Strategy for fostering innovation in sustainable tourism for the Adriatic-Ionian region

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Strategy for fostering innovation in sustainable tourism for the Adriatic-Ionian region

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Introduction

The strategy for fostering innovations in sustainable tourism for the Adriatic-Ionian region represents a framework for a value-creating network for innovations and tourism development across the region. This document is based on and follows the tourism strategies of the Adriatic-Ionian countries and UNTWO's sustainable tourism principles. Its main mission is in contributing to the development of innovation culture, increasing the implementation of innovation in tourism, and enhancing international communication and cooperation among the stakeholders in this region. Given that increased innovation activity is identified as a solution to common regional issues related to sustainable tourism and that they contribute to the competitiveness of businesses and destinations, the focus of this strategy lies on developing an attractive and supportive environment that can enable any business to prosper and develop through innovations.

This document covers analyses of the situation of tourism and innovations in the Adriatic-Ionian region as well as an analysis of tourism trends. For the purpose of detecting the main issues that different tourism stakeholders in the region are facing, several empirical research studies have been conducted. As a result, SWOT and PEST analyses of tourism and innovations are created along with tourism development principles and strategic goals in the function of fostering innovations in tourism in the region. The studies' results showed the low implementation of innovations in tourism, mainly due to the lack of knowledge about innovations and their role in sustainable tourism development, poor cooperation on all levels, as well as the lack of effective innovation incentives. The strategy recognises the need for stakeholders to obtain knowledge about the value that can be gained from being a part of the right network (i.e. new relationships and connections, partnerships, business ideas and new clients/customers). In that context, the most important part of the strategy relates to the model development – a conceptual framework that includes all stakeholders that need to act together and integrate if the value network is to be put in place. The proposed model (network) should help its members to improve mutual business communication and success and enable the transfer of value and knowledge.

Stakeholders across the Adriatic-Ionian region had a central role in the strategy development process and were actively involved in its creation. Their suggestions, comments, and recommendations greatly contributed to the development of this document.

CHAPTER 1

1 Tourism in the Adriatic-Ionian region: Situation analysis

This chapter introduces some important indicators dealing with sustainable tourism and innovation in the Adriatic-Ionian region, needed for the situation analysis. These are indicators that describe regional socio-economic conditions, as well as those depicting tourism development with special focus on innovation in tourism, such as general tourism indicators, sustainable tourism indicators, and innovation indicators.
Indicators are gathered from several data sources and cross-checked for consistency and international comparability.

1.1 Socio-economic indicators

The Adriatic-Ionian region (Figure 1) is a place of considerable differences.

Figure 1: Adriatic-Ionian region

Source: (The Istrian Region, n. d.)

At the same time, it is home to some highly competitive sub-regions, which are global leaders in research and development and have excellent research facilities and systems of

product quality certification. Its rich, natural and cultural heritage makes the Adriatic-Ionian region one of the most attractive tourist destinations in the world. Situated at the crossroads of Western and Central Europe, it has a strategic location and enormous potential for growth in the transport sector (Adrion Programme, n. d.).

The Adriatic-Ionian region (countries – Table 1) covers 678,450 km^2 and accommodates roughly 92 million inhabitants, with the average density of population of 136 people per sq. km of land. For comparison, the population density at the EU level equals 118 inhabitants per sq. km, which indicates that the Adriatic–Ionian Region is densely-populated, but clearly it is only Italy that stands out by these parameters. In contrast, other countries in this group have lower population density, and within-group differences are not marginal. Italy is the most densely populated country in the region, while Montenegro is the other extreme. Interestingly, variations in the share of the urban population are somewhat smaller across the region, but still suggest that country-specifics have to be taken into account (The World Bank, 2018b).

Table 1: Region and population, 2017

Country	Land area (km^2)	Population (million)	Population density	Urban population
Albania	27,400	2.9	107	65.1%
Bosnia and Herzegovina	51,000	3.5	69	43.6%
Croatia	55,960	4.2	75	60.1%
Greece	128,900	11.2	87	78.3%
Italy	294,140	59.4	202	71.5%
Montenegro	13,450	0.1	5	63.6%
Serbia	87,460	8.8	101	59.2%
Slovenia	20,140	2.1	103	49.8%
TOTAL	**678,450**	**92**	**136**	**69.3%**
EU28	**4,353,384**	**512**	**118**	**75.0%**

Source: (Eurostat, 2018;The World Bank, 2018a; Worldometers, 2018)

Population structure and ageing

The EU's population is likely to shrink in the coming decades because of a prolonged period of relatively low natality rates while keeping in mind migration trends (Table 2). The falling share of children and young people in the total population could result in labour market shortages in specific countries/regions and in particular occupations. By contrast, life expectancy (for both men and women) in the EU continues to rise while the baby-boom generation is in the process of moving into retirement. As such, the number and the share

of elderly people in the total population continue to increase. This will probably drive demand for a range of specific services (for example within social and healthcare). These two demographic changes of the EU will affect the structure of its population and could lead to a number of challenges, for example (Eurostat, 2017):

- how to encourage sustainable economic growth during a period when the number and proportion of working-age people will decline; a lower number of working-age people could lead to a reduction in revenue-raising powers, for example, from income tax and social security contributions;
- how to safeguard social welfare models, such as pensions and health care, if there is a growing number of (very) old people who are making increasing demands on these systems.

A few numbers can easily demonstrate this fact. The ageing of the European population has contributed to the reversal of declining tendencies in the dependency ratio (ratio of the sum of elderly and youth populations to total population) that lasted for decades. Eurostat provides worrying projections that show this increase is likely to continue in the far future. In this respect, the EU is similar to other developed economies. Although the youth-dependency ratio is declining and currently stabilising the total dependency ratio, it is a mere measurement illusion, since dynamically it contributes to lower labour participation rates, thus boosting elderly and total dependency ratios altogether. However, while some of the more developed European countries and regions will be able to dampen these effects to some extent and probably not for long, by attracting some of the working-age population from the rest of Europe, it is simultaneously generating mentioned pressures in the Southeast, contributing to demographic differences within the Adriatic-Ionian region as well.

These trends have a number of implications for government and private spending on pensions, health care, and education, and more generally for economic growth and welfare. In addition, the comparability of elderly population data is affected by differences, both *across* and *within* countries, depending on the geography of rural and urban communities. Elderly people tend to be concentrated in a few areas within each country, which means that a small number of regions will have to face a number of specific social and economic challenges due to population ageing. Table 2 summarises this.

Table 2: Population under 15 and over 65 years of age (in % or p.p.)

Country	Young (<15)		Elderly (65+)		Ageing Index (ratio of elderly to young people)		Difference in Ageing Index (2016-2000)
	2000	2016	2000	2016	2000	2016	
Albania	30.3	17.7	7.1	12.8	23.4	72.4	49.0
Bosnia and Herzegovina	20.7	14.2	11.0	16.1	52.9	113.4	60.5
Croatia	17.3	14.7	15.6	19.3	89.9	131.3	41.5
Greece	15.5	14.4	16.4	20.2	106.0	140.7	34.7
Italy	14.3	13.6	18.2	22.7	126.7	166.9	40.2
Montenegro	21.5	18.3	11.6	14.3	54.0	78.3	24.3
Serbia	20.5	16.6	13.5	16.8	66.1	101.5	35.4
Slovenia	15.8	14.8	14.1	18.5	89.2	124.9	35.7
AVERAGE	**19.5**	**15.5**	**13.4**	**17.6**	**68.9**	**113.3**	**44.4**
EU - 28	**17.1**	**15.4**	**15.7**	**19.5**	**91.6**	**126.1**	**34.5**

Source: (The World Bank, 2018a; OECD, 2018)

The ageing index is currently the highest in Italy, and the lowest in Albania and Montenegro. The greatest increases in population difference between 2000 and 2016 can be observed in Bosnia and Herzegovina and Albania. The average share of inhabitants below 15 years of age in EU in 2016 were 15.4%. Montenegro, Albania and Serbia are the countries with the above average youth population. In contrast, focusing on the elderly population, we see that the EU average is 19.5% with Italy and Greece high above it.

Unemployment

According to Eurostat, unemployment levels and rates[1] move in a cyclical manner, owing to business cycle dynamics. However, other factors, such as labour market policies and demographic changes, may also influence the short and long-term development of unemployment. In industrialised economies, educational qualifications are often viewed as good insurance against unemployment, as unemployment rates tend to be higher for persons with lower levels of educational attainment (in comparison to persons with tertiary education). The unemployment rate is an important indicator of both social and economic dimensions. Rising unemployment results in a loss of income for individuals, increased pressure with respect to government spending on social benefits, and a

[1] The definition of unemployment provided by the International Labour Organisation (ILO, 2018) utilizes three criteria: 1) being without work, 2) actively seeking work, and 3) being available for work.

reduction in tax revenue. From an economic perspective, unemployment may be viewed as unused labour capacity (Eurostat, 2018a).

