



Croatian Tourism 2022

Benchmark analysis for hotels, campsites and marinas in Croatia

April 2023



SVEUČILIŠTE U RIJECI
FAKULTET ZA MENADŽMENT
U TURIZMU I UGOSTITELJSTVU
OPATJIA, HRVATSKA



Benchmarking
Fakultet za menadžment u turizmu i ugostiteljstvu

BRC.
BlueRock Consulting

Key messages

Emanuel Tutek, Partner at BlueRock Consulting :

- 2022 was a record year in terms of hotel revenues. Hotel revenues were 6% higher, while the number of overnight stays in hotels was 11% below the 2019 level. Revenues were generated through price increases due to inflation. The occupancy rate was in line with the seasonal pattern of tourism on the coast.
- **We have returned to the old model of mass summer tourism at higher prices, but we earned slightly less.**
- This was mainly because costs have caught up with most hoteliers and will catch up with everyone who has not invested. At the same time, investing is difficult, because cheap money is not available, interest rates have risen, and uncertainty is high in the short and medium term.
- The time of "copy-paste holiday hotels" with 4* and 100 rooms has come to an end. Innovation and differentiation in the development of new concepts will be key to further growth.
- Hoteliers and Croatian tourism are faced with serious questions: Who will be the one investing in tourism? The level of required investment? What is needed to increase competitiveness on the existing model? How long can one avoid a new investment? What will be the consequence of no new investment?

Prof. Ph.D.Sc. Sandra Janković, Faculty of Tourism and Hospitality Management, University of Rijeka:

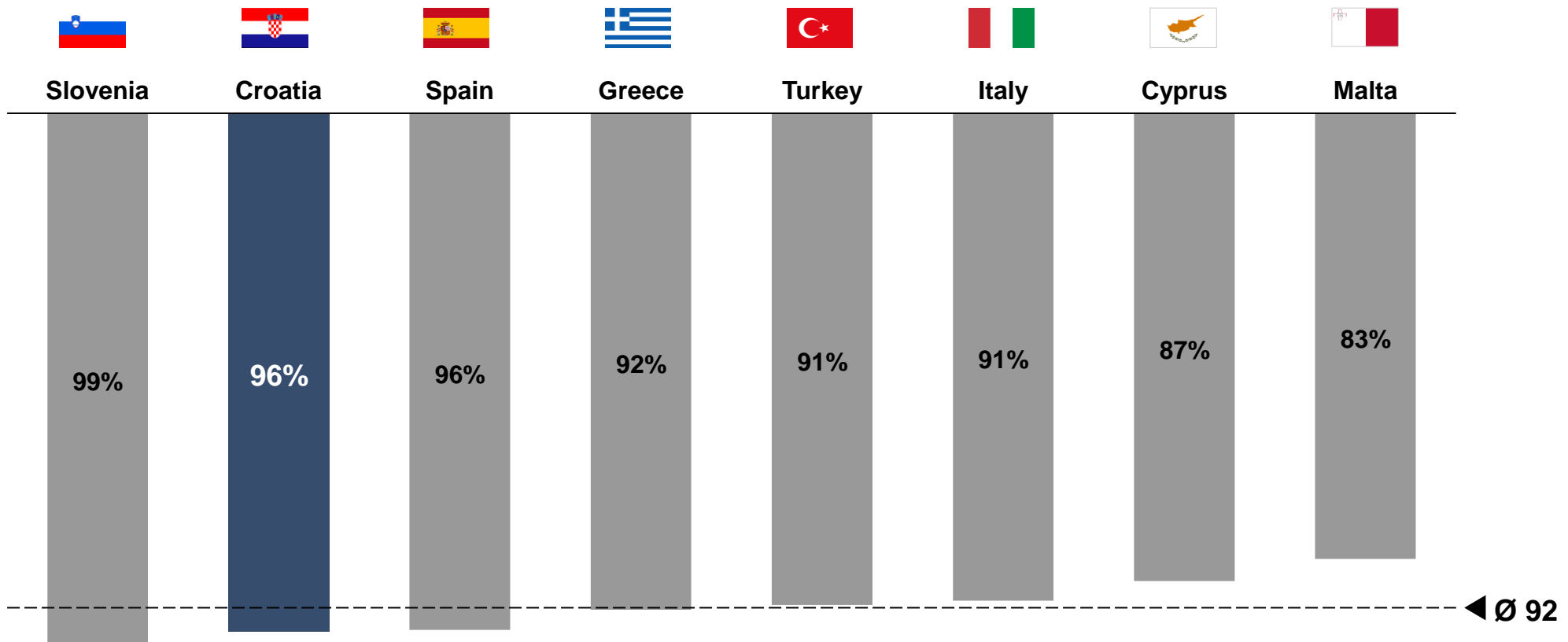
- The results in 2022, compared to 2019, in terms of realized revenue, have been achieved through significant increases in room prices and the diversity of offers. However, the results in key operating indicators (overnight stays and arrivals) have not yet been achieved. This potential upside is a positive sign for the future development of Croatian tourism, but it is important to note that the increase in ADR, RevPAR and TRevPAR was largely due to inflationary conditions, rather than investment in higher quality or new products.
- Despite the growth in revenue of the largest hotel companies, EBITDA margins are not growing. Although EBITDA is higher in absolute terms, as a share of revenue it is significantly lower in 2022 compared to 2019 and 2021. This means that the revenue growth was not able to cover increases in cost increase.
- In 2022, hotels in Croatia achieved an occupancy rate of 42%, an ADR of EUR 137, and an annual TRevPAR of EUR 28,676. Seasonality is still very high, as only 31% of all 4* and 5* hotels are above the average. These are the hotels that have invested in higher quality and followed market demands.
- It is believed that in the future the rest of the hotels below the average (69%) will be able to achieve better performance due to additional investment.
- **Camps emerged as winners from the COVID crisis:** Camping homes/cabins achieved better performance than 4* hotels - with an average annual ADR of 139 EUR, as compared to 4* hotels, which had 120 EUR. They also achieved 34% higher RevPAR than in 2019.
- Nautical tourism has fully recovered from the COVID crisis - utilization is almost at the level of 2019, while the average price of berths (ADB), in comparison to 2019, increased by 28%, and the total revenue of the marina per available berth (TRevPAB) increased by 25% and amounts annually to EUR 6,607.

Summary

- After 2 consecutive, challenging years caused by COVID, Croatian tourism has recovered but has not yet reached 2019 levels (**4% fewer overnight stays**).
 - **Croatia (-4% overnight stays), along with Slovenia (-1% of overnight stays) and Spain (-4% of overnight stays), records the closest achievements to those of 2019** - while the rest of the Mediterranean is also close to the achievement of 2019, as **the average of tourist overnight stays in the Mediterranean is 92%**
 - Croatia achieved 105 million overnight stays, which is 25% more than last year
 - In the summer season, 17% more overnight stays were achieved than in 2021.
 - Traditional "drive-in" markets have fully recovered
- **Hotels achieved 6% more revenue than in 2019, while the number of overnight stays in hotels is 11% lower**
 - **The revenues of the largest hotel companies recovered, while EBITDA margins fell significantly compared to 2021, but the absolute amount of EBITDA is higher.**
 - **The trend continues as prices could be increased,**
 - **All categories of hotels increased their prices by more than 20%** compared to 2019
 - Prices are **7% higher than in 2021**, but **the price increase was "eaten" by inflation**
 - Average ADR is 137 EUR, but with low occupancy of 42%
 - The average ADR of **5* hotels in 2022 amounted to 258 EUR**, and **4* hotels 120 EUR**
 - **69% of 4* and 5* hotels have below-average performance**
- **In the camps, the trend of increasing prices and occupancy continues, compared to last year's +7% increase in prices and +16% occupancy**
 - The average **annual occupancy of the campsites in 2022 was 30 %** with a **RevPAR of EUR 6.2 thousand**
 - **Camping homes/cabins as a product with higher added value have fully recovered from the crisis**
 - They **achieved 34% higher RevPAR than in 2019**
 - With an average annual **ADR of EUR 139**, they achieved **a better result** than the average of **4* hotels**, which is **EUR 120**
- **Nautical tourism has fully recovered, and the number of overnight stays has returned to the level of 2019, while marina revenues were 10% higher**
 - **berth utilization did not reach the level of 2019, while TRevPAB was 25% higher**
 - Average **ABR in 2022 was EUR 33**, with **TRevPAB of EUR 6,607**

The Mediterranean has nearly recovered from the COVID-19 crisis, as Croatia is at 96% of overnight stays compared to 2019

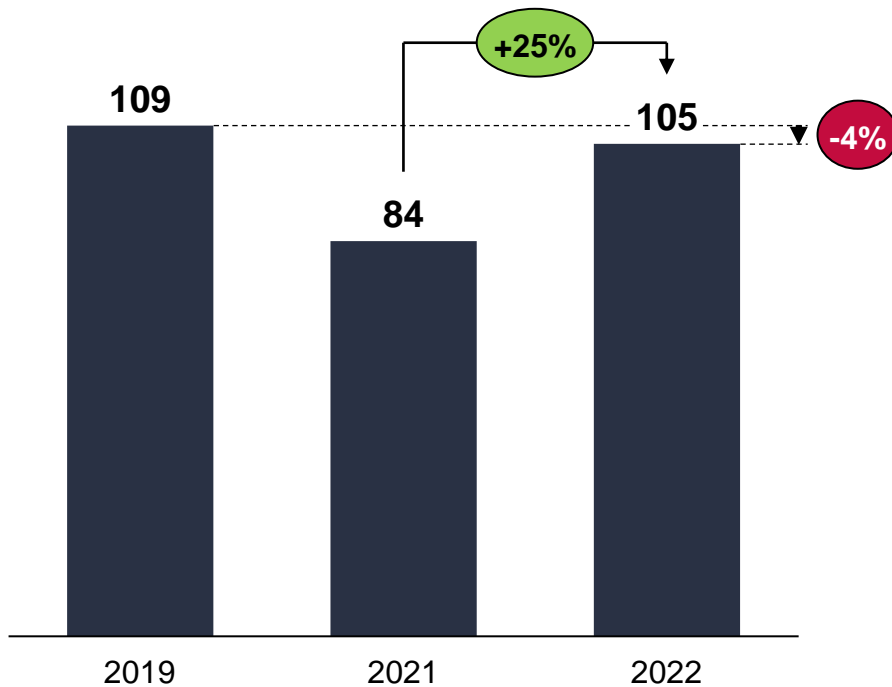
Tourist overnight stays in the Mediterranean, index, Δ 2022/2019



