



Tourism 2020 in Croatia

Benchmark analysis for hotels, campsites and marinas in Croatia

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BlueRock
Consulting

Authors' comment:

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- After our last report which was focused on the 2020 summer season with an emphasis on hotel benchmark, now we present a comprehensive set of **results for the entire 2020 based on benchmarking of hotels, campsites and marinas.**
- Tourism in Croatia is still in the standby mode due to the pandemic, the pre-season is lost, and expectations for the summer season are rising. Indicators in this report can serve as an **analytical background or additional reference point**, in addition to 2019, **for estimates of this year's results.**
- Compared to the pessimistic forecasts and compared to other global destinations that lost over 80% of tourist traffic, tourism in Croatia in 2020 was still partially achieved with 50% less overnight stays than in the record year of 2019. However, the implications for businesses are significant in real terms and will result in drastic losses for most stakeholders in the tourism value chain.
 - ❑ **Hotels have experienced the greatest loss this season- Hotel companies' revenues are estimated to fall by 67% in 2020** compared to 2019 – with almost nonexistent pre- and post-season and high fixed costs, hoteliers have generated not only decline in revenues but also significant losses, while the debt-to-EBITDA ratio has deteriorated many times over and planned investments in the hotel industry have been questioned both in the short and medium-term
 - ❑ Croatian tourism have experience direct impact of global trends: **The largest losses were made by counties generating a large share of revenues from airline destinations and from business tourism** City of Zagreb and Dubrovnik-Neretva County (up to 70% fewer overnight stays)
 - ❑ **Campsites, depending on the structure of accommodation, lost 49-56% of their accommodation income**
 - ❑ **Marinas had a less significant decrease in revenues of 13%, while significant losses of 54% were in overnight stays in nautica**

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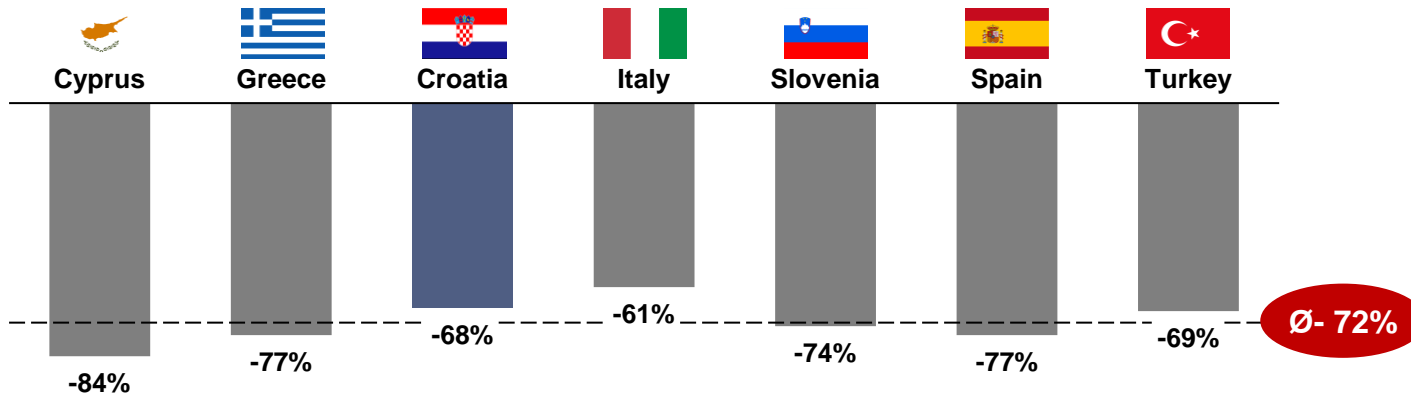
Emanuel Tutek, Partner BRC

- However, at the end of the year we can conclude that **price positioning of Croatian hotels, campsites and marinas has been relatively successfully maintained**, and the decline in revenues was predominantly generated from the decline in volume of touristic overnights. This is a very **positive result, an excellent basis for starting recovery and the potential for a turnaround in Croatia's positioning based on healthier foundations.**
- Last season, tourism faced disruptive external factors **which highlighted both advantages and disadvantages of Croatian tourism, which were not wiped with the pandemic stabilization, but rather imposed as additional imperatives which must be addressed in order to increase the resilience of the entire sector.**
- **Although from perspective of tourism sector which was hurt, there is an understandable longing for old track records of huge numbers of overnights.** But maybe it is time to adopt the perspective of strategic planning which would consider smaller number of overnights in the peak season, and create realistic grounds for more overnights throughout the year?
- **Finally, we think that it is not questionable if Croatian tourism needs a turnaround and further development towards high added value offering!**

The tourist year is characterized by high tourist losses for the entire Mediterranean – the average drop in arrivals is 72%

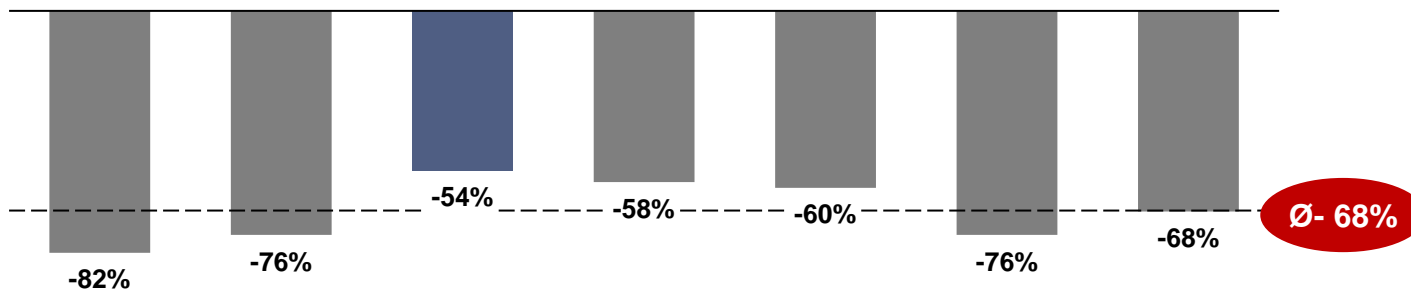
Comparison of tourist movements in the Mediterranean Δ 2019/2020

International tourist arrivals



The number of international tourist arrivals in the Mediterranean fell by an average of 72%

Exchange of services in tourism with foreign countries¹



Revenues from services exchanged internationally through tourism in 2020 were on average 68% lower than in 2019