The overall unemployment rate in the EU (Table 3) fell from 10.2% in 2014 to 9.4% in 2015, and further down to 8.5% in 2016. However, the 2008 financial crisis continues to echo, especially in less-developed regions. Compared with the EU, the unemployment rate in the Adriatic-Ionian region is very high, more than 20% in Bosnia and Herzegovina and Greece. From 2000 to 2017, the unemployment rate dropped somewhat in Croatia and Montenegro, but all other countries in the region have experienced increases in unemployment rates, Greece being the extreme case. In general, unemployment remains at elevated levels.

Table 3: Unemployment, total (% of total labour force) (national estimate)

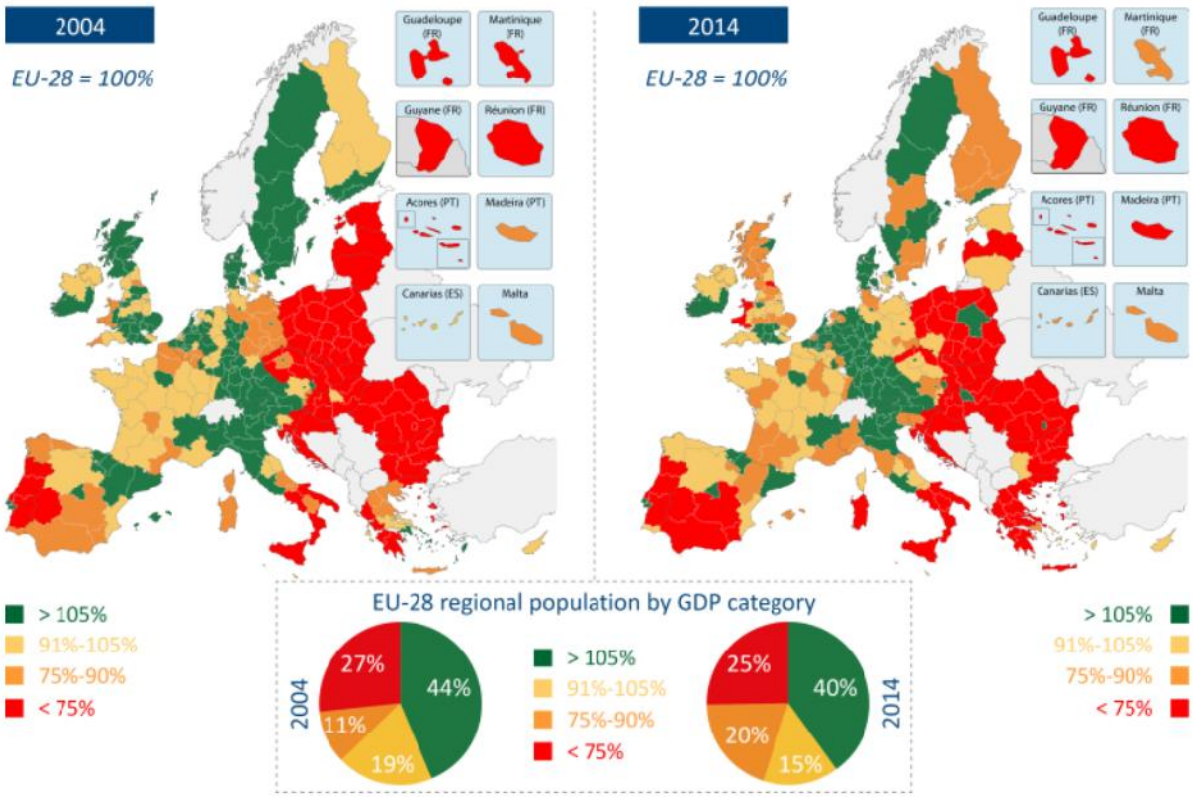
	Year						Index
Country	**2000**	**2005**	**2010**	**2015**	**2016**	**2017**	**2017/2000**
Albania	14.1	13.8	14.2	17.1	15.2	15.0	106.4
Bosnia and Herzegovina	22.0	21.7	27.2	26.3	26.0	25.8	117.3
Croatia	15.9	12.6	11.6	16.3	13.1	11.5	72.3
Italy	10.8	7.7	8.4	11.9	11.7	11.6	107.4
Montenegro	19.1	19.5	19.7	17.5	17.7	17.7	92.7
Slovenia	6.9	6.5	7.2	9.0	8.0	7.5	108.7
Greece	11.2	10.0	12.7	24.9	23.5	23.1	206.3
Serbia	12.6	20.8	19.2	17.7	15.3	14.4	114.3
AVERAGE	**14.1**	**14.1**	**15.0**	**17.6**	**16.3**	**15.8**	**112.1**
EU28	**8.9**	**9.0**	**9.6**	**9.4**	**8.5**	**9.6**	**107.9**

Source: (ILO, 2018; Authors' own calculations)

Income and other development indicators

Relatively significant differences in development levels and purchasing power within the EU and the Adriatic-Ionian region remain. The Adriatic-Ionian region has a GDP per capita far below the EU average (Figure 2). Nevertheless, care must be taken in detecting the structure of regional disparities: the Adriatic-Ionian region does fall behind developed western European countries but also suffers from intra-regional as well as from intra-country disparities. On the one hand, it defines regional demand for European structural funds, and on the other, it reveals dissimilarities in requirements from each country's perspective.

Figure 2: GDP in Purchasing Power Standard per capita by NUTS 2 region (% of the EU average, 2004 and 2014)



Source: (European Parliamentary Research Service, 2016)

To allow for a more coherent picture of the socio-economic conditions in the Adriatic-Ionian region to emerge, it is useful to combine raw economic data with relevant statistics on social and cultural development. As illustrated in Table 4 and indicated in the discussion above, regional disparities are not diminishing, and related features of the quality of life are dispersed, consequently, with Slovenia and Italy obviously in the lead. Clearly, Internet access or the years of schooling are not that much different across the region, but also cannot be so easily associated with the record of social deviations. In contrast, the same figures suggest that GDP per capita and its changes might be so associated (Table 4).

Table 4: Selected socio-economic indicators

Country	GDP per capita in PPS for 2016 (EU28=100)	Absolute change in GDP p.c. index (2016-2006)	Adjusted net savings (% of GNI)*	Intentional homicides (per 100,000 people)**	Individuals using the Internet (% of population)***	Education index average 2010 – 2015****	Terror index average 2012 – 2016*****
Albania	29	7	8.93	3.93	44	0.71	0.72
Bosnia and Herzegovina	32	6		1.47	40	0.67	1.38
Croatia	60	2	8.03	1.27	54	0.78	0.09
Italy	97	-11	4.37	0.93	50	0.8	2.6
Montenegro	45	11		2.91	48	0.79	0.3
Slovenia	83	-3	7.89	0.84	62	0.88	0
Greece	68	-28	-6.18	1.26	48	0.82	4.56
Serbia	37	5	-3.69	1.52	48	0.75	0.73
Euro area	**106**	**-4**	**8.8**	**1.03**	**67**		
EU - 28	**100**	**…**	**8.26**	**1.03**	**67**		

Source: (Eurostat, 2018b; The World Bank, 2018a; United Nations, 2018; ITU, 2018; Institute for Economics & Peace, 2018; Authors' own calculations)

*Adjusted net savings are equal to net national savings plus education expenditure and minus energy depletion, mineral depletion, net forest depletion, and carbon dioxide and particulate emission damage.

**Intentional homicides are estimates of unlawful homicides purposely inflicted as a result of domestic disputes, interpersonal violence, violent conflicts over land resources, intergang violence over turf or control, and predatory violence and killing by armed groups. Intentional homicide does not include all intentional killing; the difference is usually in the organisation of the killing. Individuals or small groups usually commit homicide, whereas killing in armed conflict is usually committed by fairly cohesive groups of up to several hundred members and is thus usually excluded.

***Internet users are individuals who have used the Internet (from any location) in the previous three months. The Internet can be used via a computer, mobile phone, personal digital assistant, games machine, digital TV etc.

**** Calculated from 'Expected years of schooling' EYS (Number of years a child of school entrance age can expect to spend in a given level of education) and 'Mean years of schooling' MYS (Average number of completed years of education of a population [25 years and older]). 'Expected years of schooling' is indexed by dividing by 18 and 'Mean years of schooling' is indexed by dividing by 15. Education index is obtained by averaging these two indices. The maximum for 'Mean years of schooling', 15, is the projected maximum of this indicator for 2025. The maximum for 'Expected years of schooling', 18, is equivalent to achieving a master's degree in most countries.

*****Global Terrorism Index (GTI) is a comprehensive study analysing the impact of terrorism for 163 countries and which covers 99.7 per cent of the world's population. The GTI, therefore, defines terrorism as 'the threatened or actual use of illegal force and violence by a non-state actor to attain a political, economic, religious, or social goal through fear, coercion, or intimidation'.

