REGIONAL DEVELOPMENT IN EU’S BORDER AREAS:
CROATIA AS A REGIONAL MODEL FOR DESTINATION
BRANDING STRATEGY
IN BOSNIA AND HERZEGOVINA

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Abstract: The newest member joined the European Union (EU) with a well-conceived destination branding strategy. Croatia is becoming more and more identifiable world-wide by creating a distinctive brand in order to maintain a solid positioning as a destination place. As competition is becoming more intense, an increasing number of countries struggle to make themselves visible in the global tourism market. Tourism dominates the Croatian service sector, where the bulk of the tourist industry is concentrated along the Adriatic Sea coast. Although not very successful in public diplomacy, a complex system of coordinated activities that Croatia implemented resulted in strengthening the perception and image of the overall destination brand. This research aims at exploring the Croatian destination branding strategy as a potential model for its closest neighboring country, Bosnia and Herzegovina (BIH). Sharing a common history, borders and people, BIH and Croatia represent a unique comparative case study for regional spill-over development between the EU and non-EU countries. Therefore, this study takes into account what has been done so far on both sides regarding destination branding strategy, thus exploring what lessons could be learned from Croatia and what is the best future regional approach for creating a BIH’s destination brand.

Keywords: regional development; destination branding; public diplomacy; tourism; regional spill-over

Introduction

The idea that countries behave rather like brands is by now fairly familiar to most marketers, public diplomacy practitioners and governments. During the last decade, the notion emerged as a meaningful extension of traditional soft power, a way for a country to boost its public image through a variety of advertising techniques, hoping to create more favorable conditions for foreign investments, tourism and trade, and social and political relationships with other countries, according to Anholt (2006). Thus the practice of branding involves various state

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and non-state actors, experts in policy making, public diplomacy and marketing. The brand represents the connection between a buyer and a brand. Lesile de Chernatony and Malcom McDonald, as the most important thing in defining brand, mention the added value that matches the buyers’ needs most closely: a successful brand in an identical product, service, person or place, augmented in such a way that a buyer or user perceived relevant, unique, sustainable added value which matched their needs more closely. However, not only products can or should be branded. Geographic locations can also have the added value boosted by their brand. In this case, the power of branding is in making people aware of the location and then linking desirable associations. Increasing mobility of both people and business and growth in the tourism industry has contributed to the rise of place marketing (Keller, 2003). It is precisely in this context of tourism that a geographic location is, or includes, a destination brand. A destination brand can be defined as the sum of perceptions that someone has about a place.

Destination branding is most concerned with visualization and symbolism. The ultimate aim of a destination brand is to ensure that people’s experience of the destination is a positive one. Today, every country, city or a region must compete with every other for its share of the world’s commercial, social, political and cultural transactions, according to Anholt (2006). As in any other busy marketplace, brand image becomes crucial as, how Anholt (2009) points, almost nobody has the time, the patience or expertise to understand the real differences between the offering of one country and another. What happens is that people fall back on their fundamental beliefs and prejudices about those countries to help them make their decisions. Just as in the commercial ‘marketplace’ that ‘brand image’ provides a shortcut to an informed buying decision (Anholt, 2009). Anholt further analyses the consequences of a bad brand, claiming that countries with a reputation of being poor, uncultured, backward, dangerous or corrupt will find that everything that they or their citizens try to achieve outside their own neighborhood is harder, while countries that are lucky or virtuous enough to have acquired a positive reputation find everything easier. Their brand goes before them like a calling card that opens doors, creates trust and respect, and raises the expectation of quality, competence and integrity (Anholt, 2009). Therefore, it can be said that the reputation of a country has a direct and measurable impact on every aspect of its engagement with other countries and peoples, as well as a critical role in its economic, social, cultural and political development.

It can be argued that in a globalized world, many individual countries had seen each other as competitors for tourists or investors, however, there are cases when joining efforts to advance common interests are worthwhile. Countries can group together to promote the region or the neighboring countries together. Szondi (2007) gives an example of the European Quartet, which is a joint effort for cooperation between the so-called ‘Visegrad group’ countries: the Czech Republic, Hungary, Poland and Slovakia. These countries’ national tourism organizations grouped together in 2003 to present the four countries bundled into a single tourist product in overseas markets, such as USA, Japan, China and Brazil (Szondi, 2007). In fact, regional cooperation boosted tourism
development and attracted visitors for educational purpose. Precisely for this purpose the Croatian destination branding strategy needs to be analyzed as a potential model for its closest neighboring country, Bosnia and Herzegovina (BIH). Sharing a common history, borders and people, BIH and Croatia represent a unique case study for regional spill-over development between the EU and non-EU countries. Therefore, this study takes into account what has been done so far on both sides regarding destination branding strategy, thus exploring what lessons could be learned from Croatia and what is the best future regional approach for creating a BIH’s destination brand.