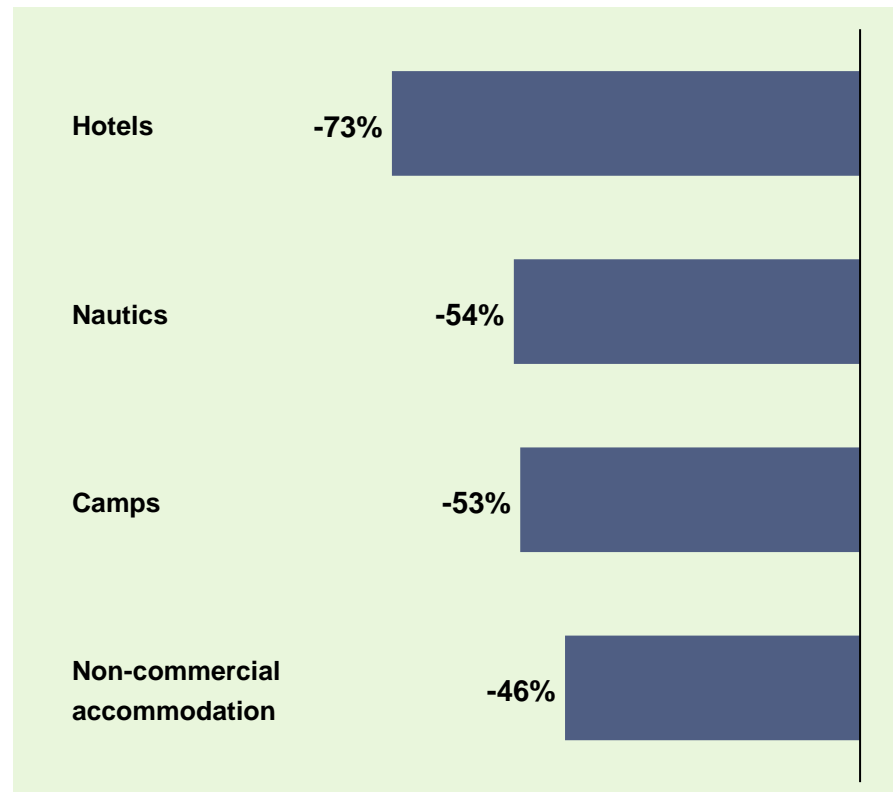
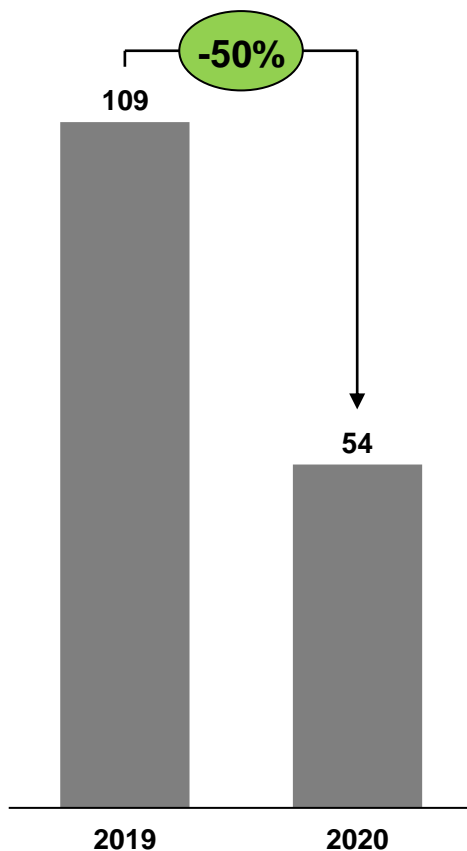
Croatia made fewer losses than the Mediterranean average in 2020

1) Data by the end of the year, excluding Croatia and Cyprus for which the data are available at the time of preparation of the reports as of September 2020, compared with the results by September 2019.

Number of overnight stays in Croatia fell by 50%, with hotels with 73% fewer overnight stays

Overview of overnight stays

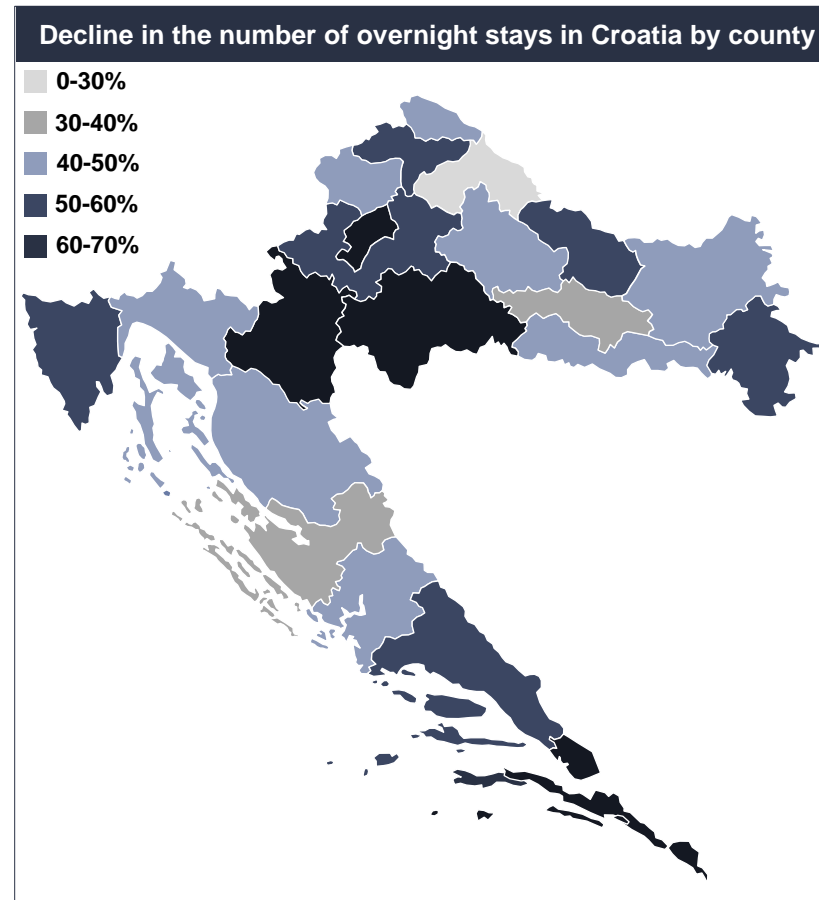
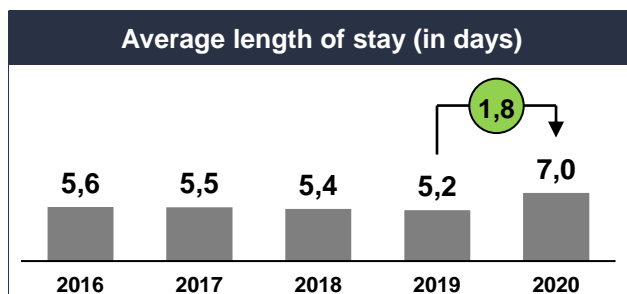
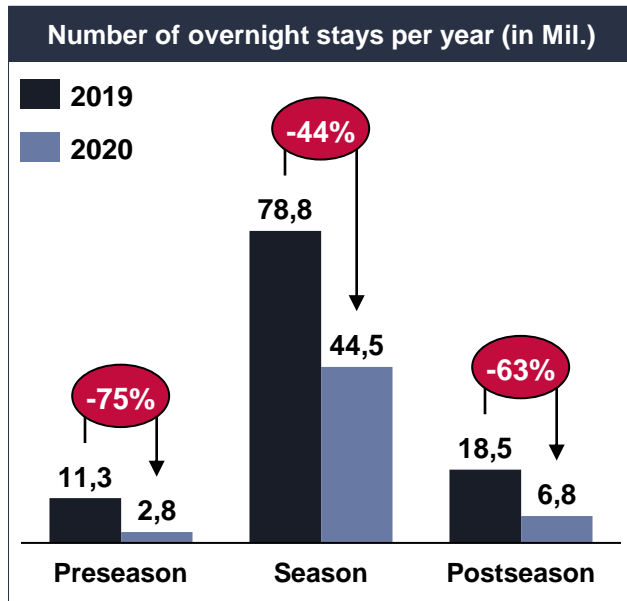
Overnight stays by property type Δ 2019./2020.