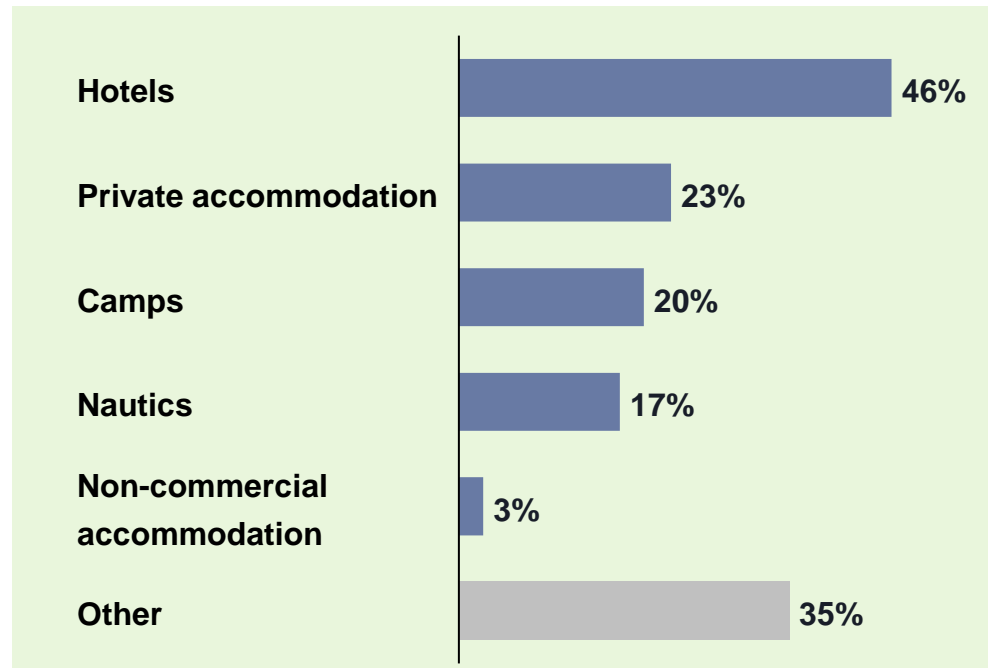
Croatia achieved 105 million overnight stays, which is 25% more than in 2021

Number of overnight stays in Croatia, 2019-2022

Overnight stays (mil.)



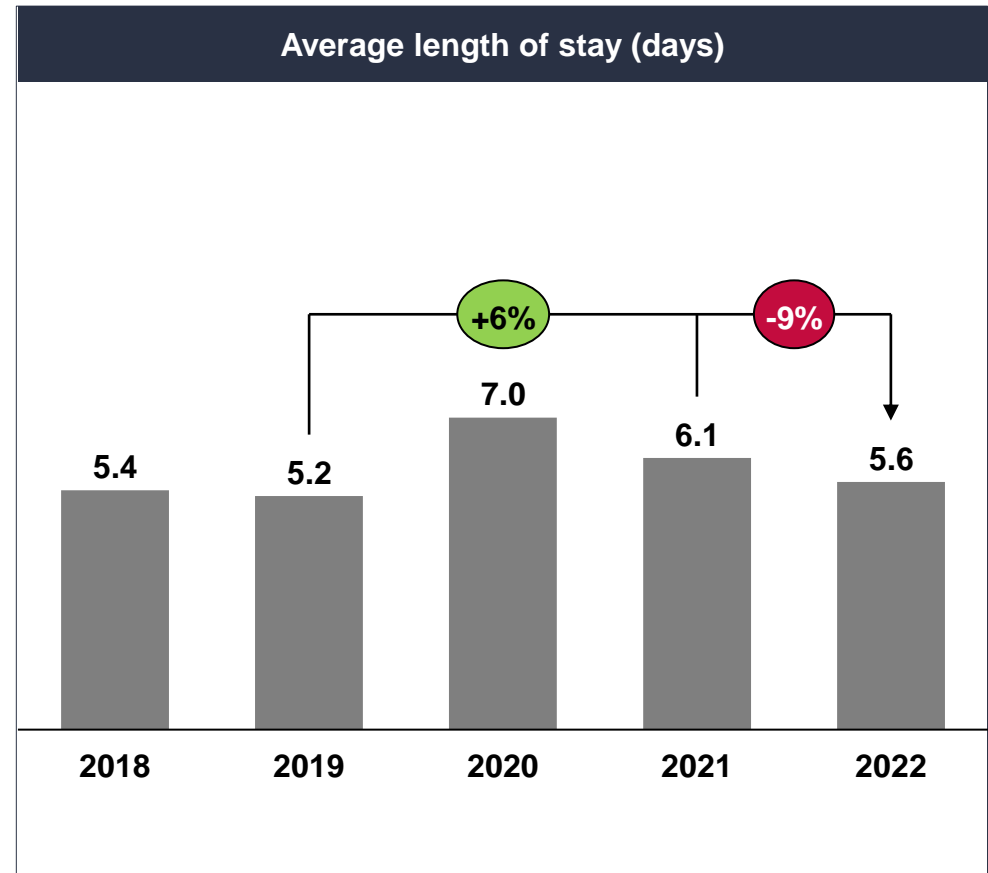
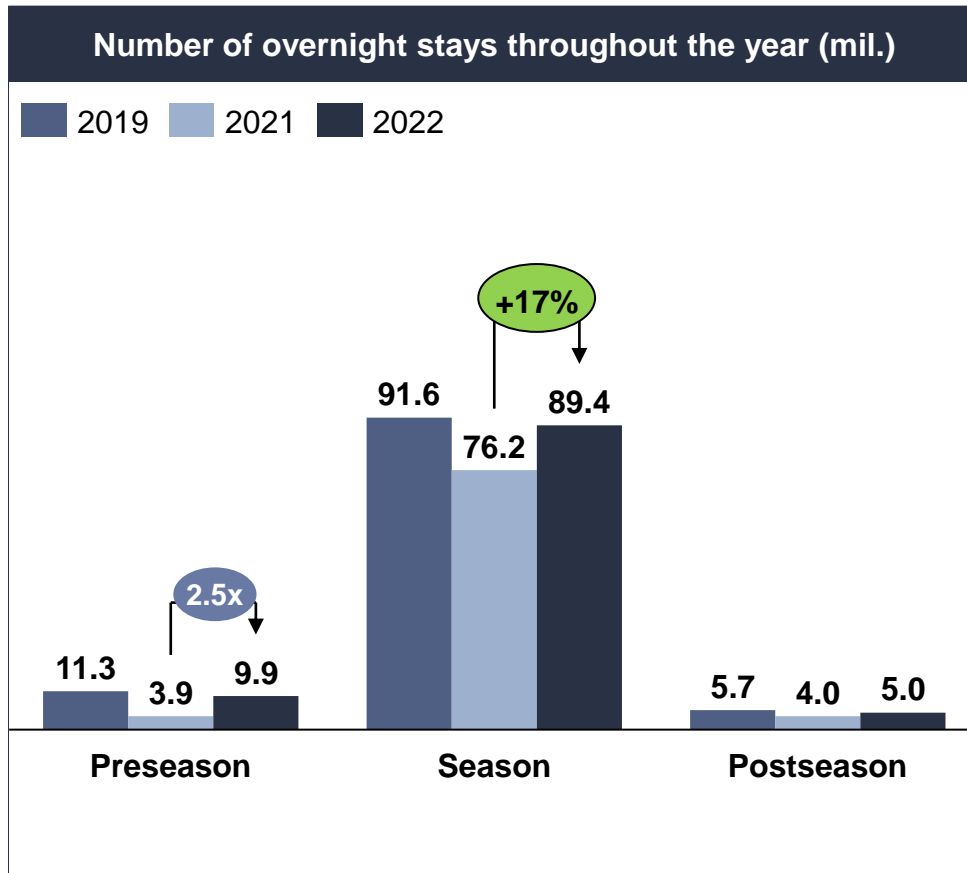
Overnight stays by accommodation type, index, 2021/2022



The number of overnight stays increased in all types of accommodation, but especially in hotels (by +46%)

In the summer season, overnight stays were 17% higher than in 2021, with an average length of stay of 5.6 days

Structure of tourist traffic in Croatia



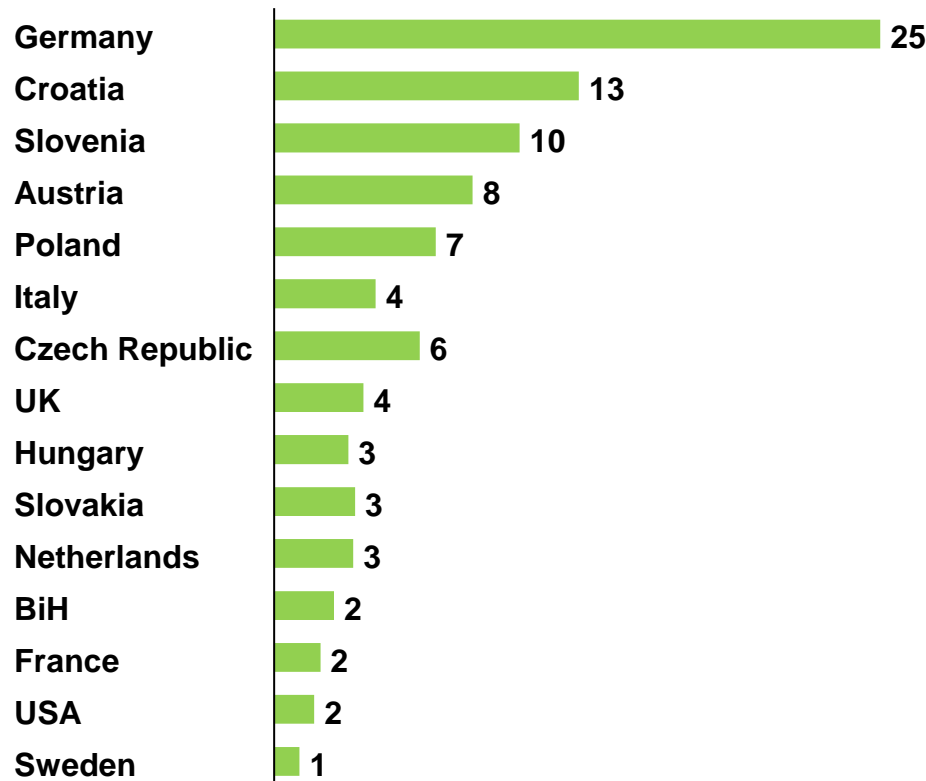
Note: pre-season - period from January to the end of May; season - the period from June to the end of September; postseason - the period from October to the end of December