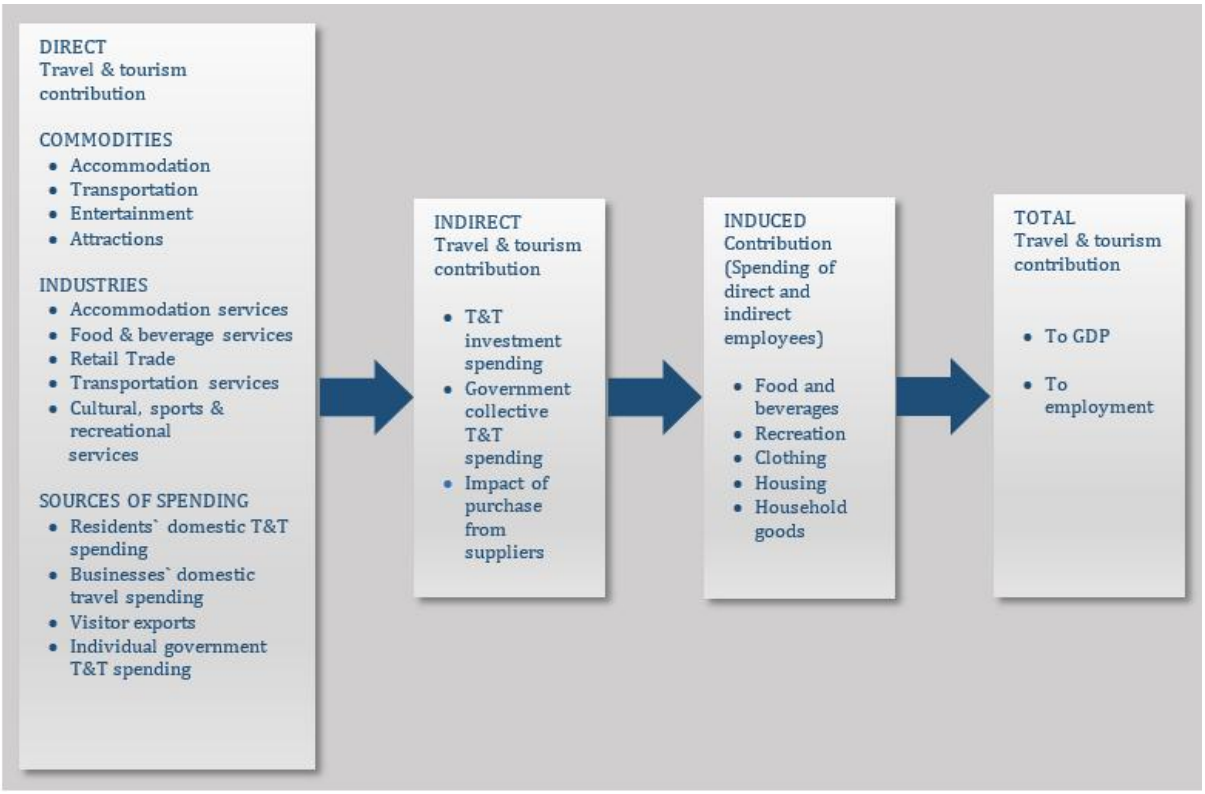
1.2 Tourism indicators

Tourism indicators covered in this part of the analysis include direct and total contributions of travel and tourism to GDP and employment, capital investments associated with travel and tourism, the capacity of tourist accommodation establishments, foreign and domestic demand, as well as the monthly distribution of overnights in countries across the Adriatic-Ionian region.

Contributions of Travel and Tourism to GDP and employment

Since tourism is not a separate economic *activity* in terms of transactions or business that is observed as a specific statistical unit or category, but rather a specific economic *impact* of various activities, it is necessary to filter it out from the available statistics. Much like the crystallisation process in chemistry, it demonstrates different layers of the mentioned impact, i.e. it reveals the complex structures of the set of tourism indicators. Figure 3 shows how these contributions can be quantified and indicate the significance that travel and tourism have in most countries around the world.

Figure 3: Defining the economic contribution of travel & tourism



Source: (WTTC, 2018)

As well as its direct economic impact, the industry has substantial indirect and induced impacts.

The direct contribution of travel and tourism to GDP (Table 5) is defined as the share of GDP generated by industries that deal directly with tourists, including hotels, travel agents, airlines and other passenger transport services, as well as the activities of restaurant and leisure industries that deal directly with tourists.

Table 5: Contributions of tourism to economic activity in the Adriatic-Ionian region (All data are in percentages)

Indicator	Direct contribution to GDP	Total contribution to GDP	Direct contribution to Empl.	Total contribution to Empl.	Direct contribution to GDP	Total contribution to GDP	Direct contribution to Empl.	Total contribution to Empl.
	Albania				Montenegro			
Average 2012-17 period	8.2	25.0	7.4	22.9	10.5	21.3	8.2	18.1
Diff. 2017-2012 (p.p.)	0.3	1.2	0.6	2.0	1.0	4.6	0.0	3.4
2018 e	8.5	26.3	7.8	24.3	11.7	25.1	7.7	20.0
	Bosnia and Herzegovina				Serbia			
Average 2012-17 period	2.4	8.7	2.9	10.0	2.1	6.1	1.8	4.8
Diff. 2017-2012 (p.p.)	0.4	1.6	0.6	2.1	0.4	1.1	0.0	0.1
2018 e	2.7	9.9	3.3	11.4	2.3	6.7	1.8	4.7
	Croatia				Slovenia			
Average 2012-17 period	9.9	23.0	9.4	22.0	3.3	12.2	3.8	12.6
Diff. 2017-2012 (p.p.)	2.1	4.3	1.5	3.2	-0.1	-0.4	-0.1	-0.5
2018 e	11.0	25.1	10.1	23.4	3.4	12.3	3.9	12.7
	Italy				Greece			
Average 2012-17 period	5.1	12.2	6.0	13.9	7.3	18.2	11.3	22.8
Diff. 2017-2012 (p.p.)	1.0	1.9	1.1	2.1	2.0	4.0	2.5	4.9
2018 e	5.5	13.1	6.5	14.8	8.3	20.2	12.4	25.4

Source: (WTTC, 2018; Authors' own calculations)

To assess its wider impacts or the total contribution and its dynamics, the indirect contribution has to be quantified. It is the gross addition to the estimated direct contribution to GDP in the form of investment, collective government expenditure, and supply-chain consumption, and encompasses the second round (induced) expenditure of

agents who have tourism-dependent incomes. Analogous to the measurement of contributions to GDP, the same effect tourism has on employment can be estimated, bearing in mind, of course, that in both cases the perspective is a static one, i.e. no dynamic economic or broader social effects of a causal or historical nature are accounted for or implied.

This enables the basic features of tourist activity in the Adriatic-Ionian region to be uncovered, and several distinct patterns are immediately revealed, as shown in Table 5. Firstly, tourism directly accounts roughly for less than 1/10 of GDP, with the highest share observed in Croatia, Montenegro, and Albania, as expected. It is similar to the direct contribution of tourism to employment, although here the dispersion is smaller due to somewhat higher employment shares in Italy and Greece. Secondly, indirect (and induced) effects of tourism are much stronger, so total effects across these countries on average are multiplied by a factor of 2.7. Thirdly, these patterns have been quite stable recently, with marginal annual increments. This is expected for 2018 as well, even in Slovenia, which is the only country in the group that experienced negligible falls in these shares from 2012 to 2017.

Insight into these patterns is possible with minor additional effort in comparing them with the economic performance of countries within the group (Table 6). It is hard to overlook the fact that growth in tourist activity and employment surpasses overall GDP and labour dynamics in these countries. In this post-crisis period, it reacted to the recovery sooner than other sectors of their economies, probably because of the relatively stronger reliance on tourist demand from northwestern Europe. This is especially relevant for countries that experienced somewhat stronger deterioration during the crisis, such as Greece, Italy or Croatia.

Apart from countries whose average GDP in 2012-2017 shrank, total tourism expenditure accounted for almost the entire real growth in Albania, Croatia, and Montenegro. The rest of the countries had considerably smaller contributions of total tourism expenditure to their economic growth, and tourism has contributed to the employment dynamics much more modestly in all of them. Inflation has been moderate across the region, with Greece even experiencing deflation, and prices in the tourism sector generally followed the same pattern, not causing any competitive pressures. Montenegro and Serbia stand out regarding these tendencies, but not in absolute terms, i.e. the annual frequency shows no extremes.

Table 6: Economic growth and the role of tourism in the Adriatic-Ionian region

	Cumulative performance in 2012-17 period											
Country	Growth of GDP	Growth of DC to GDP	Growth of TC to GDP	Contr. of DC to GDP	Contr. of TC to GDP	Change in implicit GDP deflator	Change in implicit TC deflator	Growth of Empl.	Growth of DC to Empl.	Growth of TC to Empl.	Contr.of DC to Empl. Growth	Contr.of TC to Empl. Growth
Albania	9.8	26.9	27.9	2.1	6.7	5.1	6.2	30.2	47.4	47.9	3.3	10.3
Bosnia and Herzegovina	8.8	22.1	22.2	0.5	1.9	4.5	4.0	10.6	17.7	17.8	3.3	1.6
Croatia	5.4	24.7	20.7	2.4	4.8	3.1	3.4	-6.2	6.2	3.5	0.6	0.8
Italy	-1.0	24.5	21.0	1.2	2.5	5.8	5.6	1.9	27.3	23.0	1.6	3.0
Montenegro	8.9	30.4	43.0	3.1	8.7	10.6	13.1	14.9	14.2	39.4	1.0	6.7
Serbia	5.3	29.7	26.7	0.6	1.6	4.8	21.2	-1.6	4.5	4.9	0.1	0.2
Slovenia	9.6	6.6	3.8	0.2	0.4	6.7	6.1	-0.1	-2.1	-6.0	-0.1	-0.8
Greece	-8.9	21.7	12.1	1.5	2.2	-6.0	-5.7	-6.4	20.3	15.0	2.3	3.6
Max-Min	18.7	23.8	39.2	2.8	8.3	16.6	26.9	36.6	49.5	53.9	3.4	11.1

Source: (WTTC, 2018; Eurostat, 2018b; Authors' own calculations)
Note: 1) Growth in percentage, contribution to growth in percentage points; 2) missing data: BA, ME and AL for 2017; 3) Total (direct) contribution termed TC (DC).