- Croatia achieved 50% of overnight stays from 2019 in 2020
- Hotel accommodation faced the most significant losses and concluded the COVID year with 73% less revenue from 2019.
- Non-commercial accommodation showed greater resilience, and the result has also been improved due to the escape effect and the need for more private locations (trend of working from another location for flexible workplace, COVID isolation, escape from earthquake-affected areas, etc.)

Dubrovačko-neretvanska County and the City of Zagreb had a drop of 60% to 70% of overnight stays

Overview of the number of overnight stays in 2020



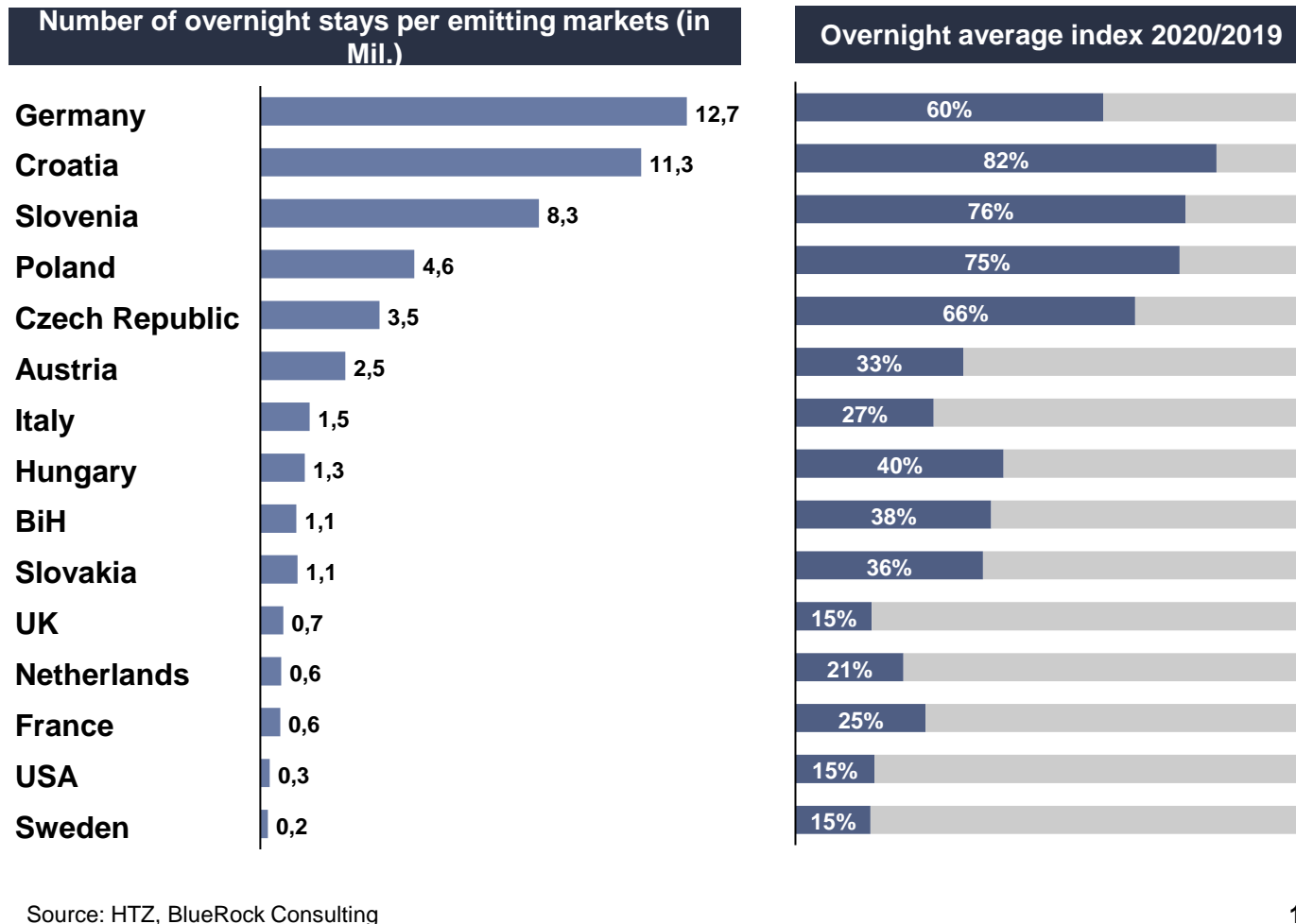
- The summer season achieved more from **half turnover from 2019**, while pre-season and post-season have completely failed due to the lockdown
- **The summer season relatively improved the image of tourism**- except that this is the period when the highest number of overnight stays are achieved, at the time most relaxed measures after the spring lockdown were presented- and under these conditions, -44% of overnight stays has been generated
- The major damages were experienced by parts in Croatia that depend more on business tourism and fly-in markets
- The trend of tourist stay of ~5 days in Croatia has increased to **7 days of average stay, mostly noticeable in coastal counties**
- **Longer stay follows social trends 2020**- displaced work, *Long Stay* packages, escape from urban areas, longer stays in one place, less mobility, etc.