Source: HTZ, FMTU, BlueRock Consulting

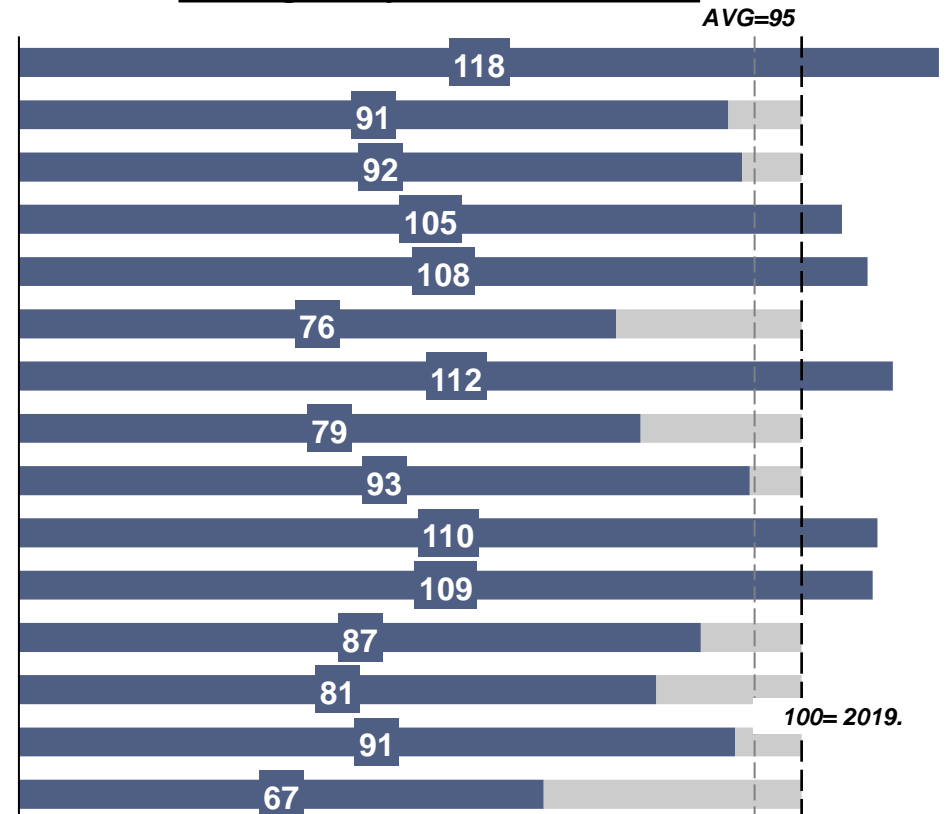
Traditional drive-in markets have fully recovered and some even overreached the number of overnight stays in 2019

Overnight stays in Croatia by source markets¹

Overnight stays, 2022 (mil.)



Overnight stays, index, 2022/2019.



1) Top 15 source markets in the order of the highest number of overnight stays in 2019.
 Source: HTZ, FMTU, BlueRock Consulting



Hotels



Camps

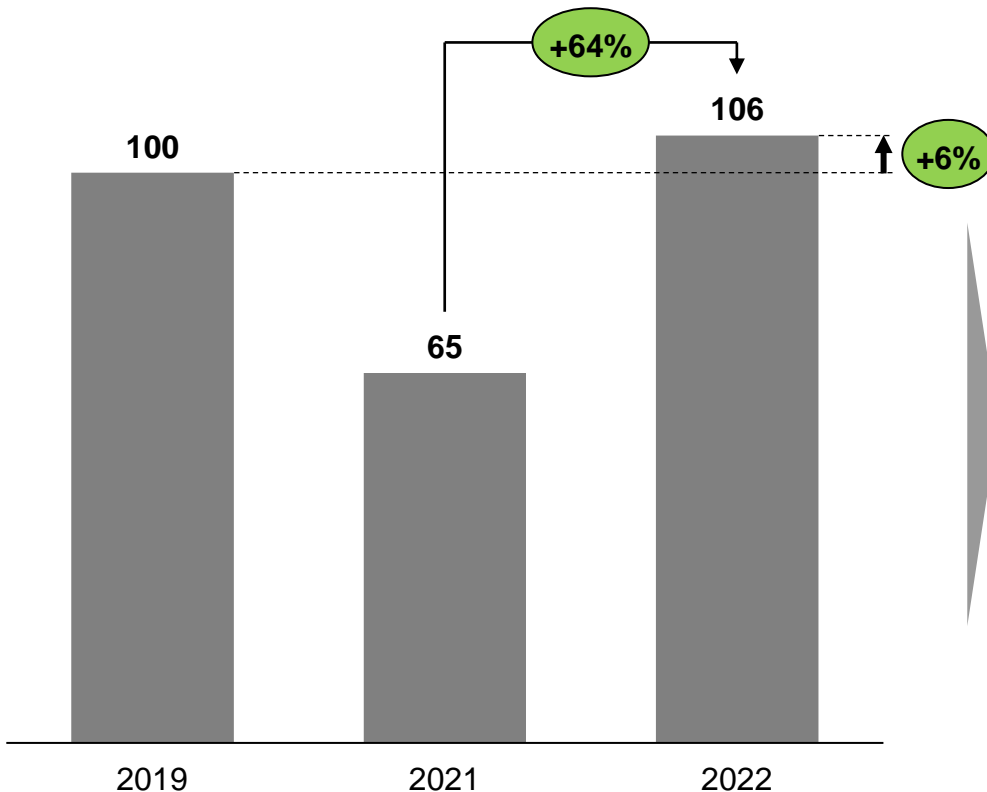


Marinas

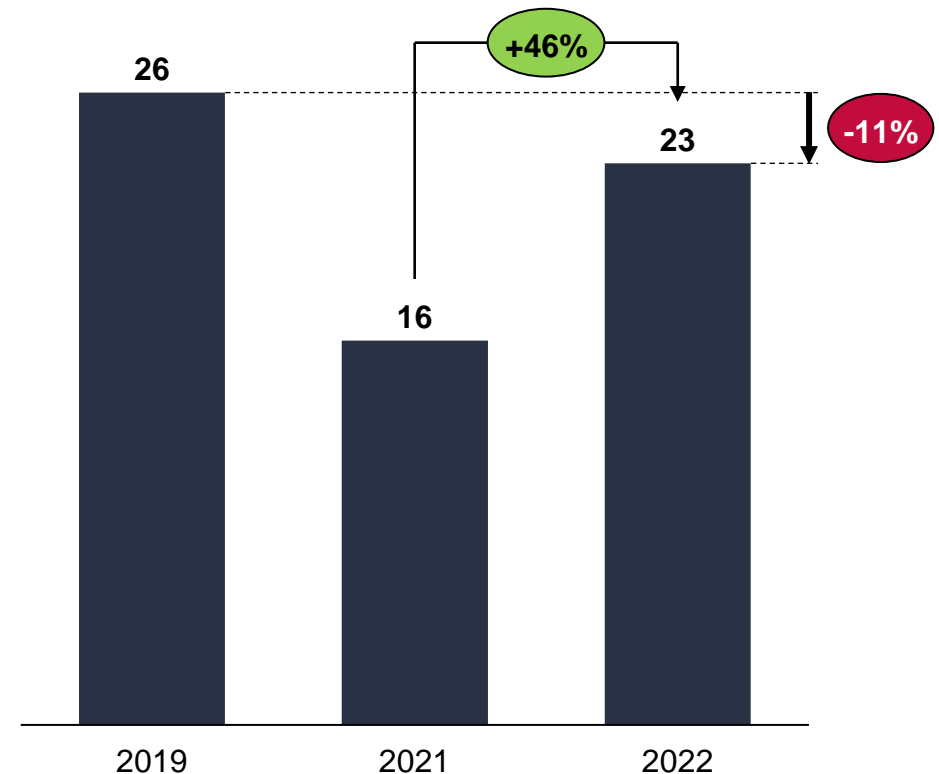
Compared to 2019, hotel revenues are higher by 6%, while the number of overnight stays in hotels has still not recovered -11%

Hotel revenues in Croatia, 2019-2022

Total hotel revenues, index



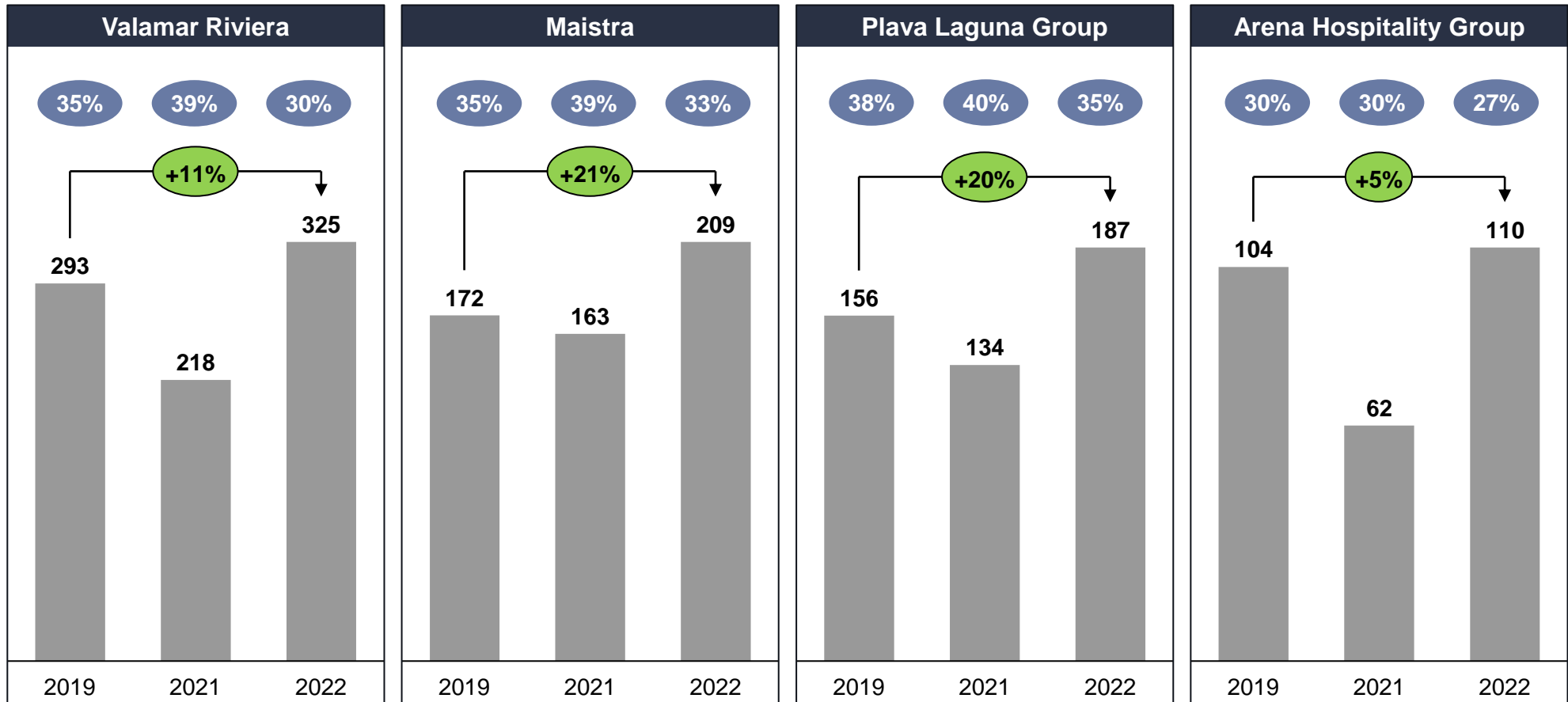
Number of overnight stays (in million)