Capital investment

A distinct component of previously analysed contributions is capital investment, which provides an indication of future trends, since capital adjustment is a reaction of businesses to estimated longer-term demand conditions and profitability. In the travel and tourism industry, capital investment includes capital expenditure by all industries directly involved in tourism and transport activities. This constitutes investment spending by other industries on specific tourism assets, such as new visitor accommodation and passenger transport equipment, as well as restaurants and leisure facilities for specific tourism use.

Currently, Italy and Slovenia absorb the largest amounts of capital expenditures at the regional level and account for more than 80% of total investment in the region. Greece follows with 4.5%, and the others lag behind. However, in terms of new capacity adjustments as indicated by the growth rates of this component, the dynamics are quite robust in Montenegro, Albania, and Bosnia and Herzegovina. Although capital investment suffered in all countries during the last economic crisis, Greece again shows a relatively slower recovery (Table 7).

Table 7: Growth of capital investment associated with Travel & Tourism in the Adriatic-Ionian region (in percentages)

Country	2012	2013	2014	2015	2016	2017	2018 e	Average 2012-17	Share of regional capital expenditure
Albania	2.5	15.3	0.7	7.3	4.6	15.8	5.5	**7.4**	**1.2**
Bosnia-Herzegovina	-5.1	-8.5	22.6	-0.7	22.6	7.2	6.3	**6.3**	**0.9**
Croatia	-6.2	0.2	-2.5	9.3	6.3	3.0	2.6	**1.8**	**6.3**
Italy	10.6	-20.7	-11.9	17.4	7.6	3.1	4.2	**1.5**	**63.1**
Montenegro	4.1	14.7	7.1	18.9	23.0	16.4	6.3	**12.9**	**1.6**
Serbia	4.0	1.5	2.0	4.5	3.9	5.7	5.3	**3.8**	**1.6**
Slovenia	0.6	-0.7	-4.2	-3.1	-5.6	7.6	7.7	**0.3**	**20.7**
Greece	-24.5	-8.6	-4.6	7.4	3.9	1.8	3.6	**-3.0**	**4.5**
Total	**0.0**	**-15.3**	**-8.5**	**13.1**	**6.5**	**3.5**	**4.3**	**0.5**	**100.0**

Source: (WTTC, 2018; Authors' own calculations)

Capacity of tourist accommodation establishments

Tourist accommodation establishments include all establishments providing, as a paid service, accommodation for tourists, regardless of whether the provision of tourist accommodation is the main or secondary activity (Table 8). These establishments are defined, according to the NACE classification, as units providing short-term or short-stay accommodation services as a paid service:

- hotels and similar accommodation (NACE Group 55.1) — this includes accommodation provided by hotels, resort hotels, suite/apartment hotels, motels;
- holiday and other short-stay accommodation (NACE Group 55.2) — this includes holiday homes, visitor flats and bungalows, cottages, and cabins without housekeeping services, youth hostels and mountain refuges;
- camping grounds, recreational vehicle parks and trailer parks (NACE Group 55.3), otherwise referred to as campsites — this includes the provision of accommodation in campgrounds, trailer parks, recreational camps and fishing and hunting camps for short-stay visitors.

The number of bed places in a tourist accommodation establishment is determined by the number of persons who can stay overnight in the beds in the establishment.

The Adriatic-Ionian region holds a significant position in the European context with more than two thirds of establishments with roughly one third of bed places located in countries

of this region. Italy, Greece, and Croatia have the most extensive infrastructure. As previous information on capital expenditure demonstrates, these proportions can be expected to be roughly stable, although somewhat faster expansion of capacities could be seen in the southeast part of the region.

Table 8: Capacity of tourist accommodation establishments by NACE group, 2016

	Hotels and similar accommodation			Holiday and other short-stay accommodation		Camping grounds, recreational vehicle parks and trailer parks		Total	
	Establishments	Bedrooms	Bed places	Establishments	Bed places	Establishments	Bed places	Establishments	Bed places
EU-28(1)	202,519	6,687,905	13,849,276	378,736	7,528,108	28,951	9,982,936	610,206	38,048,225
Albania (2)									
Bosnia and Herzegovina(3)									
Croatia	1,011	79,962	16,738	81,569	569,436	653	250,456	83,233	916,592
Italy	33,163	1,090,926	2,247,930	142,916	1,519,436	2,364	1,174,821	178,443	6,033,113
Montenegro(4)	351	16,248	34,645	152	111,996	21	2,707	524	165,596
Slovenia	692	22,451	45,716	2,485	42,554	83	24,887	3,260	135,608
Greece	9,986	41,283	797,827	24,369	359,842	309	83,577	34,664	1,282,529
Serbia(5)	676	25,634	54,075	291	45,314	20	3,031	987	128,054
Adriatic-Ionian region	**45,879**	**1,276,504**	**3,196,931**	**251,782**	**2,648,578**	**3,450**	**1,539,479**	**301,111**	**8,661,492**
in percent of EU28	**23**	**19**	**23**	**66**	**35**	**12**	**15**	**49**	**23**

Source: (Eurostat, 2018b; The Agency for Statistics Bosnia and Herzegovina, 2018; The Institute of Statistics Republic of Albania, 2018)

(1) 2012 data.

(2) Low reliability for holiday and other short-stay accommodation (and totals)

(3) 2014 data.

Foreign demand features

A brief overview of the tourist overnights, arrivals and visitor exports (spending within the country by international tourists for both business and leisure trips, including spending on transport, but excluding international spending on education – Table 9) might provide deeper insight into the foreign component of tourist demand. For all practical purposes, it is the component that drives the activities that are the first to reflect market shocks across the region (shared sensitivity of receipts or joint-dependency of the region); it is also the source of massive inflows of tourists in the Adriatic-Ionian region, with the potential to inject considerable sums of foreign currency, especially in non-euro countries.

Table 9: Foreign component of tourist demand (in percentages if not indicated otherwise)

Country	Overnights				Arrivals				Visitor exports			
	2010	2015	2016	Diff. 2016-2010	2010	2015	2016	Diff. 2016-2010	2010	2015	2016	Diff. 2016-2010
Albania					2.96	3.91	4.00	1.35	53.04	49.90	52.13	-0.91
Bosnia and Herzegovina	0.28	0.40	0.44	0.15	0.49	0.70	0.76	1.55	12.94	12.39	12.75	-0.19
Croatia	12.24	18.39	19.29	7.04	12.32	13.09	13.56	1.10	36.61	37.82	39.04	2.42
Italy	60.85	53.92	53.37	-7.48	59.00	52.37	51.44	0.87	7.22	7.29	7.38	0.17
Montenegro	2.57	2.89	2.82	0.25	1.47	1.61	1.63	1.11	49.91	52.37	53.27	3.36
Slovenia	1.72	1.83	1.94	0.22	2.53	2.79	2.98	1.18	8.75	7.51	7.41	-1.33
Greece	21.80	21.91	21.42	-0.38	20.30	24.36	24.36	1.20	20.97	27.81	28.19	7.22
Serbia	0.53	0.67	0.73	0.20	0.92	1.17	1.26	1.36	7.24	7.55	7.53	0.29
Number total (1000)	271,505	357,210	373.678	1.38	73,940	96,875	101.802	1.38				
Total (Visitor exports - average)	100	100	100		100	100	100		24.58	25.33	25.96	1.38

Source: (WTTC, 2018; National Statistical Offices[2], Authors' own calculations)

Here, Italy is once again at one extreme, having particularly large shares of overnights and arrivals in the region, while the other extreme is represented by Slovenia and Serbia. Montenegro is quite specific in this regard because while overnights and arrivals of foreign tourists account for small portions of the regional totals, they significantly influence their national export performance. In general, there is a case for arguing that these patterns have also been relatively stable in the recent period, although changes in the share of foreign tourist overnights in Italy and Croatia deserve some attention.

Domestic demand at a glance

For most of the countries in the Adriatic-Ionian region, domestic demand is relatively less important in terms of contributing to their GDP figures, with the exception of Italy (only 23.2%), which has two distinct characteristics that can explain this: geography (it has by far the longest coastline, on the Ligurian, Tyrrhenian, Ionian, and Adriatic Seas) and demographics (it has the largest population as the majority of the regional population lives in Italy). In this respect, Italy resembles the EU aggregate in which one third of GDP is generated by foreign tourists. However, Croatia and Montenegro do exhibit extremely high ratios of foreign-to-domestic contributions of tourism to GDP in comparison to the rest (Table 10).