Remark: Pre-season - period from January to May; season - the period from June to the end of August; post-season - period from September to the end of December

Source: HTZ, BlueRock Consulting

Traditional "drive-in" markets assisted tourism in 2020, with significant underperformance of "fly-in" markets

Overview of overnight stays by emitting markets in 2020



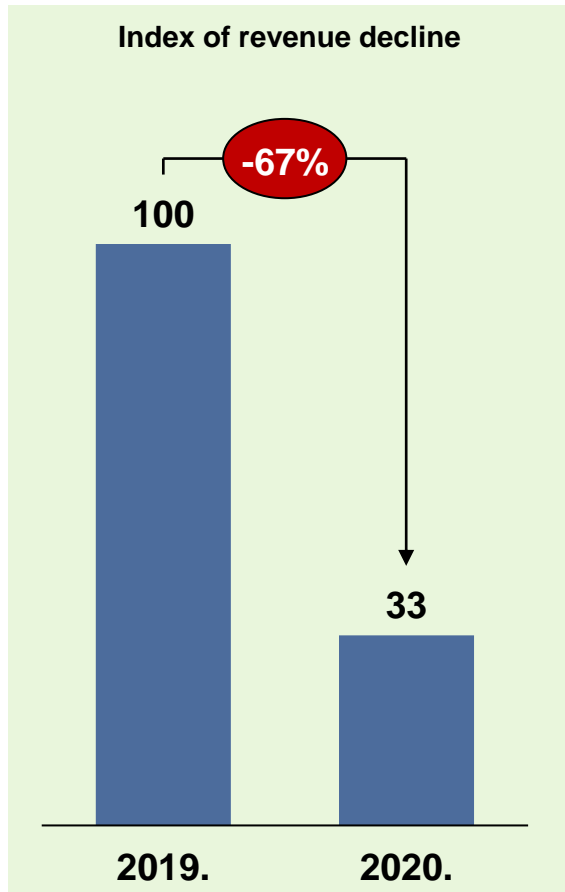
- The biggest impact on structure distortions of emitting markets were mobility restrictions and uncertainty in travel regulation
- Due to turbulence in air traffic, the biggest drop in overnight stays in Croatia was experienced by the airline destinations- UK, Sweden, the Netherlands and the USA, which achieved only 15-21% of last year's number of overnight stays in 2020
- Drive In markets that had slightly fewer movement restrictions have performed more successfully-Germany as the emitting market that had the largest share in Croatian tourism for years, took place of the primary emitting market with a marginal advantage in 2020

- **Hotels**
- **Camps**
- **Marinas**

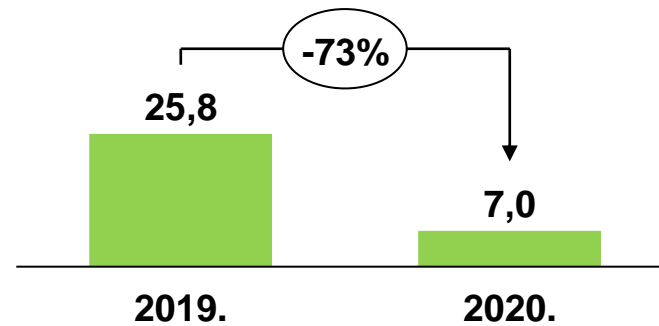


Hotels lost 67% of their revenue compared to 2019

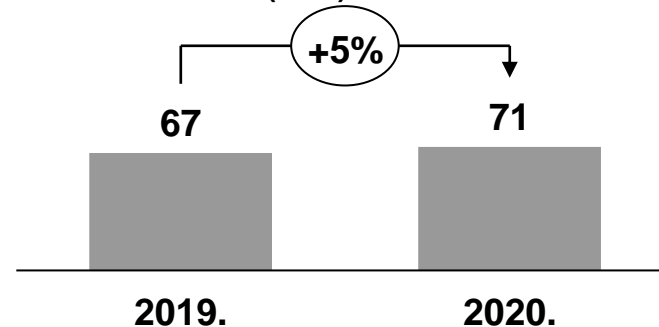
Change in hotel revenues in 2020 compared to 2019



Number of overnight stays in hotels (in Mil.)



Revenue per overnights in hotels (EUR)

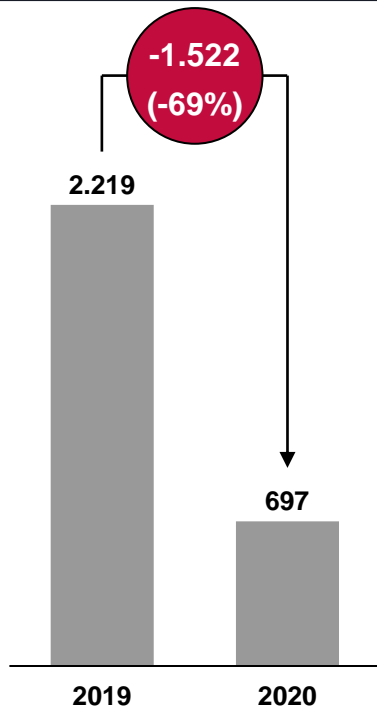


- Revenue per overnight in 2020 was obtained based on the leading benchmarking data of the hotel industry in Croatia, which is continuously conducted by the Faculty of Tourism and Hospitality Management, Opatija, University of Rijeka
- The hotel sector experienced a drop in revenues of -67% compared to 2019.
- The 67% drop in total hotel revenues was primarily due to a large drop in overnight stays (-73%)
- Despite the great drop in the number of overnight stays, revenue per overnights maintained its level and even increased by 5%

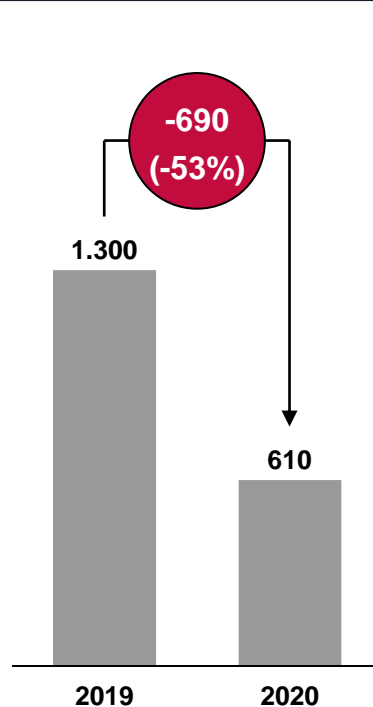
Losses could potentially jeopardize the financial position of a large work of hotel companies

Revenues of leading hotel companies in Croatia in 2020 (in Mil. HRK)

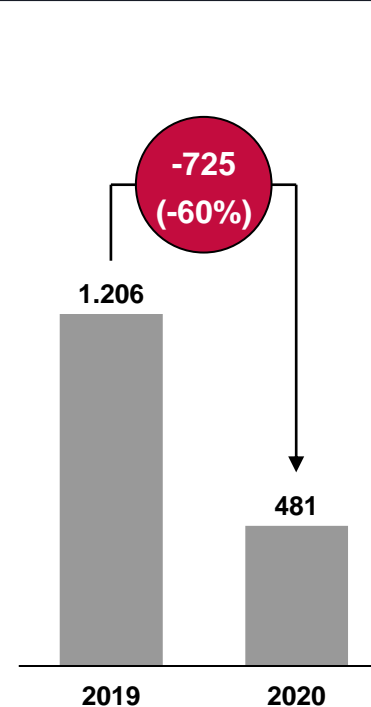
Valamar Riviera d.d.