Revenues of Croatia's leading hotel companies have fully recovered

Revenues of Croatia's leading hotel companies, mil. EUR, 2019-2022

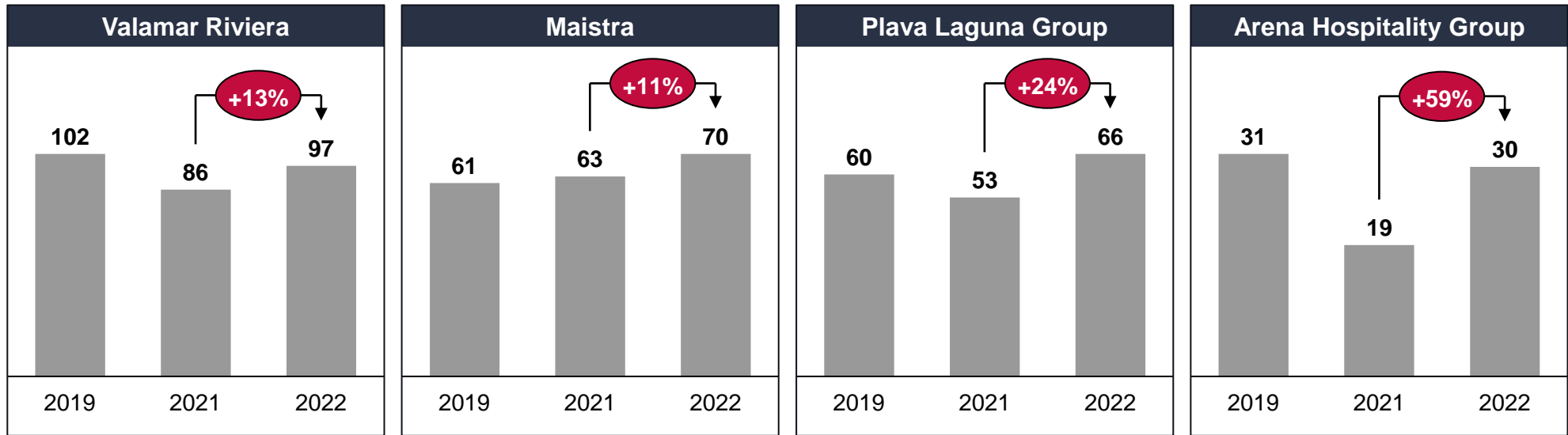
% EBITDA margin



Note: The most recently available reports used as of March 15th 2022; Consolidated
 Source: Zse.hr - financial statements, FMTU, BlueRock Consulting

EBITDA was higher than last year, and has reached levels of 2019

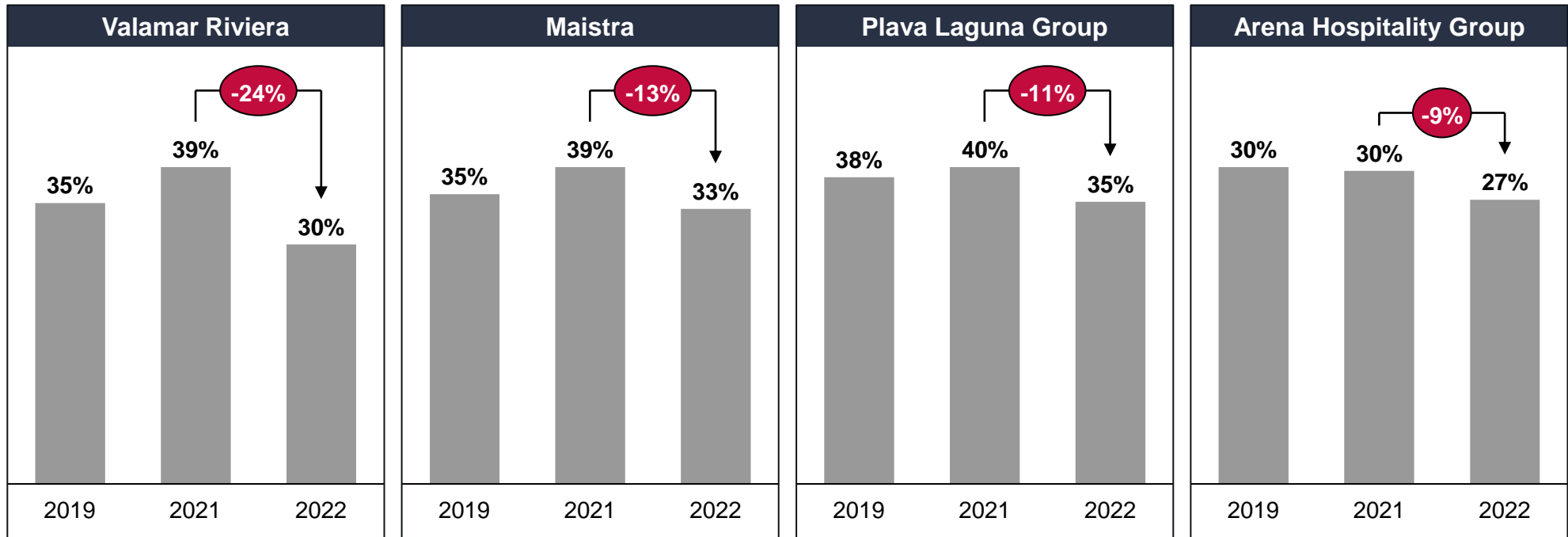
Change in EBITDA of Croatia's leading hotel companies, mil. EUR, 2019-2022



- **EBITDAs were higher** than in **2021**. Compared to 2019, the EBITDA of Maistra and Plava Laguna increased, while Valamara and Arena did not reach the level of 2019.
- The focus has shifted from analyzing only EBITDA margins, which were high in Croatia thanks to the dominant business model based on cheap labor, to analyzing or managing absolute EBITDA amounts.
- To achieve higher levels of income, it is mandatory to invest in product development. That will allow avoiding a further drop in profitability due to rising costs (we emphasize the workforce again - the lack of quality and quantity cannot be compensated in the short and medium term without increasing wages). Regarding the challenging investment environment, innovation and differentiation will be crucial.

While EBITDA margins fell compared to 2021 by 9%-24% and were significantly lower than they were in 2019

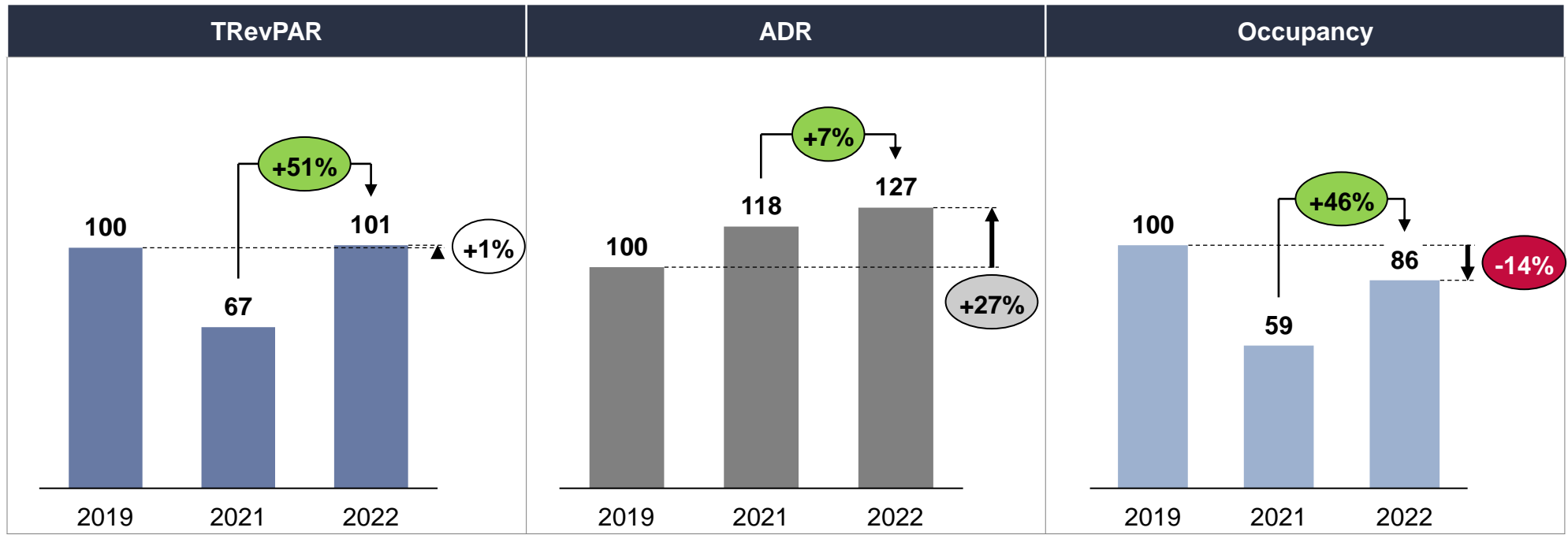
Change in EBITDA margin of Croatia's leading hotel companies, 2019-2022



As predicted, **EBITDA margins declined**, as inflation on the cost side exceeded the level of price increases.