[2] The Institute of Statistics Republic of Albania, 2018; The Agency for Statistics Bosnia and Herzegovina, 2018; Croatian Bureau of Statistics, 2018; Hellenic Statistical Authority, 2018; National Institute of Statistics Italy, 2018; Statistical Office of the Republic of Montenegro, 2018; Statistical Office of the Republic of Serbia, 2018; Statistical Office of the Republic of Slovenia, 2018.

Table 10: Foreign vs domestic contribution of tourism to GDP (in percentages)

Country	Foreign	Domestic
Albania	75.4	24.6
Bosnia and Herzegovina	62.5	37.5
Croatia	84.7	15.3
Italy	23.2	76.8
Montenegro	83.4	16.6
Slovenia	66.2	33.8
Greece	64.5	35.5
Serbia	67.8	32.2
Average	**66.0**	**34.0**
EU28	**32.9**	**67.1**

Source: (WTTC, 2018)

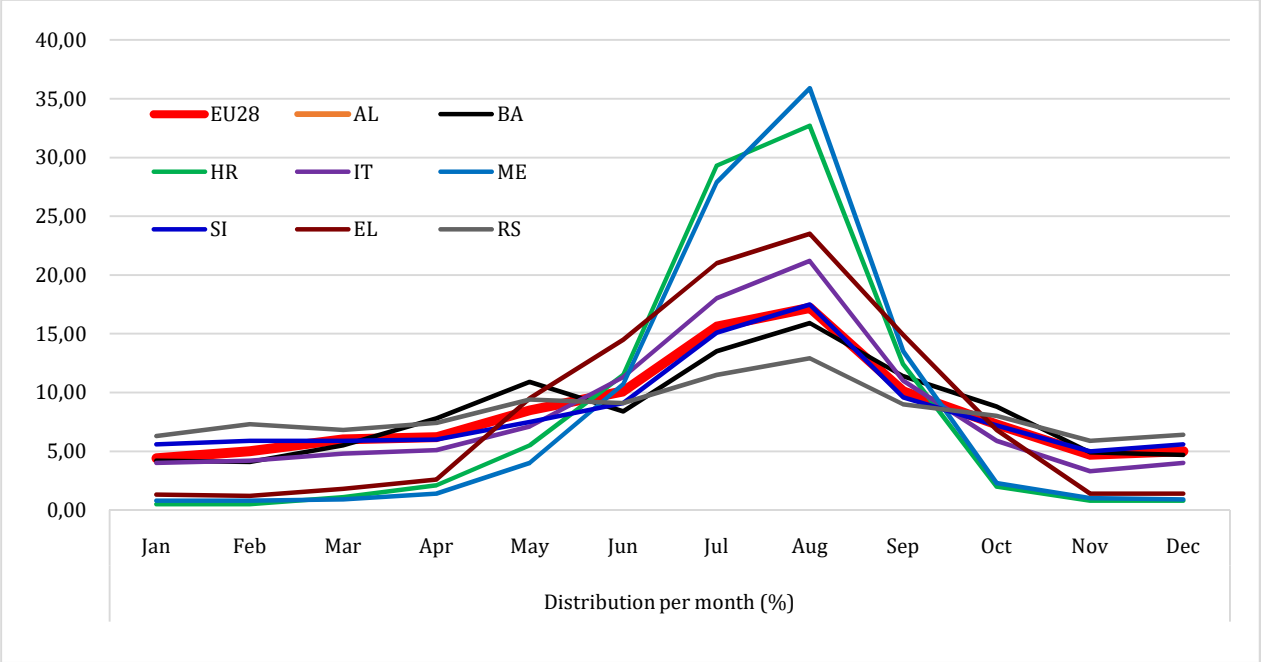
Seasonality

All tourism enterprises and regions are impacted by seasonality whether severely or mildly. This type of regular intra-year fluctuations is seen in tourists and visitor numbers, as well as in direct and indirect expenditures generated by them. Therefore, some destinations at certain times have more tourists and visitors than they are able to accommodate, while at other times, there are too few tourists and visitors to the region. Causes of seasonality can be natural, institutional, and other.

For destinations, seasonality leads to many negative economic effects in terms of the difficult identification of the optimal level of investment as regards the size of tourism structures (a problem of the long-run); the higher level of volatility (and risk) in economic performance (which is higher the shorter the length of the peak season); as well as the overload in terms of social and environmental carrying capacity of the destination (Figini & Vici, 2012). However, destinations can put different marketing policies into effect to reduce seasonality, such as market diversification, price verification (e.g., reducing prices of goods and services at the destination as well as tour prices), offering out-off-season attractions or non-conventional tourist services and facilities and others.

Destinations where tourism is highly seasonal suffer from underused infrastructure. Thus, natural and cultural resources can be exposed to risks of negative impacts during the high season, while the economic viability of small tourism businesses and the stability of the local labour market can be threatened during the low tourism season (Oliver & Jenkins, 2005).

Figure 4: Monthly distribution of nights spent in tourist accommodation establishments, 2016



Source: (Eurostat, 2018b; The Institute of Statistics Republic of Albania, 2018; Authors' own calculation)

Clearly, the attractive Mediterranean coast is one of the most important factors behind this seasonality due to summer vacations, and it affects the economies of Croatia (Figure 4), Montenegro, and Greece the most. Although this fact may help address the issue of seasonality and related sustainability pressures at the national level in these countries, it is an issue of considerable magnitude and does pose a challenge. In contrast, massive inflows of tourist do affect specific sub-regions and cities in all the countries of the Adriatic-Ionian region, even where national perspectives may differ.

1.3 Innovation indicators

Innovations form part of the Europe 2020 strategy due to their role in creating job opportunities, increasing the competitiveness of enterprises in global markets, improving the quality of life and contributing to more sustainable economic growth. Indeed, EU policies often focus on encouraging and stimulating innovation. According to Eurostat, almost half of the enterprises in the EU reported some form of innovation activity (49.1%) during the 2012–2014 period. Compared with the 2010–2012 period, the share of innovative enterprises remained relatively stable (rising by 0.2 percentage points). To assess the innovation-specific conditions and innovation performance in the Adriatic-Ionian region, several indicators/sources are consulted: *Global Innovation Index, World*

Development Indicators, World Bank Group Enterprise Surveys and Bloom Consulting Country Brand Ranking.

Global Innovation Index

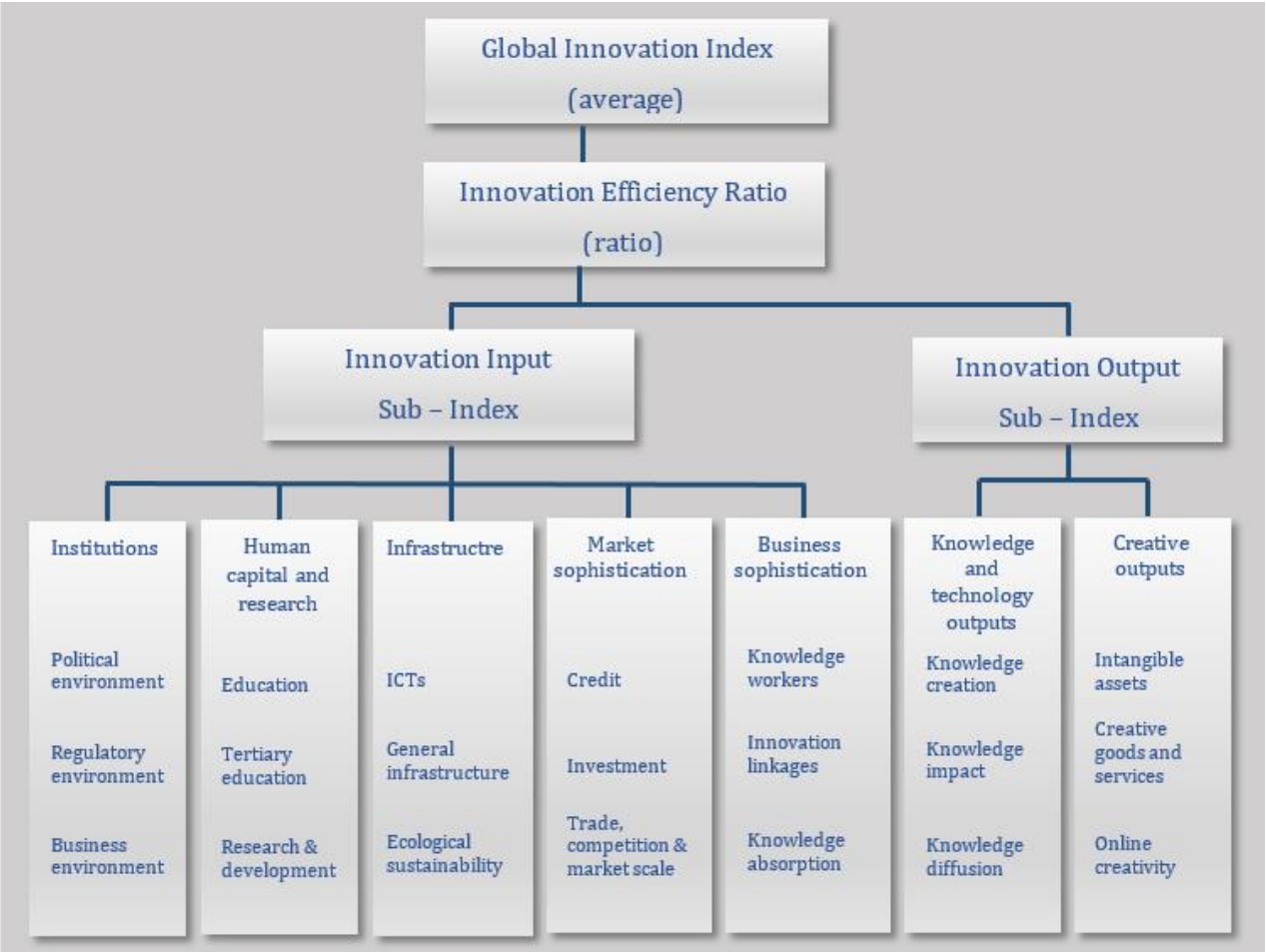
The Global Innovation Index (GII) is an annual ranking of countries by their capacity for and success in innovation. It is published by Cornell University, INSEAD, and the World Intellectual Property Organization in partnership with other organisations and institutions and is based on both subjective and objective data derived from several sources, including the International Telecommunication Union, the World Bank, and the World Economic Forum. GII aims to capture the multi-dimensional facets of innovation and to provide the tools that can assist in tailoring policies to promote long-term output growth, improved productivity, and job growth. GII helps to create an environment in which innovation factors are continually evaluated.