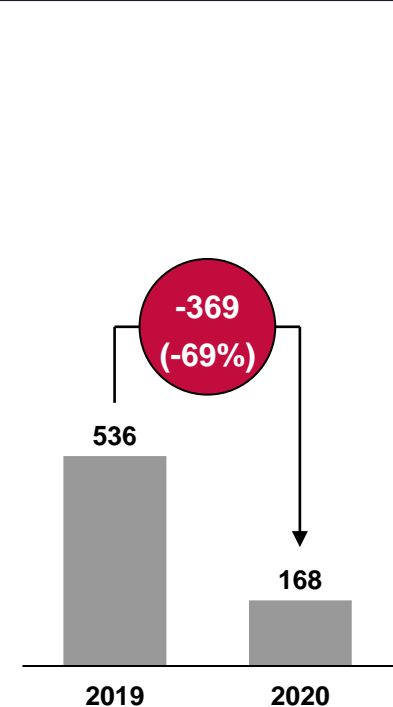
Maistra d.d.



Grupa Plava Laguna d.d.



Arena Hospitality Group d.d.



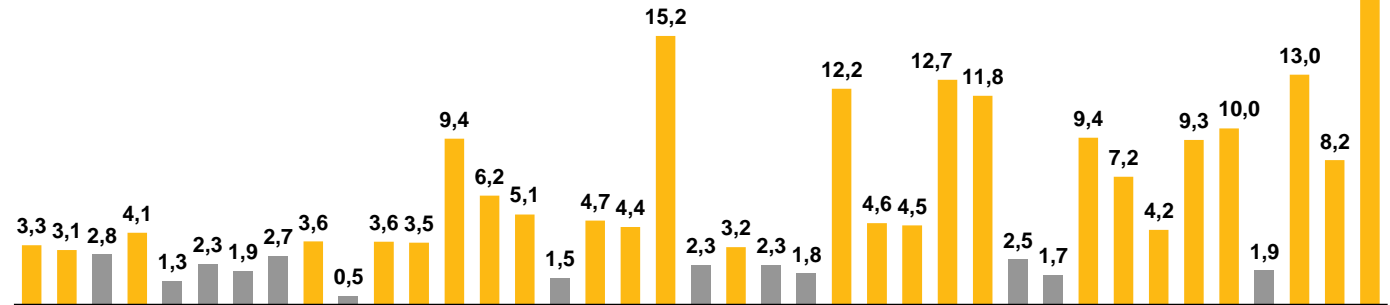
- In 2020, leading Croatian hotels reported losses of up to 69% of revenue compared to 2019.
- A number of cost optimization measures, delays in investment cycles, profit retention and activation of crisis incentives (e.g. incentives for job preservation) have been announced.

Majority of hotels experienced increased long-term sustainability risk last year, which is more significant with the fall of EBITDA

Cross-section of current position of leading hotel companies in Croatia

Debt/EBITDA indicator, 12/31/2019

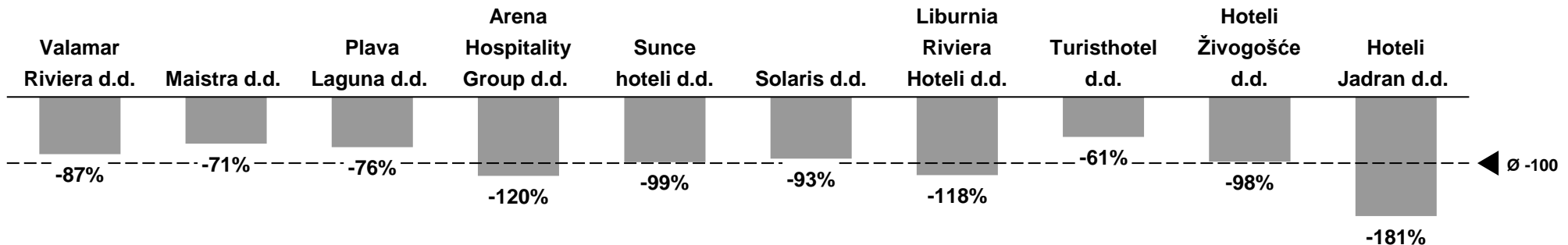
■ Companies that have a Debt/EBITDA ratio above 3x



With EBITDA fall, hotels are in and unfavorable position

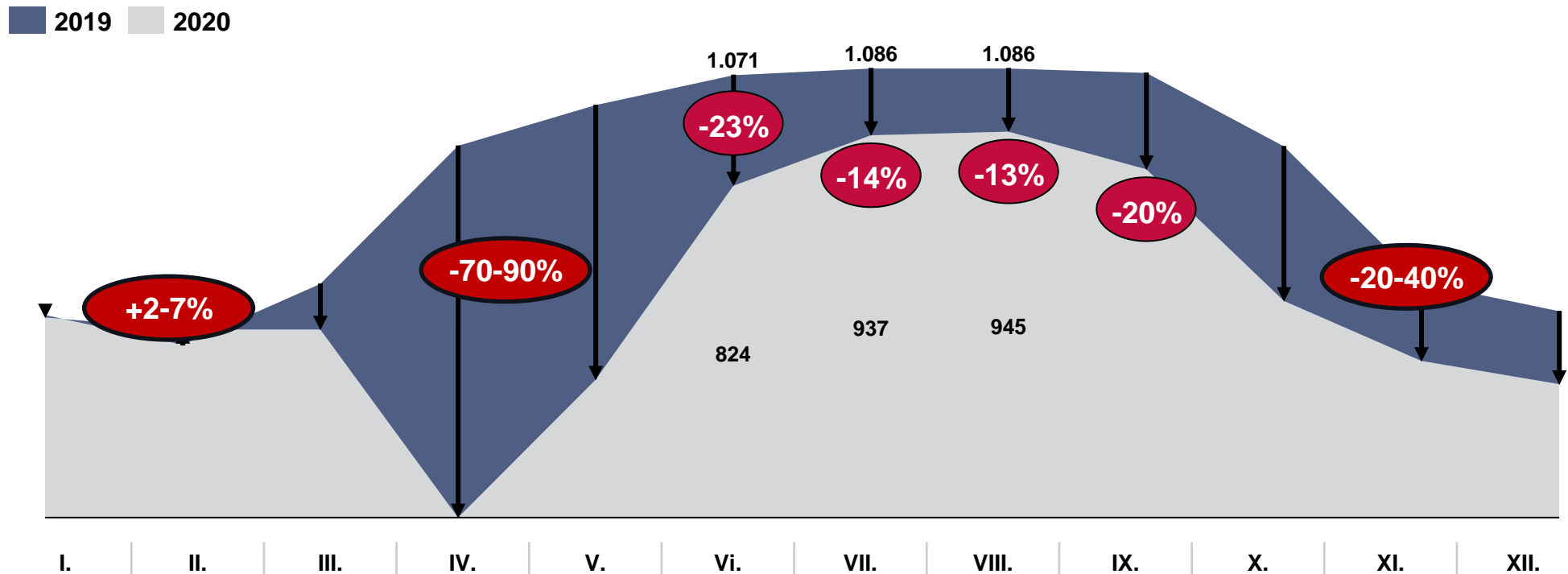
- Main hotels in Croatia reported losses of up to 69% of revenues in 2020 contrasted to 2019.
- A series of cost optimization measures has been announced, delays in investment cycles, maintaining profits and activating crisis incentives (e.g. incentives to preserve jobs), and companies will also have to reprogram or increase their debt