The trend continues, as the price increase of 7% compared to 2021, was "eaten" by inflation

Key indicators of hotel business in the Republic of Croatia, index, 2019-2022

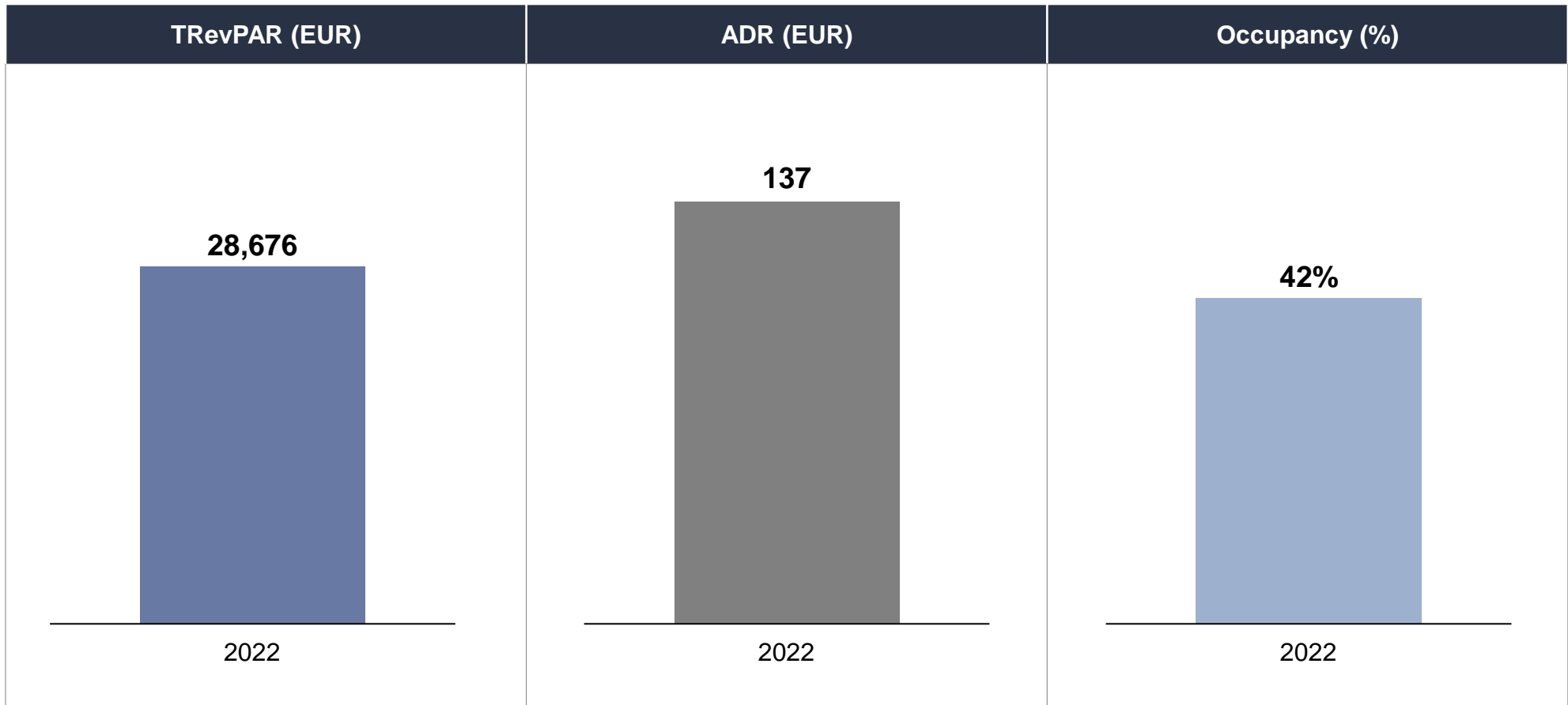


- The level of TRevPAR from 2019 was reached due to persistent price growth. A significant breakthrough in TRevPAR is not expected until the price increase is not followed by an occupancy increase.
- In 2022, the average **annual inflation rate** was **10.7%** which was higher than the **price increase of 7%**.

TRevPAR = total revenue per available room; ADR = average daily rate

The average ADR in 2022 was 137 EUR, but with a low annual occupancy of 42%

Average annual key hotel indicators in Croatia, 2022

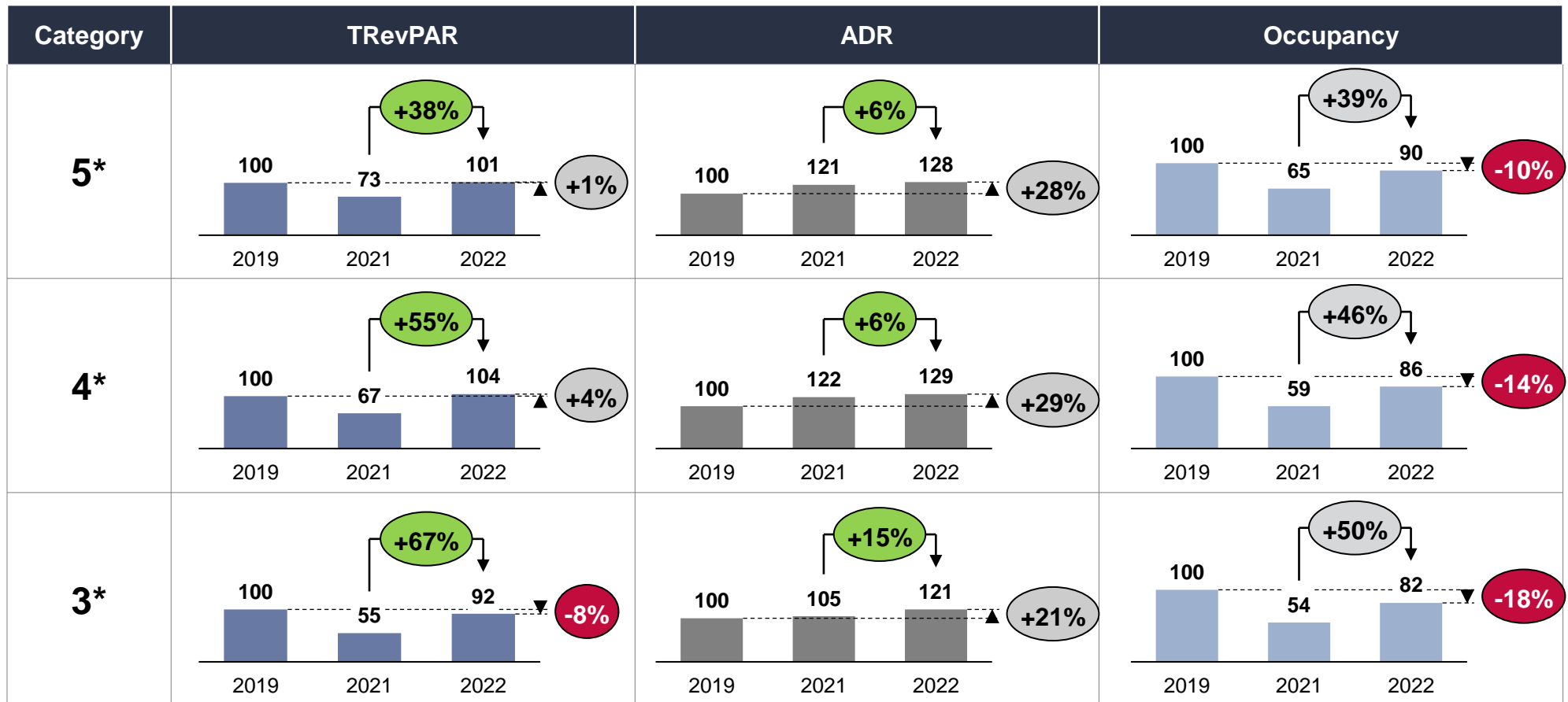


TRevPAR= total revenue per available room; ADR = average daily rate

Source: Benchmarking of the Croatian hotel industry (BHH) - Faculty of Tourism and Hospitality Management Opatija, BlueRock Consulting

Compared to 2019, all hotel categories have increased prices by more than 20%, which reflects inflation, not a rise in product quality

Key hotel operating indicators by category in Croatia, index, 2019-2022



TRevPAR= total revenue per available room; ADR = average daily rate

Source: Benchmarking of the Croatian hotel industry (BHH) - Faculty of Tourism and Hospitality Management Opatija, BlueRock Consulting

The average ADR of a 5* hotel in 2022 is 258 EUR, and a 4* hotel is 120 EUR

Average yearly hotels key operating indicators by category in Croatia, 2022

Category.	TRevPAR (EUR)	ADR (EUR)	Occupancy (%)
5*	54.993	258	45%
4*	27.234	120	42%
3*	15.318	85	39%

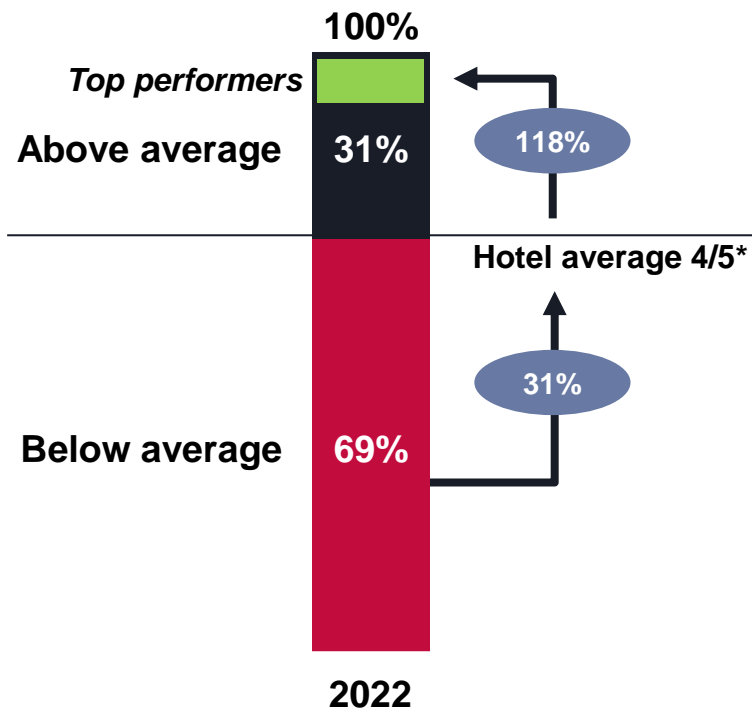
- Hotels with higher added value, despite higher prices, were more attractive to guests in the crisis and achieved higher occupancy rates
- 5* hotels achieved an additional premium price and stood out even more from the price range of 4* and 3* hotels, which represents a challenge to deliver a 5* experience in the future

TRevPAR = total revenue per available room; ADR = average daily rate

Source: Benchmarking of the Croatian hotel industry (BHH) - Faculty of Tourism and Hospitality Management Opatija, BlueRock Consulting

69% of 4* and 5* hotels have below average performance, and 31% lag behind average performance

Share of 4* and 5* hotels by performance



Why are the majority of 4/5* hotels below average?