1. Branding Croatia as a tourist destination: good practices from the Neighborhood

As the tourism industry grows, so does a competition between tourist destinations as they compete to attract visitors. The concept of destination branding offers countries a framework in which they can differentiate themselves from other destinations. The promotional efforts of a destination branding strategy are the first points of contact many potential visitors and investors have with the destination and this is precisely when perceptions about the countries are formed. Furthermore, destination branding strategy helps a country to overcome crisis in the past, so it is not surprising that soon after Croatia gained its independence from Yugoslavia in 1990s started working on tourism promotion, thus building up the country image and distancing itself from post-conflict environment. The re-emergence of tourism has been facilitated by the Croatian government, which aimed at transforming the concept of Croatia through the development of a layer of value-added attractions and infrastructure (Ateljevic, 2006). This layer was based on the ‘stimulation acceleration of the privatization process with general emphasis on the development of entrepreneurship, particularly in the area of the so-called economy of small scale’. Furthermore, it is important to recognize that from the onset of tourism development, Croatia was vigilant of the EU’s future demands. Thus, all the changes in the structure of tourism administration have been aligned with broader policy initiatives facilitating economic transition within the European Union’s agenda. Following the phase of reconstruction, Croatian government started to develop the long-term strategy of sustainable development, thus aligning the future policies with ecological demands. This kind of progressive policy development was going hand in hand with the EU’s broader environmental agenda. The significant tourist investment made by the central government represented a different trend from the post-Communist reduction of the role of the state elsewhere in CEE (Light, 2000; Hall, 2004).

Changing policies have been soon translated into national marketing and branding by Croatian tourist board. The growth of Croatian tourism on a global level was the result of improving the infrastructure and creating differentiation of a certain destination. Generally, a good tourism strategy matters primarily because it is a prerequisite for a faster tourism development. Furthermore, it ensures the future of tourism management and encourages investors to implement their plans.
Investors are especially important for a small country like Croatia, and a good tourism strategy generally leads to acquiring funds from the European Union. Before accessing the EU, Croatia wanted to position itself within the EU as a country with a prominent tourism identity. However, the country experienced a lot of difficulties, primarily because products and services were not innovative enough to appeal to potential visitors, there was insufficient investment activity and growth was based on the expansion of private households and accommodations. However, in spite of these competitive adversaries, Croatian tourism has been achieving better results than its Mediterranean competitors.

One of the most important lines of tourism progress in Croatia was developing both long-term and short-term strategies. After a series of mergers of national tourist companies in the 1990s and 2000s, tourist brands started to be perceived as a part of national tourist offer assets that have to be maintained and invested in. The Ministry of Foreign Affairs has established a brand building task force in Croatia. Its purpose was to promote the country's image and attract foreign investors with quality tourism thus distancing themselves from mass tourism. Although the country experienced crisis and the national branding strategy started with the highly politicized environment, Croatia demonstrated an example where a state actor took a main role in destination branding strategy. Arguably, this was possible because of the EU’s role and tourist offers the country had from the start. Unlike other countries, which in a highly politicized environment reconsider a state role in the future branding strategy and instead employ a private actor, Croatia’s destination branding strategy developed upon the initiative of the Ministry of Foreign Affairs, with a support from international consultant firms.

Furthermore, one of the key ingredients for a successful destination branding strategy advanced destination branding strategy. Advertising has benefited the Croatia's tourism industry, with visitor arrivals reaching 11 million in 2012, according to the Ministry of Tourism. According to the Anholt (2007), the key part of the government’s job is to try and build a reputation that is fair, true, powerful, attractive, genuinely useful to their economic, political and social aims, and which honestly reflects the spirit, genius and the will of the people. To have a management strategy means to know exactly what talents, qualities and advantages we possess, to know how to use them and show them to the world. With regard to multilateral cooperation, special attention was paid to the EU as the most important foreign trade partner. Therefore, branding in Croatia was also seen as crucial to the state because it has realized that timelines for acceptance into the European Union and ability to compete against their neighbors for investment, in part depends on how they are perceived by more developed European countries (Duvnjak M., Wave magazine, 2006).