EBITDA decline Δ 2019/2020



Despite lower tourist traffic during the summer, 13-14% of hotels in 2020 did not open their facilities

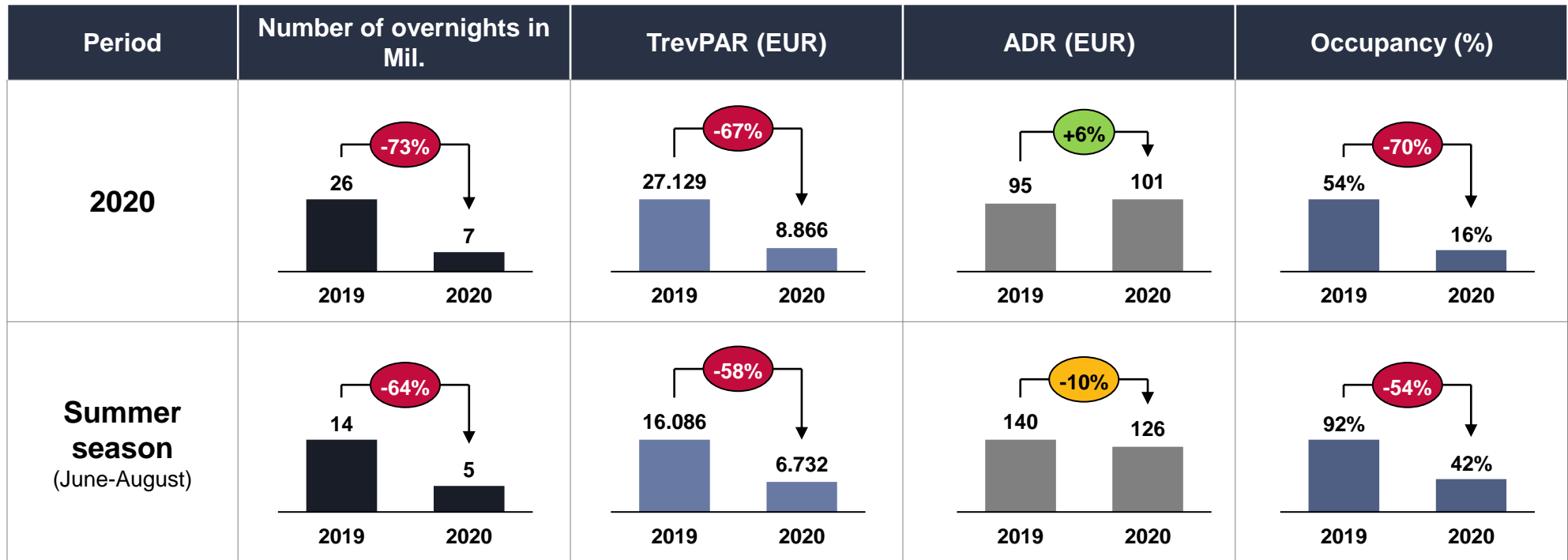
Number of hotels with a minimum of 1 night overstay in 2019 and 2020



- Hotels tried compensating for their spring losses whilst they were closed in the summer season
- Even at the peak of the season in July and August, 13% of hotels did not open their doors

Occupancy is down by 70% and TRevPAR by 67%, however no drastic price cuts were made

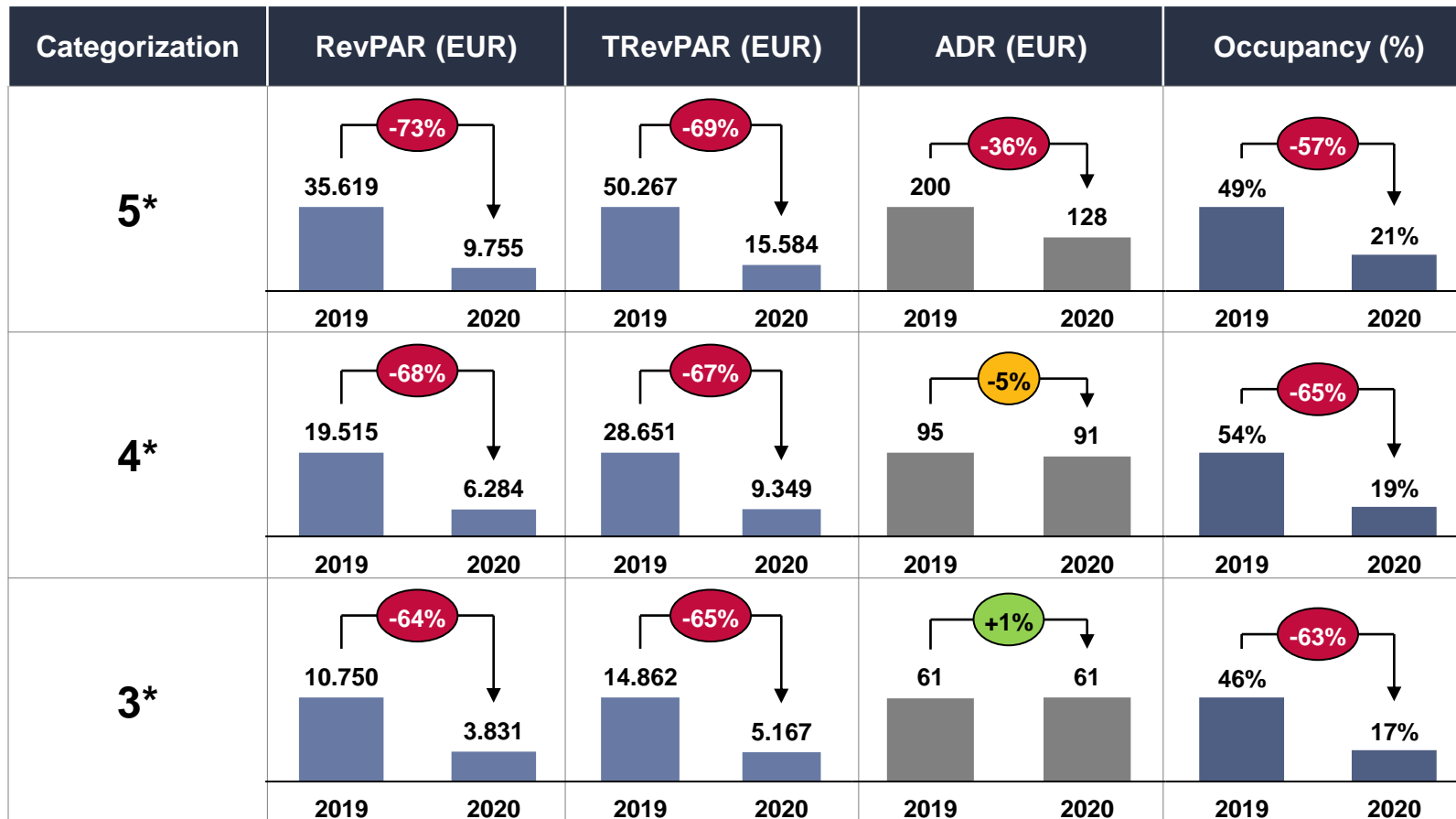
Overview of the results of key indicators of hotel operations in 2020 (1/2)