1. Product obsolescence
2. Lack of investments
3. Lack of brands and international standards
4. Destination and availability restrictions
5. Lack of implementation of best practices:
 - Best management practices of hotel companies
 - Revenue management
 - Marketing and sales
 - Hotel operations
 - Lack of innovation and cooperation



Hotels



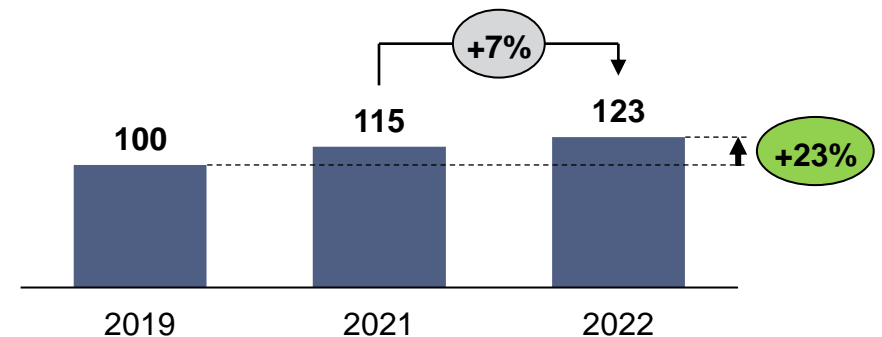
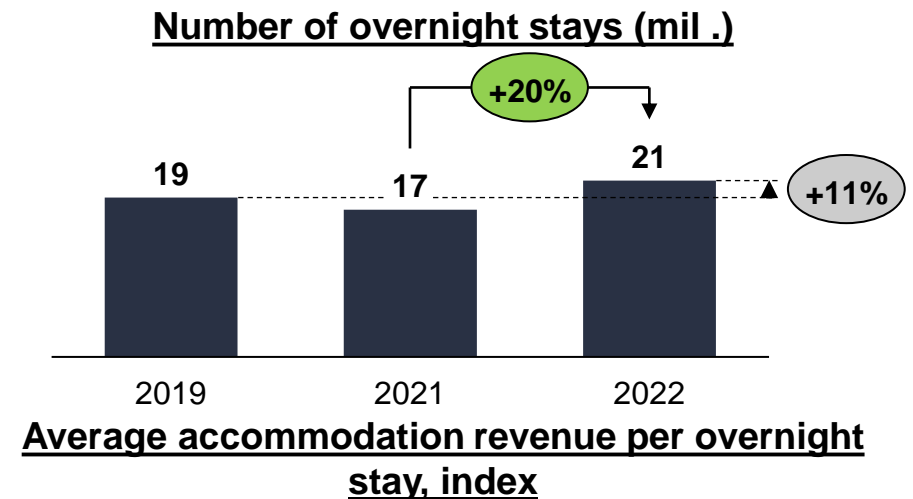
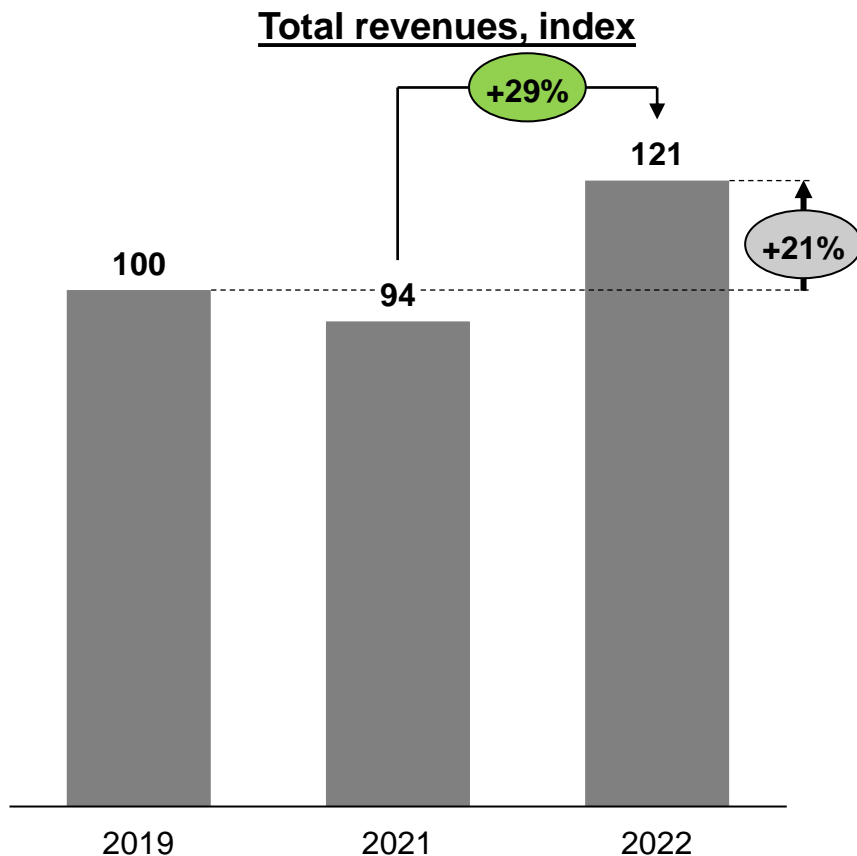
Camps



Marinas

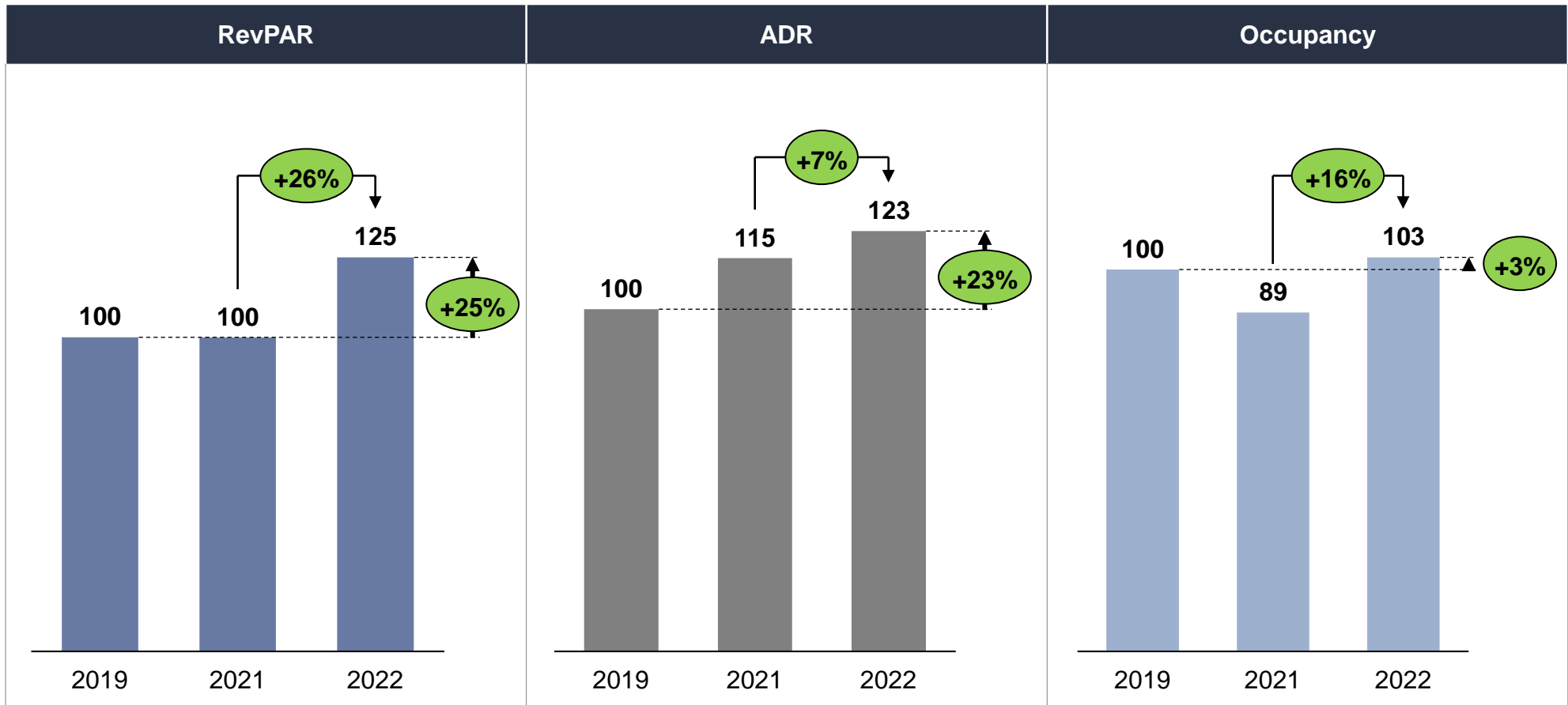
Positive trends continued in the camp segment, total revenues are higher by 29%, while the overnight stays increased by 20%