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1 Simon Anholt advised the republic of Croatia and worked closely with heads of state, heads of government, ministers, private sector and civil society leaders in a series of one-day policy planning workshops (Anholt, 2009).
2. Bosnia and Herzegovina: need for a different perspective

To help the visitor choose from among recreational choices, destination branding has become a strategic marketing component with considerable importance in promoting the discovery of issues and areas that will help in promotion of the post-conflict country’s image.

Hence, one should recognize the importance of this marketing tool in newly independent Balkan states where travelers’ perceptions may be outdated and inaccurate because of the images of wars and ethnic barriers that prevailed in these areas throughout the 1980s and early 1990s. This significance was confirmed by the Department for the analysis and planning of the Ministry of Foreign Affairs of Bosnia and Herzegovina, which in the beginning of 2006 conducted an analysis on the topic of ‘Image of BiH in the World’. During the preparations for this analysis, the Department held numerous consultations with the diplomatic and consular representatives in the country in order to obtain more relevant data and information. Following are the conclusions obtained from the results of the analysis:

1. The image of Bosnia and Herzegovina significantly affects its overall development and its position in international affairs
2. The image of Bosnia and Herzegovina in the world is significantly worse compared to the real situation in the country
3. The Ministry of Foreign Affairs, as well as the practice of diplomacy in Bosnia and Herzegovina, have a very important role in creating a positive image of the country.

It is a fact that the image of any country significantly affects its overall development and that diplomatic service, and that the government and the companies have a primary role in creating a positive image of that country. However, it seems that destination branding activities in Bosnia and Herzegovina are rather distant from the domestic authorities’ concerns.

Therefore, it is evident from the practice that until present day, Bosnia and Herzegovina has not employed significant efforts in establishing its destination brand. Through day-to-day interaction with citizens and foreigners, BiH works on promotion of a good image, yet a clear strategy is missing. As in many other countries, BiH’s Ministry of Foreign Affairs is preoccupied with the promotion of cooperation with neighboring countries, establishing diplomatic and bilateral relations, promotion of interest and development possibilities of BiH’s economy. The Public Relations office in the Ministry only provides detailed information about all activities performed at home and diplomatic missions abroad.

The promotion of a positive image of BiH as a country that is attractive to foreign investors is more of a mission of the Foreign Investment Promotion Agency (FIPA) of BiH. This state-level agency aims at attracting foreign direct investment through various projects. FIPA is very much involved in the promotion of investment opportunities by advertising the most attractive investment sectors, as well as distributing various publications on the investment procedure in BiH. In fact, FIPA presents tourism as the most promising sector in BiH. They too
recognize that culturally, politically and socially, the country has one of the richest histories in the region. Unlike in Croatia where the Ministry of Foreign Affairs started working on branding strategy, in BiH the branding practice is still very much fragmented.

Bosnia and Herzegovina is regionally and internationally renowned for its natural beauty and cultural heritage inherited from six historical civilizations, its cuisine, winter sports, its eclectic and unique music, architecture, but also for its internationally famous events such as Sarajevo Film Festival and Sarajevo Jazz Festival, both the largest and most prominent of their kind in Southeastern Europe (Inside Film Magazine).

Despite of all this, Bosnia and Herzegovina, as many other developing countries in transition, is just initializing the process of establishing its own brand. This is problematic because of one simple development – BiH does not work very hard on nation branding, and is hence under a great danger of putting itself in a position that other countries or peoples will brand it. Furthermore, the image of BiH in the world is still undermined by the recent war, while its multicultural spirit, natural beauties, film, sports and its historical heritage are not utilized enough. The activities of destination marketing in BiH do not mirror real potentials of the country, and it is thus not surprising that the image of BIH lags behind other countries in its neighborhood\(^2\).

When it comes to the travel and tourism industry, national image is fundamentally important. The tourist board needs to ‘sell the country’ to a vast international audience of ordinary costumers which leads to a logical conclusion that a destination with a powerful and positive image needs to do less work and spend less money on promoting itself to the marketplace, because the marketplace already believes what is said. Nevertheless, destinations with powerful brands also have a difficult task, something that destinations with weak brands do not have and that is the preservation of an already established brand.