Four measures are calculated (Figure 5): the overall GII, the Input and Output Sub-Indices, and the Innovation Efficiency Ratio (Dutta, Lanvin, & Wunsch-Vincent, 2017):

- The overall GII score is the simple average of the Input and Output Sub-Index scores.
- The Innovation Input Sub-Index is comprised of five input pillars that capture elements of the national economy that enable innovative activities: (1) Institutions, (2) Human capital and research, (3) Infrastructure, (4) Market sophistication, and (5) Business sophistication.
- The Innovation Output Sub-Index provides information about outputs that are the results of innovative activities within the economy. There are two output pillars: (6) Knowledge and technology outputs, and (7) Creative outputs.
- The Innovation Efficiency Ratio is the ratio of the Output Sub-Index score over the Input Sub-Index score. It shows how much innovation output a given country is obtaining for its inputs.

The GII is computed by taking a simple average of the scores in two sub-indices, the Innovation Input Index and Innovation Output Index, which are composed of five and two pillars, respectively. Each of these pillars describes an attribute of innovation and comprises up to five indicators, and their score is calculated by the weighted average method.

Figure 5: Framework of the Global Innovation Index 2017



Source: (Dutta et al., 2017)

A group of 127 countries was analysed and compared in 2017. Switzerland came at the top of the list (index of 67.7), on the bottom was Yemen (15.6). Within the Adriatic-Ionian region, the eurozone countries have experienced an increase in the GII, with Italy outperforming all the others. At the same time, the largest contraction of the GII was observed in Bosnia and Herzegovina, and Serbia (Table 11).

Table 11: Global innovation index

Country	Year / (%) 2012	2013	2014	2015	2016	2017	Index 2017-2012
Albania	30.4	30.9	30.5	30.7	28.4	28.9	95.1
Bosnia and Herzegovina	34.2	36.2	32.4	32.3	29.6	30.2	88.3
Croatia	40.7	41.9	40.7	41.7	38.3	39.8	97.8
Italy	44.5	47.8	45.7	46.4	47.2	57.0	128.1
Montenegro	40.1	41.0	37.0	41.2	37.4	38.1	95.0
Slovenia	49.9	47.2	47.2	48.5	46.0	54.8	109.8
Greece	35.3	37.7	38.9	40.3	39.8	38.8	109.9
Serbia	40.0	37.9	35.9	36.5	33.8	35.3	88.3

Source: (Dutta et al., 2017)

However, even with positive developments in the eurozone countries, Slovenia scaled down the global GII ranking (note that lower rank indicates better performance), joining the others from the same region (Table 12).

Table 12: Global innovation index rank

Country	Year (rank) 2012	2013	2014	2015	2016	2017	Rank difference 2017 – 2012
Albania	90	93	94	87	92	93	-3
Bosnia and Herzegovina	72	58	81	79	87	86	-14
Croatia	42	43	42	40	45	44	-2
Italy	36	28	31	31	29	29	7
Montenegro	45	40	59	41	46	50	-5
Slovenia	26	29	28	28	32	30	-4
Greece	66	45	50	45	37	38	28
Serbia	46	63	67	63	68	58	-12

Source: (Dutta et al., 2017)

Although some indication of cross-country differences and specifics at the regional and global levels can be inferred from these indicators, in general care should be taken when interpreting the results because of well-known difficulties in attempts to unambiguously relate them to the other economic and social categories and developments. Even in the narrow field of interest of tourism activity and for quite a small group of countries, this is

easily demonstrable (for example, Greece provides here enough evidence for that in the light of previous data analysis).

World Development Indicators

World Development Indicators (Table 13) offer an opportunity to assess briefly business conditions from an innovation perspective and can provide some critical information on the intraregional developments demonstrated above. Country-specific indicators of innovative business behaviour, such as trademark and patent applications or charges for the use of intellectual properties to some extent reflect the saying: 'quantity gives quality'. They are closely related to the size of the country's population (not necessarily to its economic size), level of development, trade openness, or growth trend. These factors have greater influence on the country's own efforts to generate technological progress as measured by R&D expenditure.

Table 13. World development indicators: Percentage share of the Adriatic-Ionian region (unless indicated otherwise)

Country	Trademark applications	Patent applications, residents	Patent applications, nonresidents	Charges for the use of intellectual property, receipts	Charges for the use of intellectual property, payments	High-technology exports	Research and development expenditure (% of GDP)
Albania	4.8	0.2	0.4	0.1	0.4	0.03	0.2
Bosnia and Herzegovina	4.3	0.6	0.6	0.4	0.1	0.3	0.2
Croatia	5.5	1.8	1.2	1.4	4.8	3.3	0.9
Italy	60.8	89.3	91.1	92.7	82.7	86.4	1.3
Montenegro	4.4	0.1	NA	0.02	0.1	0.0	0.4
Slovenia	1.6	NA	1.0	2.1	4.0	5.4	2.2
Greece	9.7	6.1	3.7	2.1	4.4	3.7	1.0
Serbia	8.9	1.9	2.0	1.2	3.5	1.0	0.9
Total	**100**	**100**	**100**	**100**	**100**	**100**	**0,8**

Source: (The World Bank, 2018a)

Note: Trademark and patent applications: 2016; Research and Development expenditure: 2015 (Albania: 2008); Rest of data: 2017

The Enterprise Surveys conducted by the World Bank provide an alternative view on innovation practices (Table 14): the firm-level intensity of the process. Specifically, this survey helps to estimate the share of firms involved in the innovation process. Unfortunately, the surveys are done mostly in World Bank client countries, and high-income countries are usually not covered, which is why the data for the largest economies in the Adriatic-Ionian region (Italy and Greece) are missing. However, these results can still indicate the extent to which regional firms invest in product and service or process innovation.

It is not surprising to find a positive correlation between the shares of the firms that introduce product/service innovations and process innovations (where Bosnia and Herzegovina, Croatia and Serbia demonstrate the highest intensity). Interestingly, it would seem that the majority of these firms open their market to new products and processes. Survey results also suggest that the share of firms that direct their expenditure to R&D is universally smaller than the share of firms introducing innovations. This could mean that technology diffusion is taking place across the region and broader but, to some extent, it might suggest that they have low levels of technologically advanced content. This is probably the reason that relatively less-developed countries in the region have higher innovation-to-R&D-spending firm-intensity ratios.

Table 14: Innovation and technology

Country	Percent of firms that introduced a new product/service	Percent of firms whose new product/service is also new to the main market	Percent of firms that introduced a process innovation	Percent of firms that spend on R&D
Albania	8.4	56.8	2.9	0.9
Bosnia and Herzegovina	43.9	76.8	34.4	10.6
Croatia	39.7	72.4	29.6	22.3
Italy				
Montenegro	14.3	22.7	11.7	9.5
Slovenia	34.0	40.6	9.0	14.8
Greece				
Serbia	39.5	56.6	21.5	15.1

Source: (The World Bank, 2018a)
Note: The latest data available: 2013

Country Brand Strategy Ranking and Digital Country Index

The last source (Table 15) (i.e. a set of indicators) to check remains the one that measures international perception and reputation (World Economic Forum, 2017). A Country Brand Strategy Rating is a form of evaluating the accuracy of the strategy of national tourism organisations (NTO) by a formula that compares the most popular brandname for a specific country to the brandnames most heavily promoted by that country's NTO. Digital demand for cultural and entertainment tourism is measured through the total number of online searches.