- Hotels achieved an average of 67% lower TrevPAR in 2020
- Despite the drastic decline of all indicators, hotels have been relatively able to maintain the price level, with a significant change in the structure of sales channels and market segments (individual segment with the absence of groups is dominant)
- The summer season has insignificantly reduced the decrease in hotel occupancy, which was still 50% lower than last year

Hotels with 5* have achieved less significant occupancy fall on a yearly basis whilst being open for longer time periods

Overview of key hotel business indicators results in 2020 (2/2)



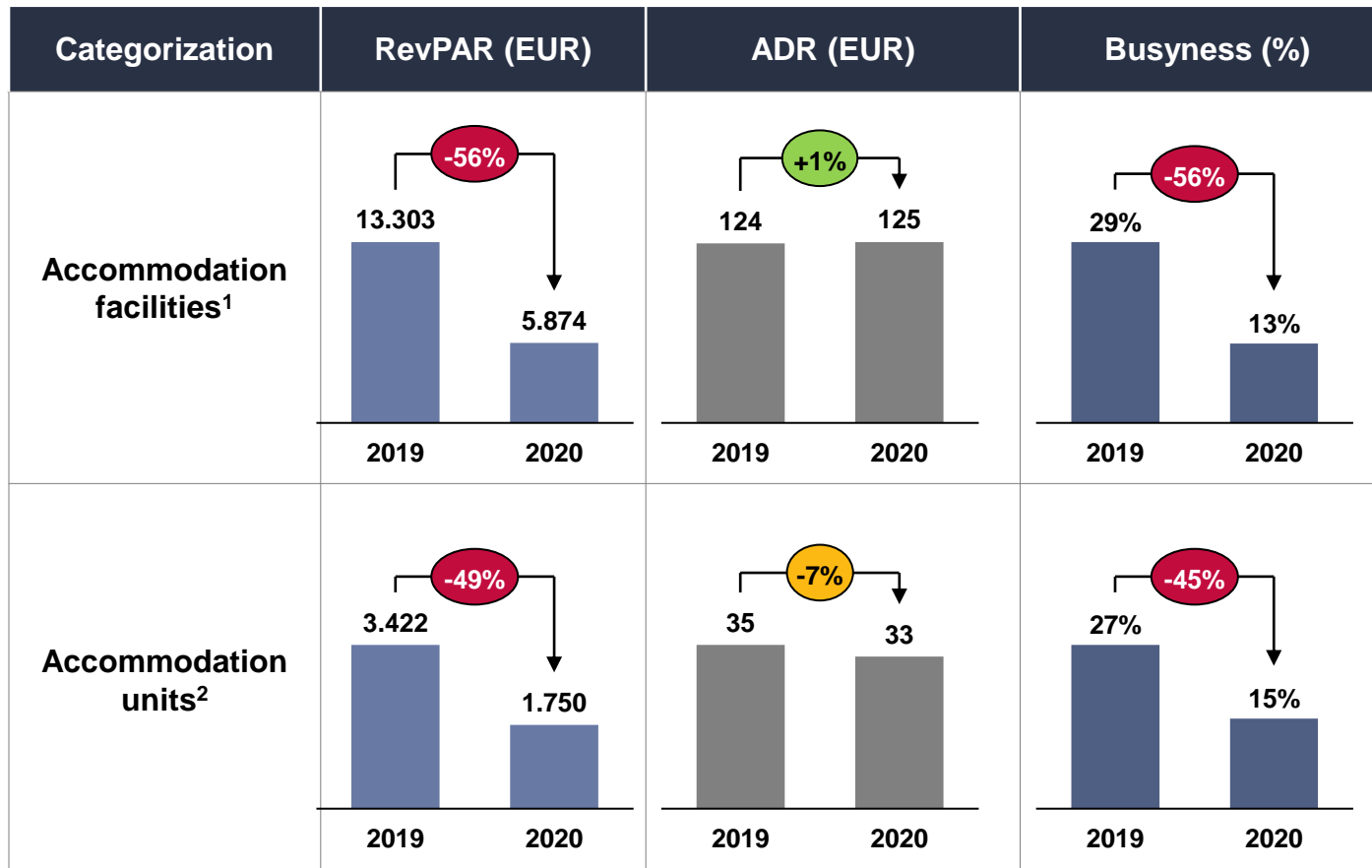
- Hotels that were open in 2020 experienced significant losses due to expressively lower volume (drop in occupancy by up to 65%) traffic- fall RevPAR reached up to 73%
- 5* hotels achieved the lowest drop in occupancy (-57%) although they were open for longer time periods
- Longer period for open hotels with 5* (out of peak season) caused a larger price drop (ADR -36%) on an annual basis

- **Hotels**
- **Camps**
- **Marinas**



Depending on the structure of accommodation, camps lost 49-56% of their accommodation income