It can be noticed that BIH has indisputable natural beauties and particular destinations that attract tourists, as well as preferable geographic position\(^3\). Nevertheless, a situational analysis made by the Chamber of Economy of BIH shows that most visitors still come from neighboring countries (B&H Export Council, n.d.). In other words, most tourists in BIH are people that were already familiar with the country. This means that the promotion of the country is not very successful or it does not reach foreign audiences far enough, beyond regional

\(^2\) According to the FutureBrand report, Republic of Croatia is on 42nd place, Slovenia on 63rd, while BIH is lagging on the 82nd place.
\(^3\) Bordered by Croatia to the north, west and south, Serbia to the east, and Montenegro to the southeast, Bosnia and Herzegovina is almost landlocked, except for the 20 kilometres of coastline on the Adriatic Sea surrounding the city of Neum. In the central and southern interior of the country the geography is mountainous, in the northwest it is moderately hilly, and the northeast is predominantly flatland with moderate continental climate. Bosnia and Herzegovina remains one of the last undiscovered natural regions of the southern area of the Alps, with vast tracts of wild and untouched nature attracting adventurers and nature lovers.
borders. Furthermore, statistical data from 2010 shows that although visits are increasing (5-7% annually), BIH still attracts the least number of tourists, in comparison to neighboring countries: BIH with slightly more than 300,000 visits annually, Croatia with 9.5 million, Montenegro with 2.5 million and Serbia with 950,000 (B&H Export Council, n.d.). According to the Chamber’s report, the primary challenge of BIH as a tourist destination is the development of a marketing strategy which will increase competitiveness in this sector (B&H Export Council, n.d.). To achieve this it is important to remove administrative barriers, stimulate service uniqueness and quality, develop an annual tourism strategy, improve infrastructure and accessibility to key destinations, as well as develop a specific BiH destination brand (B&H Export Council, n.d.).

Thus far, serious issues and gaps remain. Currently, the biggest problems can be seen in the deficiency of investment, underdeveloped infrastructure, as well as lack of professional branding strategy and statistical data that would help in determining what country’s weaknesses are. Furthermore, each tourism sector attempts to create some sort of a brand for itself, but this is not efficient nor sustainable enough as if it would be if they would venture possible brands through specific branding strategies. Hence, things are being done, but because of the lack of specific theorists and branding strategy, it is very rare that any branding project sustains.

When it comes to the travel and tourism industry, national image is fundamentally important. The tourist board needs to ‘sell the country’ to a vast international audience of ordinary customers which leads to a logical conclusion that a destination with a powerful and positive image needs to do less work and spend less money on promoting itself to the marketplace, because the marketplace already believes what is said. Nevertheless, destinations with powerful brands also have a difficult task, something that destinations with weak brands do not have and that is the preservation of an already established brand. BiH has arguably the best potentials in the field of tourism, which has an influence on all other service industries like the food industry, architecture and civil engineering, as well as financial services and infrastructure. Tourism represents a possibility of altering the image of Bosnia and Herzegovina in a positive direction. Although images take a long time to form and in fact we do not know all the factors influencing them, they can be destroyed fairly quickly. Of course, in case of countries with stable images and reputations in the international scene, this happens much more slowly than in case with lesser known countries. Furthermore, the image of a country can change and improve, but this process requires a lot of effort and skill. In case of Bosnia and Herzegovina, the image did not even have time to develop, firstly because of the post-conflict situation and secondly because of the state’s lack of interest for such course of action. The main challenge for Bosnia and Herzegovina is to distinguish great potentials in the tourism sector and recognize that tourism may be the loudest voice in destination branding strategy. This is why Bosnia and Herzegovina should pay more attention to its destination branding strategy in this sector. Branding strategy in the tourism sector should be left to professional policy makers, media and PR experts. Considering the administrative complexity as well
as bad practice of state services, opening of private companies that would deal with a clear destination branding strategy should be a priority.

3. Regional development in EU’s Border Areas: spillover effect

Faced with the global competition, states need to continue to enhance their offer of sustainable and high-quality tourism products, playing on their comparative advantages that encompass a highly-skilled workforce, technology, rich and well-documented cultural and historical heritage and close political and economic relationships. With regards to the latter, developing tourism initiatives on a regional basis is gaining increasing importance within the European region. Jointly developed action plans, common branding and marketing strategies have the potential to greatly strengthen the competitiveness of tourism destinations within a region, hence a joint strategic positioning of the different regions on the international tourism map can bring clear benefits for each country individually and for the region as a whole. Such cooperation efforts are facilitated when a specific geographical area is shared and as such, BIH and Croatia represent an advantageous area for regional spill-over development between the EU and non-EU countries.