Camps revenue analysis in Croatia, 2019-2022



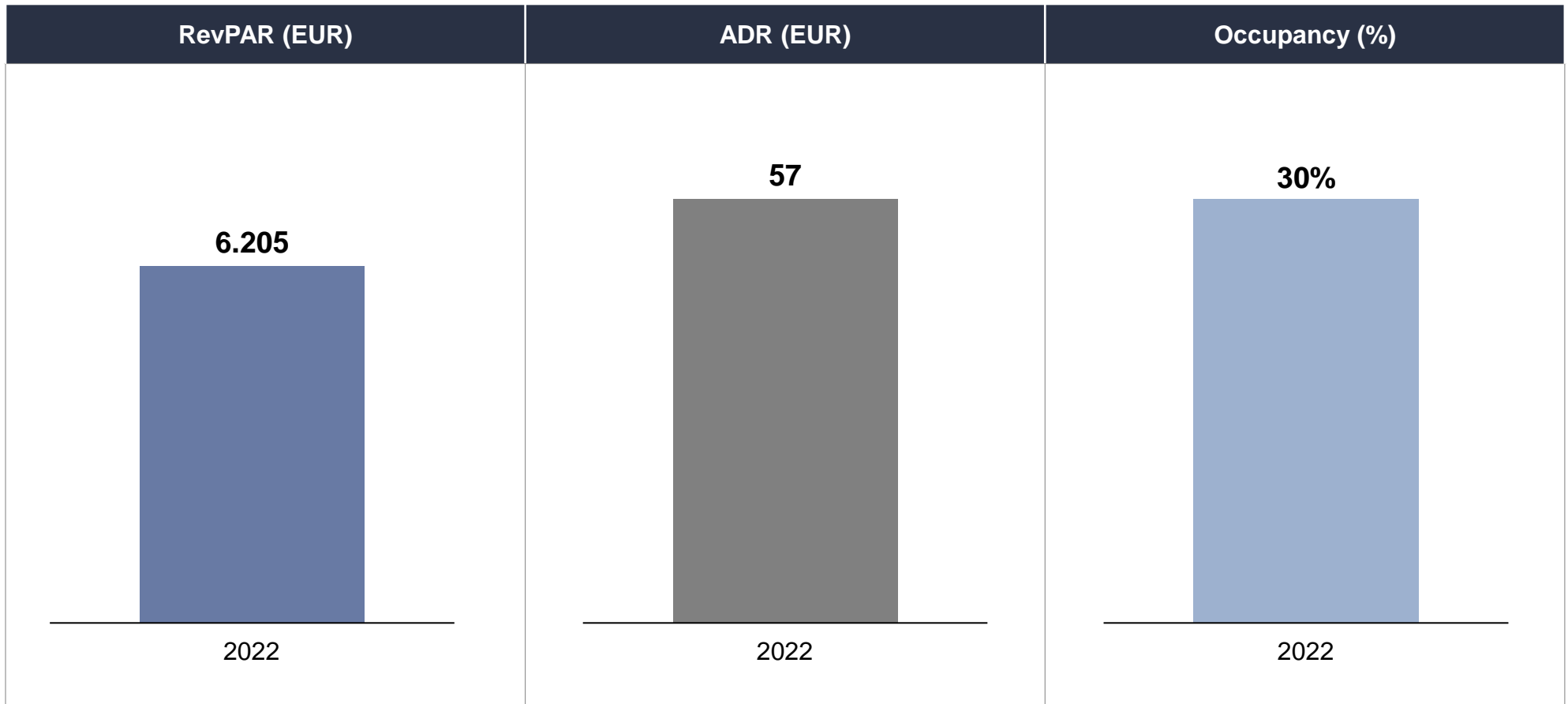
Compared to 2021, the growing trend in occupancy (16%) and price increase (7%) has continued

Camps key operating indicators, index, 2019-2022



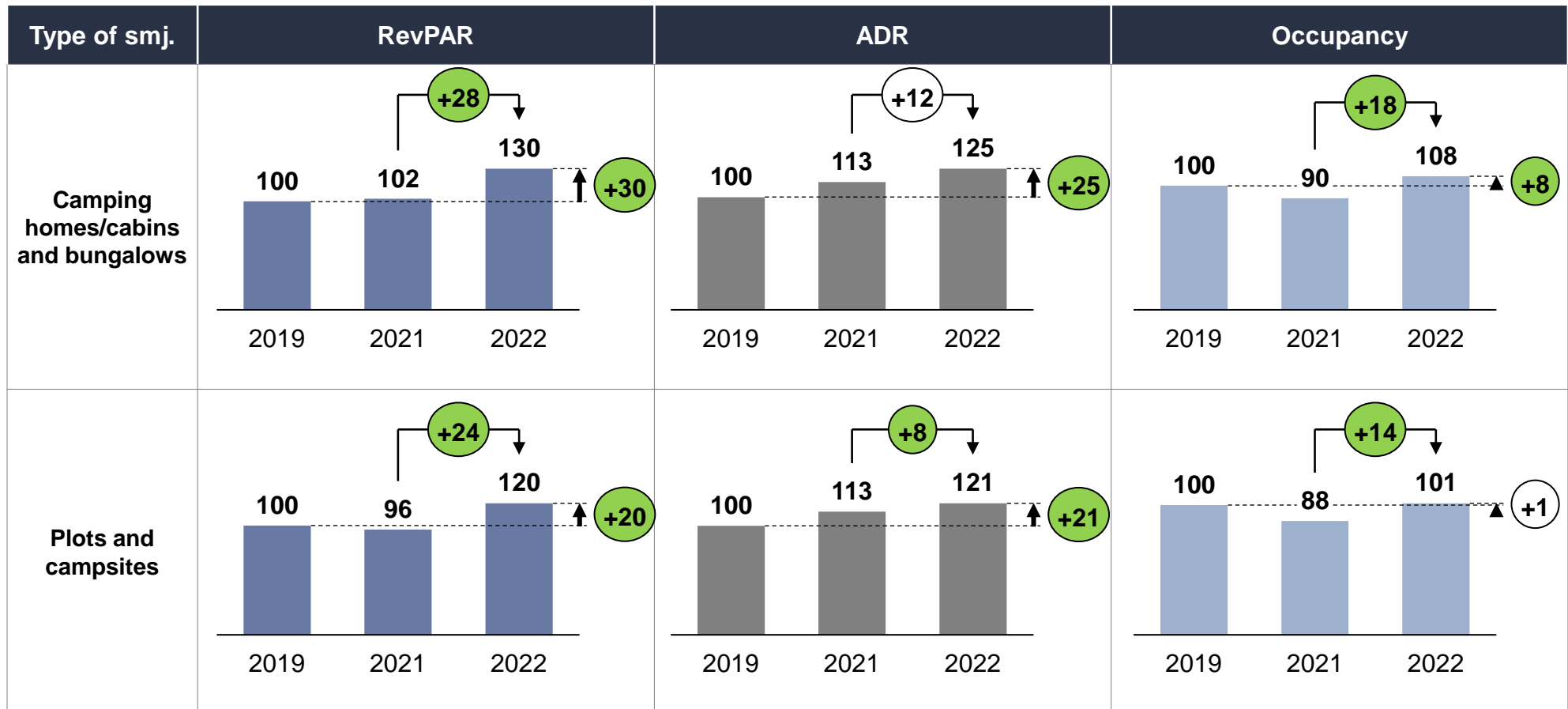
The average annual occupancy of the campsites in 2022 was 30% with a RevPAR of 6,205 EUR

Key indicators of camp business in Croatia, 2022



As a product with higher added value, camping homes have fully recovered from the crisis and achieved 34% higher RevPAR than in 2019

Camps key operating indicators by accommodation type, index, 2019-2022



RevPAR= revenue per unit (camping home/cabin or plot); ADR = average daily rate; Occupancy based on the whole year
 Source: Benchmarking of camps - Faculty of Tourism and Hospitality Management Opatija, BlueRock Consulting

With an average annual ADR of 139 EUR, camping homes achieved a better result than the average for 4* hotels, which was 120 EUR

Average yearly camps key operating indicators by accommodation type in Croatia, 2022

Type of smj.	RevPAR (EUR)	ADR (EUR)	Occupancy (%)
Camping homes/cabins and bungalows	16.108	139	33%
Plots and campsites	4.116	39	29%