According to this indicator, the most successful brand strategy is implemented in Slovenia, and it is also highly rated on global terms. Greece and Italy follow, and the rest are markedly lagging behind. However, digital demand expressed in cultural and

entertainment tourism tells a different story. Slovenia seems less attractive through the lenses of Internet searches for this segment of demand than Italy and Greece do, but also in comparison to Bosnia and Herzegovina and Croatia. Still, it is difficult to assess in what way and magnitude this reflects traditional perceptions of European countries, current political situations, brand strategies and/or innovation processes in the tourist sector.

Table 15: Tourist perception of a country according to the Travel and Tourism Competitiveness Report for 2017

Country/Indicator	Country brand strategy rating			Cultural and entertainment tourism digital demand		
	Rank (1/135)	Score (1-100 best)	Score trend	Rank (1/135)	Score (0-100 best)	Score trend
Albania	106	63.2	+	122	1	+
Bosnia and Herzegovina	91	71.7	0	77	7	0
Croatia	105	63.8	+	36	18	+
Italy	75	73.8	-	7	71	-
Montenegro	99	66.2	+	112	2	+
Slovenia	25	82.8	-	98	4	+
Greece	67	74.9	+	29	23	+
Serbia	127	50.3	-	117	2	+

Source: (World Economic Forum, 2017)
Note: For detailed definitions, sources, and periods, consult the interactive Country/Economy Profiles and Rankings at http://wef.ch/ttcr

1.4 Sustainability indicators

Sustainability principles are the environmental, economic and socio-cultural aspects of tourism development, and a suitable balance must be established between these three dimensions to guarantee its long-term sustainability (UNWTO, 2018).

Sustainable tourism development requires the informed participation of all relevant stakeholders, as well as strong political leadership to ensure broad participation and consensus building. Achieving sustainable tourism is a continuous process, and it requires constant monitoring of impacts, introducing the necessary preventive and/or corrective measures whenever necessary. Sustainable tourism should also maintain a high level of

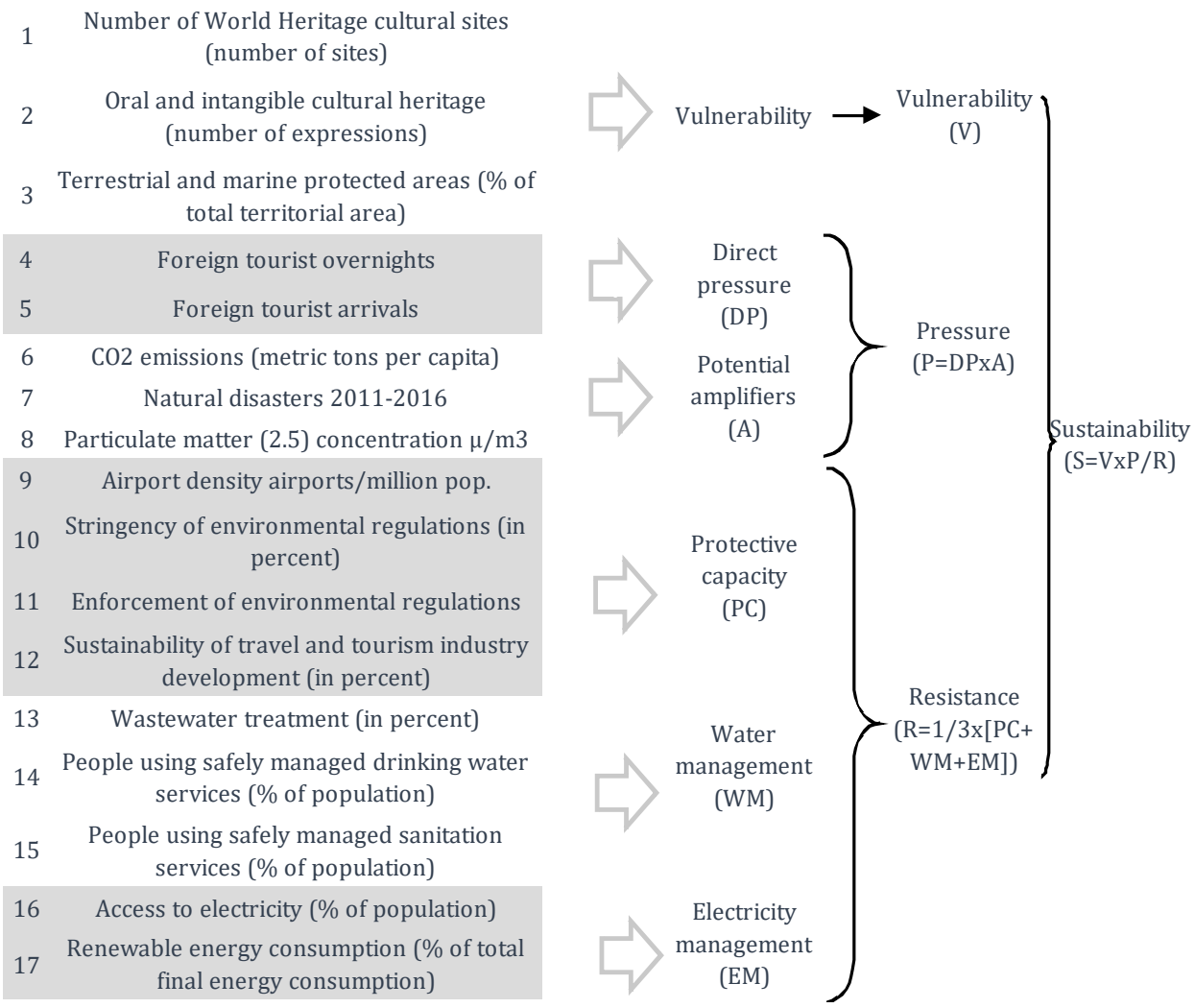
tourist satisfaction and ensure a meaningful experience to the tourists, raising their awareness about sustainability issues and promoting sustainable tourism practices among them (UNWTO, 2004).

Since the concept of sustainability does not allow for a direct measure of this balance, one can and usually does rely on numerous 'sustainability indicators'. However, from the perspective of sustainable practices, they mean something only in relation to each other, and still can provide merely a sense of the nature and, to some extent, possibly a degree of the potential problem. Here, mostly ecological and socio-cultural consequences of tourist activity were given attention. UNWTO and the World Bank provide a large set of interesting indicators to measure certain dimensions of this concept, but one is forced to derive conclusions with no straightforward way of comparing and interpreting them. Bearing that in mind, it can be useful to attempt to synthesise a relative measure of sustainability pressures across the Adriatic-Ionian region. One way to do so it is described next.

From a typical list of sustainability indicators (17 indicators from the World Economic Forum and World Bank) for each country in the group, one can standardise them by dividing the country-measure by the maximum value for the group and then clustering them (simple averaging) into six distinct categories: Vulnerability, Direct pressure, Potential amplifiers, Protective capacity, Water management, and Electricity management. Observing vulnerability in relation to the existing pressure and resistance factors may give some indication of the sustainability risks of these countries.

The measure presented here (Figure 6) is crude and relative and is used to differentiate among countries that are heterogeneous in many aspects. One way to examine it is to confront the composite measure of direct sustainability pressure that can be amplified depending on many factors, which include the vulnerability (P=DPxA) with the capacities of a country to generate resistance (R) and thus ameliorate potential (negative) impact stemming from tourism and tourism-related activities.

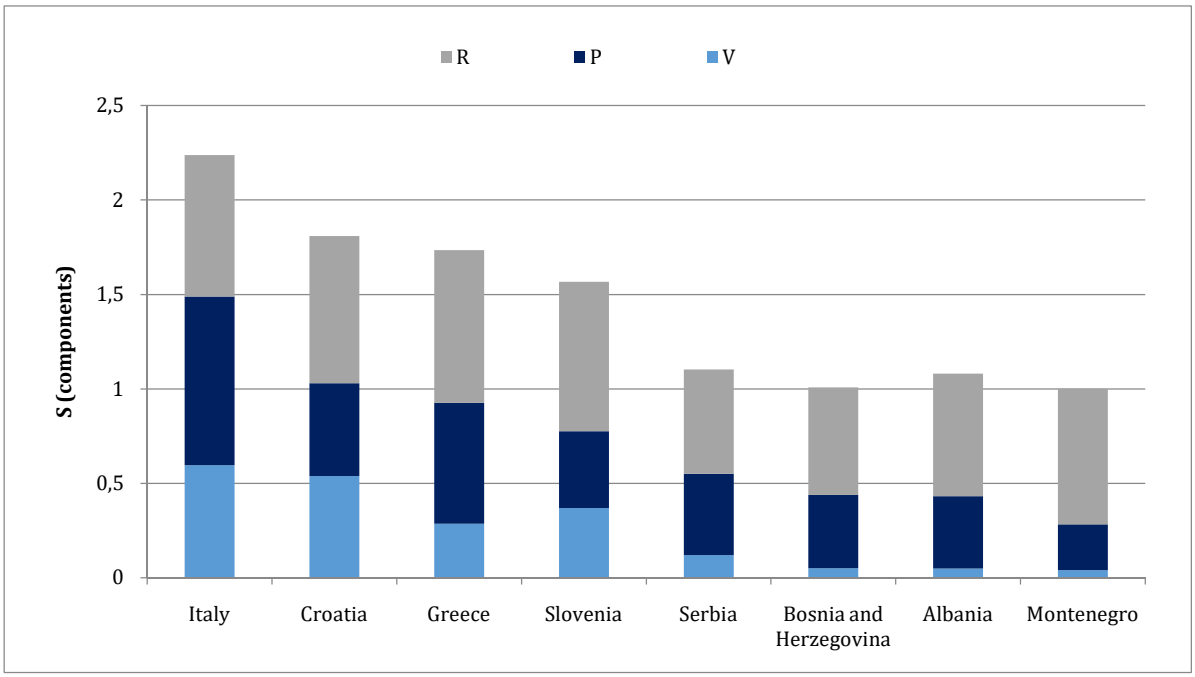
Figure 6: Simple synthetic relative measure of sustainability pressures



