, is the next important step. In order to facilitate strategic selection of the tourist destination different conceptual models are applied, primarily the product portfolio concept (tourist destination decides what to do with every concrete product) and portfolio product/market (tourist destination decides which product to place and on which markets).

Formulating the strategy for marketing instruments (marketing mix, product, price, promotion, and sale channels) is the next.

Defining organization through coordination of all participants in offering a tourist product and control and revision of the whole activity are the last two phases.

Development opportunity of rural tourism in Bosnia and Herzegovina

Rural tourism supports development of new tourist destinations giving especial contribution to development of the continental tourism. Basic characteristics of this type of tourism are family owned-farms, which mostly provide their own existence through agricultural production. In this manner, family-owned farms could sale surplus of their products to tourists in visiting. It is a way for family-owned farms to provide additional income by engagement of members of family. If we anticipate opportunities such as rent

⁹ Philip Kotler “Marketing Management: Analysis, Planning, and Control”, page 80.

of accommodation, catering services and other kinds of services for tourists then possibility for family-owned farms to incur additional incomes is even larger.

Rural areas are not intended especially for agricultural-production activities. Long since, level of social-economic development of these areas is defined based on proportion of intensity of the agricultural production and management of forests in regard to utilization of rural area for other purposes (*Cejvanovic and others, 2006*). Role of agricultural production and utilization of forestry products is inversely proportional to the level of development. Nowadays, rural areas become main bearers of:

- housing needs of population,
- functions of agricultural and industrial production,
- infrastructural needs of urban areas,
- spaces for spending free time.

Regarding rural areas in B&H, there is a need to point out that 81% of total area and 61% of its population can be qualified as rural. According to the OECD criteria, areas with density of population lower than 150 citizens/km² are considered rural. There are 143 municipalities in B&H, out of which 114 can be qualified as rural, with population of 2.372.162 (*Report on agriculture in B&H, 2007*).

This definition indicates to one aspect of rural areas, but disregards important differences which exist between rural areas, as well as important contribution of rural resources to social, economic, tourist and cultural developing processes. Diversity of rural areas is significant element of the rural development policy, as well as development of agro-tourism.

The concept of rural tourism has an important role in sustainability and reconstruction of rural areas. Importance of the rural tourism in chain of the sustainable development happened due to capability to valorize natural characteristics and environment as an economic resource.

The following principles of rural tourism organized in this way are: rational relation toward resources of given area, monitored and planned development and sustainability of the system.

These principles are basic guiding principles in the process of planning and realization of development of rural tourism, and the reason for that is influence of the rural tourism on local population, their way of life, culture, tradition, etc.

Although besides the term “rural tourism” there are other terms in use, such as: eco-tourism, village tourism, agro-tourism, tourism at family-owned farms, eco-rural tourism and similar, it indeed means concept of tourism being practiced at family-owned farms and uses rural areas in the context of its tourist offer.

There is need to point out that the Federation of Rural Tourism held in Spain, in 2003, was the first European congress on rural tourism (*Djuric, 2007*). Potentials and basic

characteristics of development of rural tourism in 23 European states were presented there. Participants pointed out (representatives of 35 countries were presented) that 200,000 business entities, which provide services in rural areas, were registered in Europe, which had over 2,000,000 million of beds at their disposal. Number of beds available in family-owned farms at that time was 1.5 times higher than the capacity in whole Spain, which is the second most important destination in Europe.

Experts say that accommodation linked with rural tourism attracts annual tourist consumption of about EUR 12 billion. If multiplicative effects of the tourist activity are built-in then the assessments reach the amount of about EUR 26 billion. Estimated number of directly and indirectly employed people is 500.000.

Evaluations of the World Tourist Organization have shown that demand for services at family-owned farms has been constantly growing in the last 15 years.

The highest growth rates have been noticed in some of the countries of the Southern and Eastern Europe. Since public is getting increasingly interested in its sustainability there is even more reason to contribute to the development of the rural tourism. Sustainability is its main component.

Bosnia and Herzegovina has unlimited capabilities to develop the rural tourism in its rural areas. There are potentials for self-development of the rural tourism along with development of agriculture in the B&H rural areas (*Vujovic, 2007*).

The rural tourism offer in B&H can be divided in several basic groups:

- recreational and educational events: visits to some agricultural households, organization of outdoor schools, youth education programs, activities on farms for specific groups of tourists,
- sports and recreational events: riding horses, paragliding, extreme sports, biking, hiking, running, different sport activities, hunting, fishing etc. can be organized on different rural localities;
- gastronomic offer: home made brandy, wine, juices, meat products (veal, pork, sheep, goat...), home made dairy products, home made cheeses, bread, grain products, fruits (plums, apples etc.)...

These are only basic tourist offers which can be organized in the BD of B&H rural areas. Certain combinations can make the quality of the offer even more attractive.

Conclusion

When starting with marketing studies one has to begin with the fact that studying of a very complex system, which is with numerous ties and influences nested not only in earning but in society and life in general, is in question. Although marketing is activated in production (of products and services), its reach spreads quite far. Today marketing

functions on all levels of the industry, not only on the level of exchange of goods but also in health and education systems, in tourism, sports etc., i.e. in the service industry.

Considering specific characteristics of the tourism market: heterogeneity of demand (needs of those who make demands are heterogeneous), elasticity of demand, sensuality, rigid and inelastic offer, it is clear that the tourism market demands application of marketing as a business concept and integrated marketing as a form of organizing on all levels, both micro and macro. In the recent years in tourism and tourism policy, as well as in the related literature, the marketing management is gaining on importance - in other words, in what way to plan, organize and control all numerous marketing activities in tourism on the micro and macro levels.

Analysis of the rural areas the B&H were observed with regard to a potential development of a tourism and agriculture and benefits for defining specific rural tourism differentiated products that may be interesting not only for domestic but also foreign tourists. Main offers rural tourism in B & H is reflected through: recreational and educational facilities, sports and recreational facilities, gastronomic, as well as other activities in the village. Offer agricultural products in the rural tourism B&H create the possibility of connecting and sales of agricultural products from different manufacturers. Rural tourism as a complementary activity is chance to family farms to increase income economies, as well as the ability of rural development in B&H.

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