Overview of the results of key indicators of camp operations in 2020

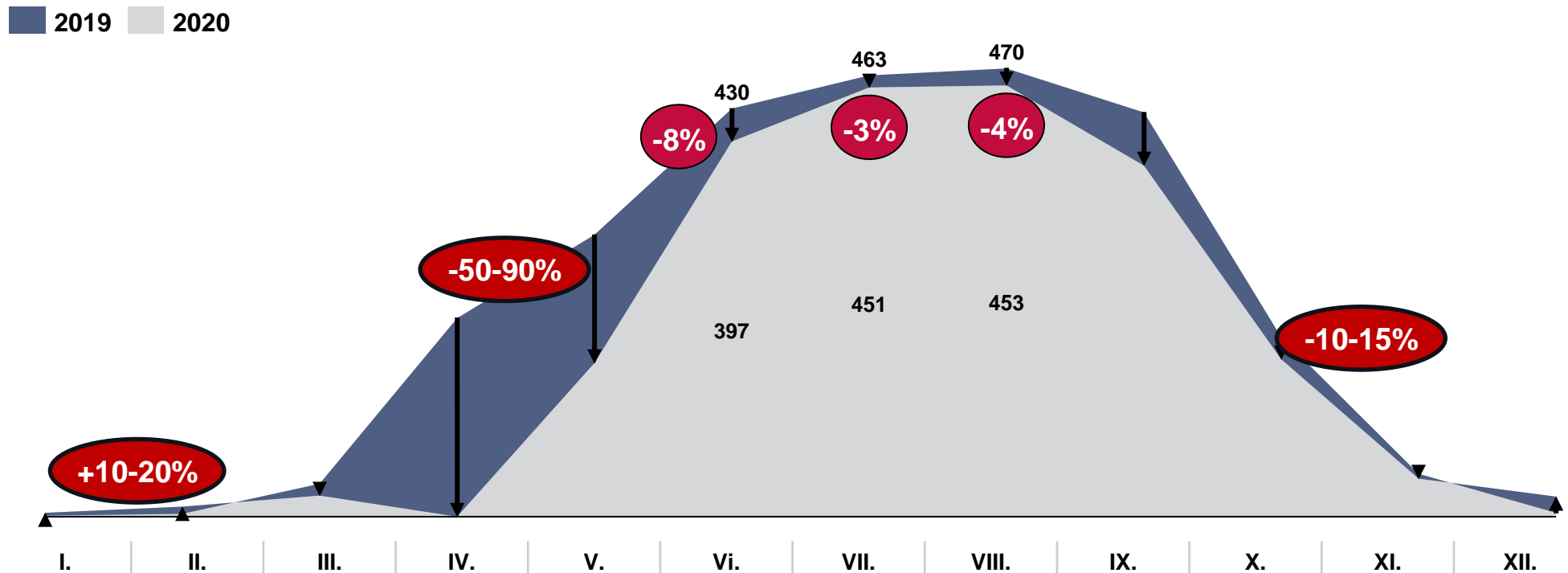


- Campsites, as constantly more seasonal accommodation, have achieved a smaller decline in RevPAR than hotels
- Price positioning was retained
- Camps have tried to boost their business through long stay offers, which promote longer stays in the campsite or mobile homes as a space for working outside the summer season, but **occupancy continued to fall by up to 56% for mobile homes**

1) Mobile homes, bungalows, etc. 2) Pitches and camping sites

Most camps opened their doors eventually in 2020

Number of campsites with a minimum of 1 overnight stay in 2019 and 2020



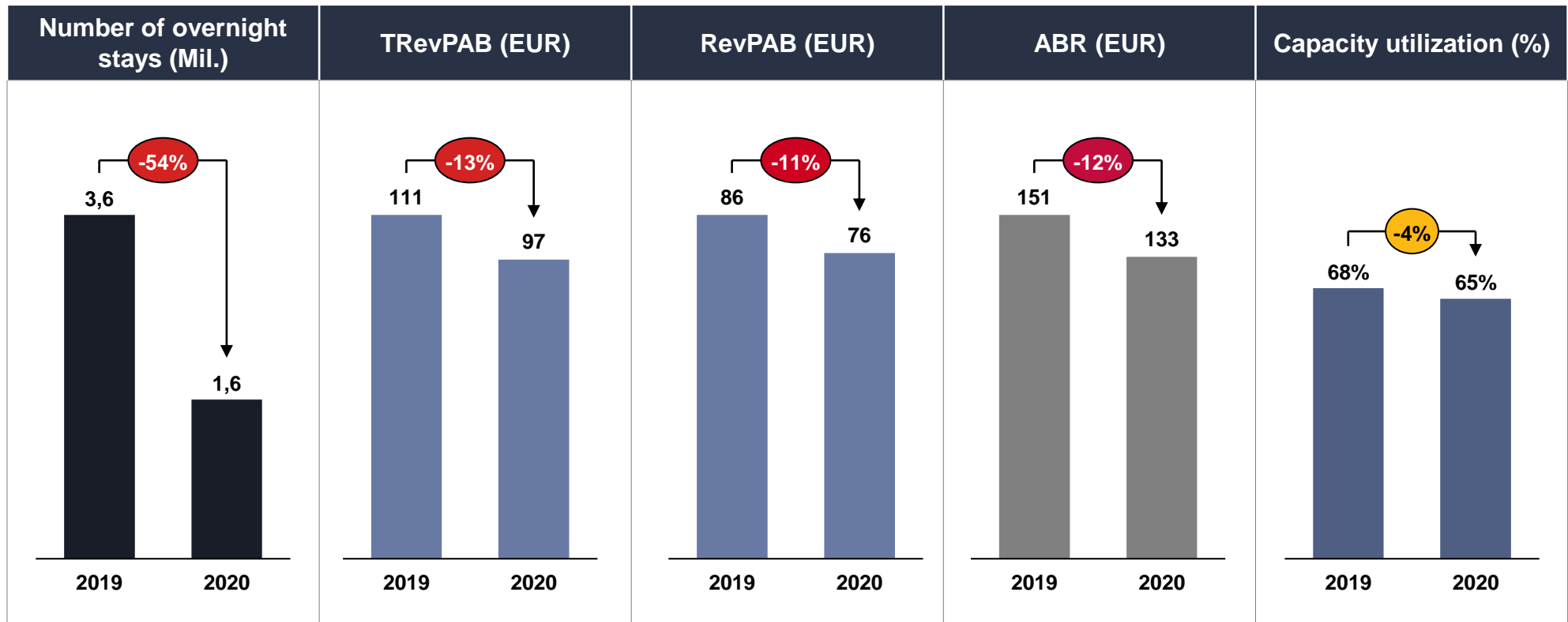
- The crisis was less notable in camps than in hotels - only 3-4% stayed closed in 2020
- After the spring lockdown, the campsites quickly opened and used their position in outdoor nature

- **Hotels**
- **Camps**
- **Marinas**



Marinas had a less notable revenue decrease of 13%, while significant losses of 54% were in overnight stays in nautics

Overview of the results of key indicators of marina operations in 2020



The marinas did not have significant revenue decline due to permanent and land berths, but nautical traffic or boat rentals achieved a significant decrease of 54% and the decline was sensed by the chartered boat issuers compared to marinas

Disclaimer

This report is the result of a joint initiative of the Zagreb office of the consultancy BlueRock Consulting and the Faculty of Tourism and Hospitality Management, Opatija, University of Rijeka. The goal was to contribute to the current situation and tourist results in 2020 as objectively as possible, and to point out the potential implications of the results obtained. We hope that our initiative will be an objective compass for decision-making to recover from the drastic losses and unprecedented crisis of the tourism sector.

The report, which includes an analysis of the 2020 tourist results in Croatia, is primarily guided by the analysis of the results from January to December 2020. The basis of the report is data collected through monthly reports Benchmarking Hotels Benchmarking campsites and Benchmarking Marina Faculty of Management in Tourism and Hospitality sampled from hotels, campsites and marinas that are fully and accurately in the database Benchmarking Croatian hospitality industry entered monthly business data for 2019 and 2020. Benchmarking the project is co-financed by the Croatian Chamber of Economy and the Croatian National Tourist Board.

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