Hotels



Camps

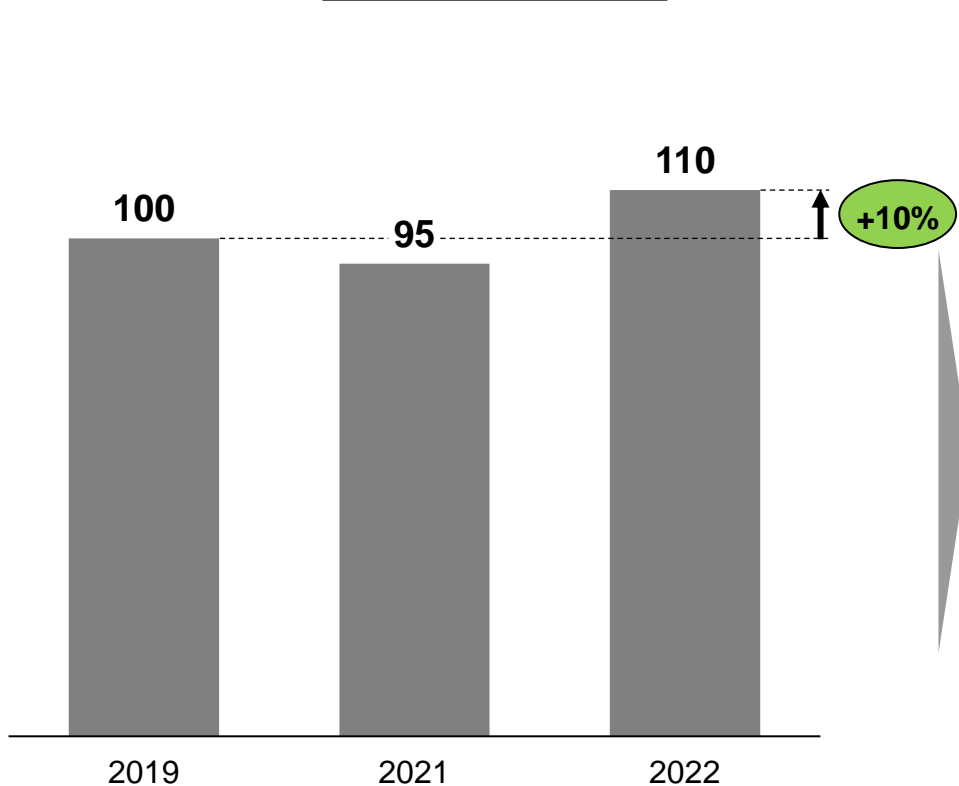


Marinas

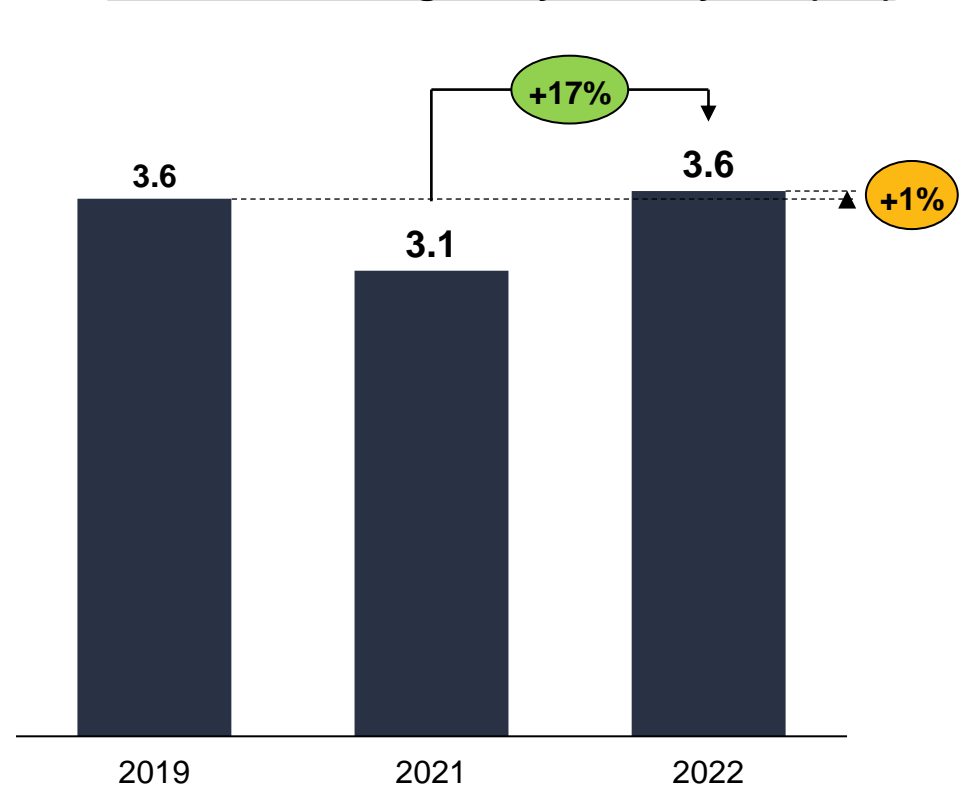
Nautical tourism has fully recovered, the number of overnight stays has returned to 2019 levels, as marina revenues rose by 10% higher

Analysis of Croatian Marina revenue, 2019-2022

Total income, index

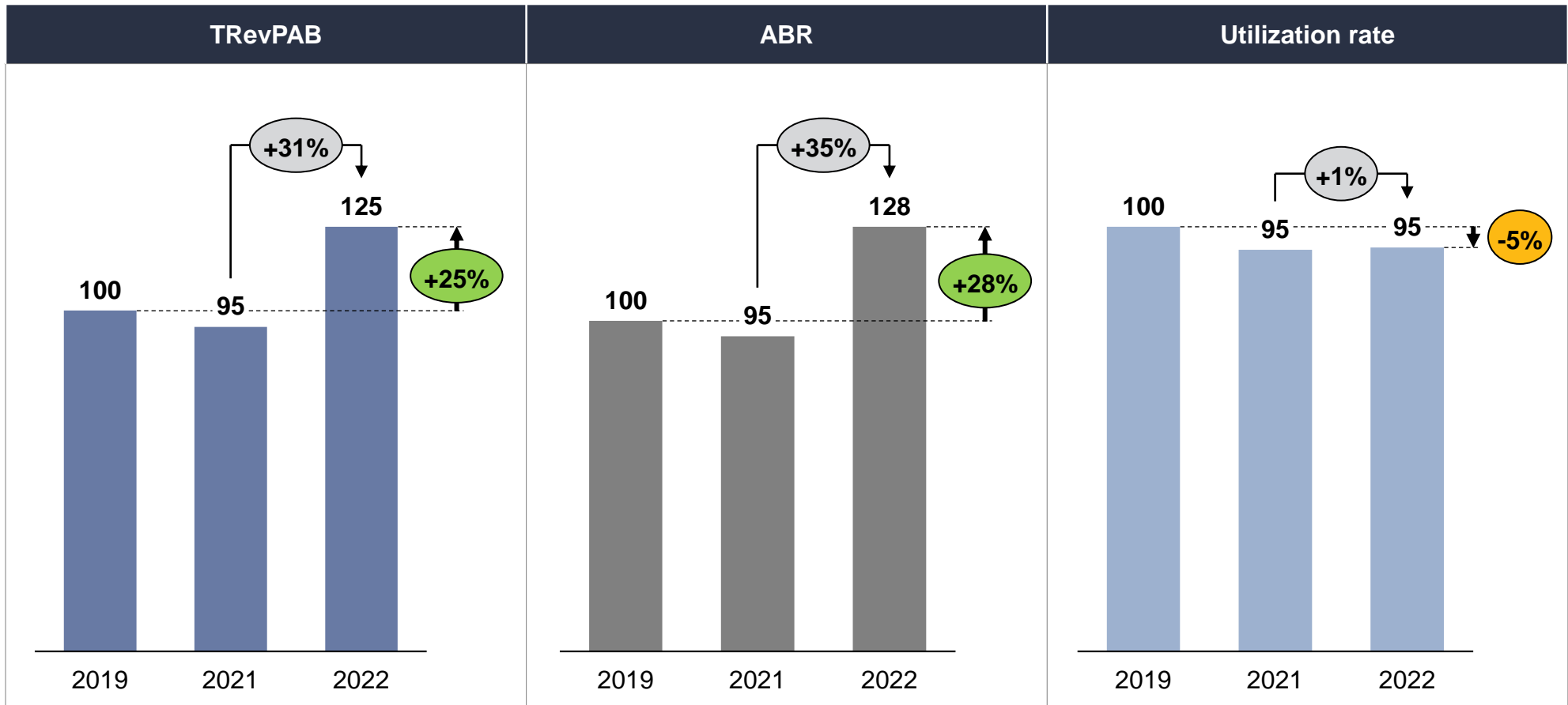


Number of overnight stays in the yacht (mil.)



Although berth utilization rate did not reach the level of 2019, while TRevPAB was 25% higher

Marinas key operating indicators, index, 2019-2022

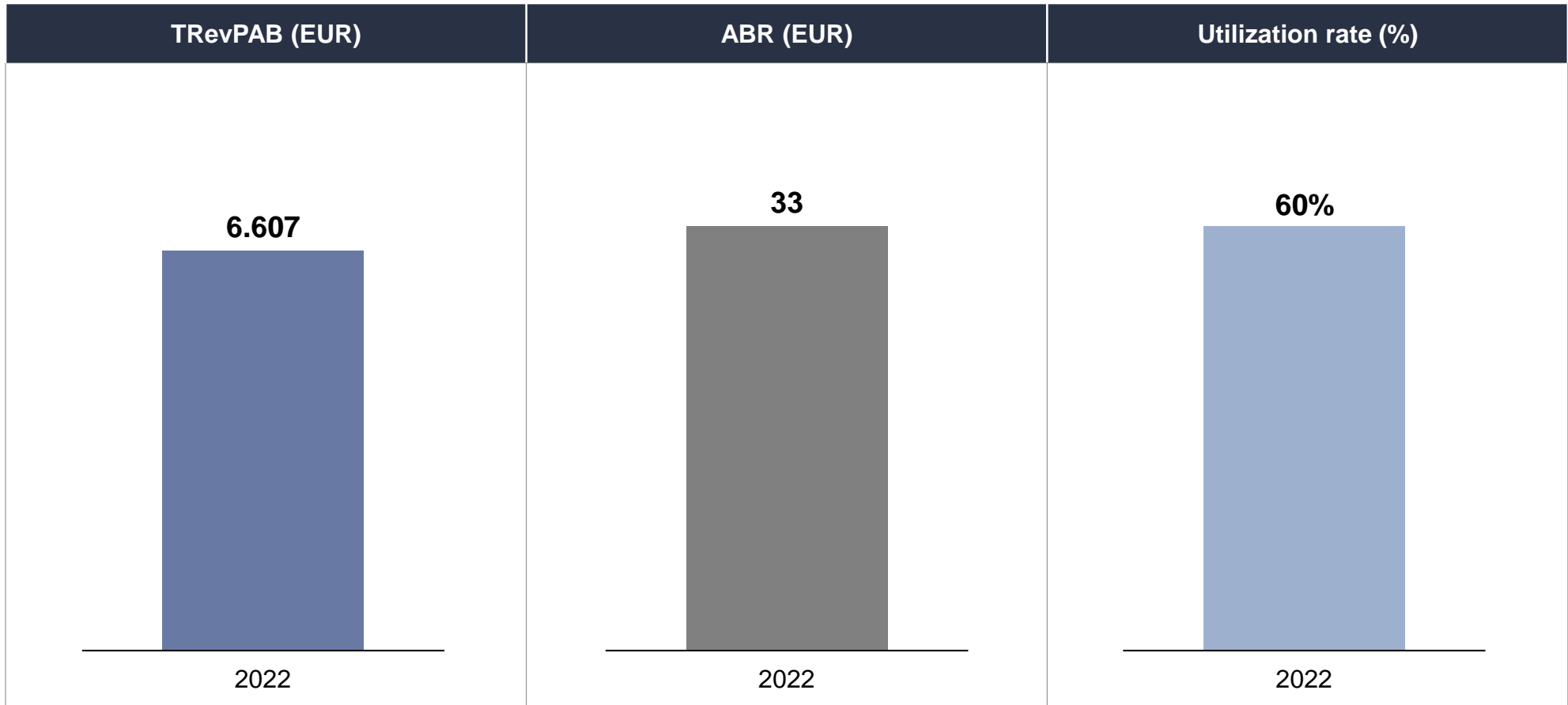


TRevPAB= total revenue per available berth; ABR= average berth rate

Source: Benchmarking marina - Faculty of Tourism and Hospitality Management Opatija, BlueRock Consulting

Average ABR in 2022 is 33 EUR, with TRevPAB of 6,607 EUR

Average yearly marinas key operating indicators in Croatia, 2022



TRevPAB= total revenue per available berth; ABR= average berth rate
 Source: Benchmarking marina - Faculty of Tourism and Hospitality Management Opatija, BlueRock Consulting

Disclaimer

This report is the result of a joint initiative of the Zagreb office of BlueRock Consulting and the Faculty of Tourism and Hospitality Management from Opatija. The goal is to use one's resources and abilities to contribute to a more objective assessment of the current situation and tourism results in 2022, and to point out the potential implications of the obtained results. We hope that our initiative will be an objective compass for making decisions for the recovery and development of sustainable tourism.

The report, which includes the analysis of tourism results in 2022 in Croatia, is primarily based on the analysis of results from January to December 2022. The basis of the report is data collected through the monthly reports of Benchmarking hotels, Benchmarking camps, and Benchmarking marinas of the Faculty of Tourism and Hospitality Management on a sample of hotels, campsites, and marinas that have fully and correctly entered monthly business data for the years 2019, 2021 and 2022 into the Benchmarking database of the Croatian hotel industry.

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