Generally, EU benefits for the country include increased liberalization and competition leading to greater productivity and growth, harmonization of legislation, ease of cross-border trading, educational mobility, new skills development and training programmes, guidelines for nature and heritage conservation and image enhancement. Bosnia and Herzegovina can improve its position in the regional market by constructing tourism of a higher quality with innovative concepts. For this purpose, the marketing strategy for tourism should primarily be oriented toward the European market. In order to create a competitive advantage in relation to other destinations in the region, BIH should, first of all, be clearly positioned.

Not only do destinations become more competitive, but also government tourism agencies have to act more in an entrepreneurial manner, not only attracting visitors and investment companies, but also facilitating tourism partnership as evident in regional spill-over phenomenon. Regional development can also be seen as a process that operates within two complementary characteristics (Young, in Turnock, 2005). The first is the linkage with the exterior, including the goods, services, capital and information. The second is the level of internal differentiation including skill development and organizational development (Young, in Turnock, 2005).

Discussing the relationship between tourism and regional development, Shaw and Williams (1994) examined three aspects of tourism: (1) tourism is a product which must be consumed at the production point; (2) most form of tourism are highly temporal (seasonal), and (3) tourism is an industry subject to restructuring (development of a variety of forms of tourism). Within the destination region, we can distinguish a list of criteria to define tourist destination zones:
- The region should have a set of cultural, physical and social characteristics that create a sense of regional identity.
- The region should contain an adequate tourism infrastructure to support tourism development.
- The region should be larger than just one attraction or one community
- The region should contain existing attractions or have the potential to support the development of sufficient attractions to attract tourists.
- The region should be capable of supporting a tourism planning agency and marketing initiatives to guide and encourage future development.
- The region should be accessible to a large population base (Gunn 1979, Smith 1995).

Both Croatia and Bosnia and Herzegovina share a set of cultural, physical and social characteristics that create a sense of regional identity, including historical similarities, territorial borders and common languages. With regards to both countries, tourism developments can be constructed to act as growth poles to help stimulate regional development. In selecting tourism as a growth pole, governments identify a site that is deemed suitable for sustaining a form of tourism development. Due to its geographical position and its proximity to the rapidly developing tourism sector on the Croatian coastline, both countries have a distinct joint tourism potential in both urban and rural centers. A lot of tourist resources create the possibility of different forms of health/wellness tourism in addition to the well-developed seaside tourism on the Adriatic coast, as well as religious tourism which is becoming very popular.

Few concluding remarks

Competitive advantages both Croatia and Bosnia and Herzegovina would have if they joined efforts in destination branding are beneficial for both sides. One of the main ones is the effect of spillover in the tourism sector, which arises when tourists who visit one country also visit another one. The effect would not be beneficial only for the two neighboring countries, but also for the overall image that the EU is projecting. In fact, the interconnection in this particular region brings about the different perception of that one in post-conflict states, thus building up both international and domestic image of countries.

The joint tourism offer by both countries is already a part of the future debate primarily because of opportunities for new investments and acquiring EU funds. Government funding of regional tourism can be vital to establishing new projects and partnerships. International tourism development policy for regional development is demonstrated through the EU where the most significant financial interventions for tourism development are structural funds and cohesion funds (Davidson and Maitland 2009, in Sharpley and Telfer 2014). These financial instruments are used with the EU’s Regional Development Policy to strengthen economic and social cohesion within the EU and to reduce the disparities between the regions of the EU.
In conclusion, although both countries share a distinctive possibility for tourism regional spill-over and economic opportunity for new investments, it has to be recognized that different political environments require different actors which would implement destination strategy. This study explored the Croatian tourism strategy and discovered that the Ministry of Foreign Affairs was the main state actor implementing branding and tourism strategy which was going hand in hand with the EU’s overall environmental policy. On the other hand, the case of Bosnia and Herzegovina demonstrates that it is very difficult to provide a coherent and consistent strategy a highly politicized environment. This is why it is becoming extremely important that a private agent deals with the future destination branding strategy, after which the regional cohesion could be witnessed.

References


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