Source: (Authors' own calculation)

It is clear and intuitively understandable that this relative measure connects the size of a country's tourist activities (e.g. market share or contributions of tourism to GDP) and pressure of the tourism, but a quite different view of the problem may emerge from the perspective . It depends not only on their management effectiveness and the development of infrastructure, but also on the attributes of the inherited or collected natural and cultural possessions, which may simultaneously pose 'a target' difficult to protect. It seems that Italy demonstrates the highest within-group sensitivity in this regards, while Croatia, Greece, and Slovenia fall into medium-risk countries from the sustainability perspective. Montenegro currently holds the most favourable position (Figure 7).

Figure 7: Order of countries by measures of sustainability pressures



Source: (The World Bank, 2018a; World Economic Forum, 2017; Authors' own calculations)
Note: (a) Missing value for the tourist overnights for Albania is approximated by tourist arrivals;
(b) For a definition of the components, see Figure 6.

1.5 Comparative analysis of the national legislation regarding innovation and innovation incentive policies

The legislative framework is an important factor for the development and strategic growth of tourism in the country. It shapes the rules and regulatory practices that affect, directly or indirectly, the sustainable development and management of tourism, protection, and conservation of natural and cultural resources, and the facilitation of the involvement of private sector and local communities in tourism development activities. Apart from that, legislation is supposed to define the roles and responsibilities of various government agencies, at central and local levels, in tourism development. To ensure the rights of international/local tourists, the rights and obligations of participating businesses, inbound-outbound tour operators and all other concerned players in the tourism field, straightforward legislation and policy are needed.

Legislation in the field of tourism

Apart from just focusing on innovations in tourism, which is apparently underrated and mostly non-existent in partner countries, a wider range is taken into consideration. In the next table, there is a summary of the review of laws and regulations dealing with innovation within three areas: Tourism, Innovation, and the Labour Market (Table 16).

Table 16: Legislation in the field of tourism

	Indicator					
Country	Tourism		Innovation		Labour Market	
	Law	Process of rewarding Innovation	Law	Process of rewarding innovation	Law	Process of rewarding innovation
Albania	√	X	√	√	√	√
Bosnia and Herzegovina	√	X	X	X	√	X
Croatia	√	X	√	√	√	√
Italy	√	X	√	√	√	X
Montenegro	√	X	√	X	√	X
Slovenia	√	X	√	√	√	X

Source: (Authors' findings)

In general, as seen in Table 16, countries included in this analysis have adopted laws in the areas under study. However, regulations or processes dealing with rewarding innovations or stimulation of the innovative potential within the specific area are limited. As expected,

there are processes of rewarding innovations, defined by the acts on innovation and inventions from an employment relationship. However, such processes are mostly lacking in two other areas: Tourism and Labour Market. Procedures for rewarding innovation from an Employment Relationship are regulated only in Albania and Croatia.

Organisational structures of tourism management systems in the countries of the Adriatic Ionian Region

In this section, the organisational structure of the tourism in the Adriatic-Ionian countries is reviewed. The organisational structure focuses on the public sector, the private sector, and civil society at three levels: national, regional, and local.

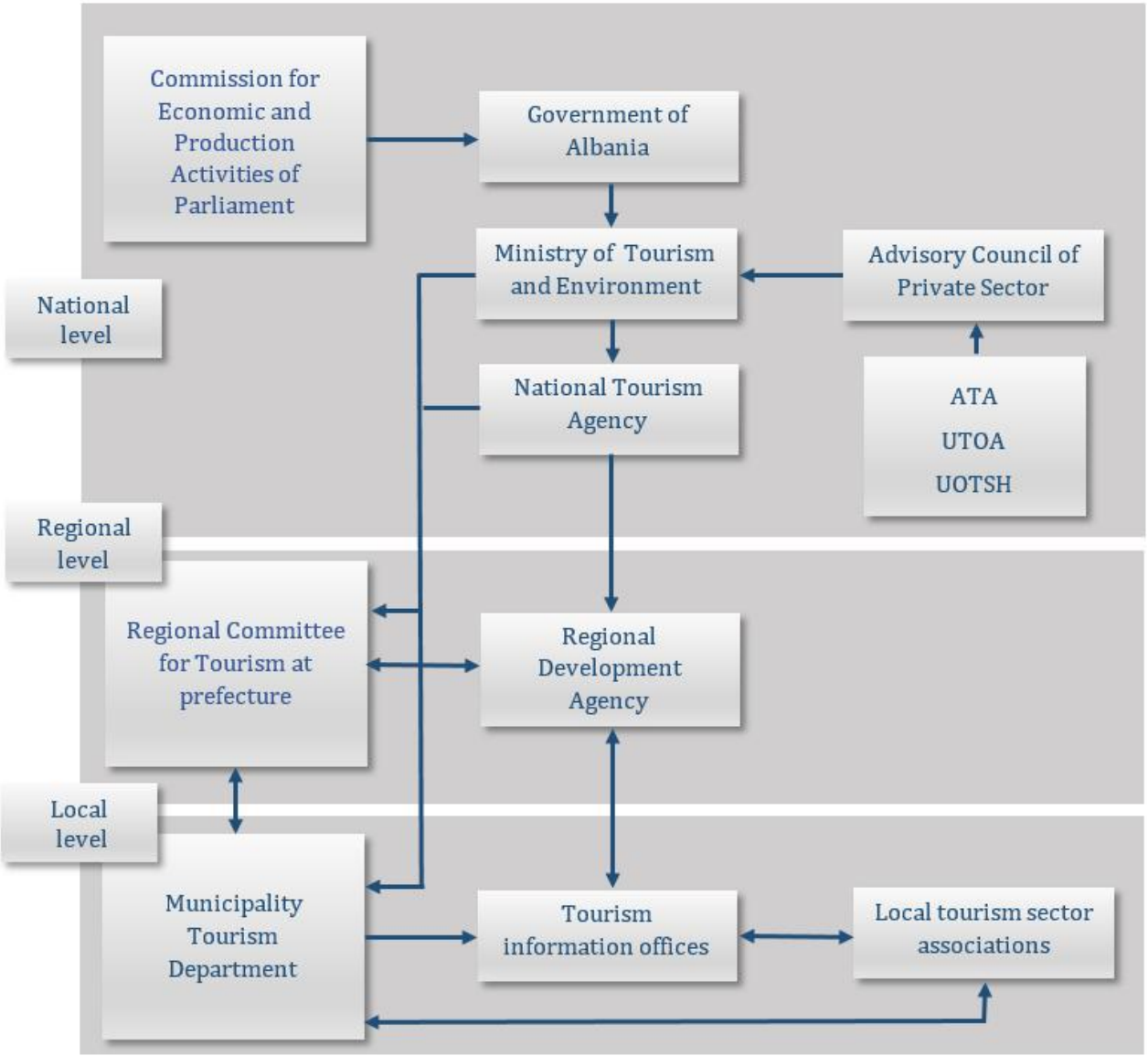
Bosnia and Herzegovina and Italy regulate at the level of regions, while other countries have national tourist organisations and specialised tourism offices. The organisation schemes of the countries vary. Generally, a network at the local level is widely distributed. In particular, there are tourist information centres. They vary from independent ministries of tourism as it the case in Croatia to the combination of the ministry with a wider field as in the Ministry of Economic Development and Technology in Slovenia.

Albania

The Ministry of Tourism (Figure 8) is the competent authority for policy-making and programming in the tourism sector of Albania. The ministry supervises the National Tourism Agency, which is responsible for implementing marketing programmes and monitoring their development. This level coordinates the activities of regional-level agencies: the regional committee for tourism at the prefecture level and four regional agencies that have begun working at the regional marketing level, and regional project planning and implementation.

Tourism information offices at the local level are responsible for dealing with complaints made by visitors against tourism enterprises and provide information concerning requirements for visiting Albania. One additional member of the third-level component of the scheme is a private national association of tourism.

Figure 8: Organisational structures of tourism management in Albania



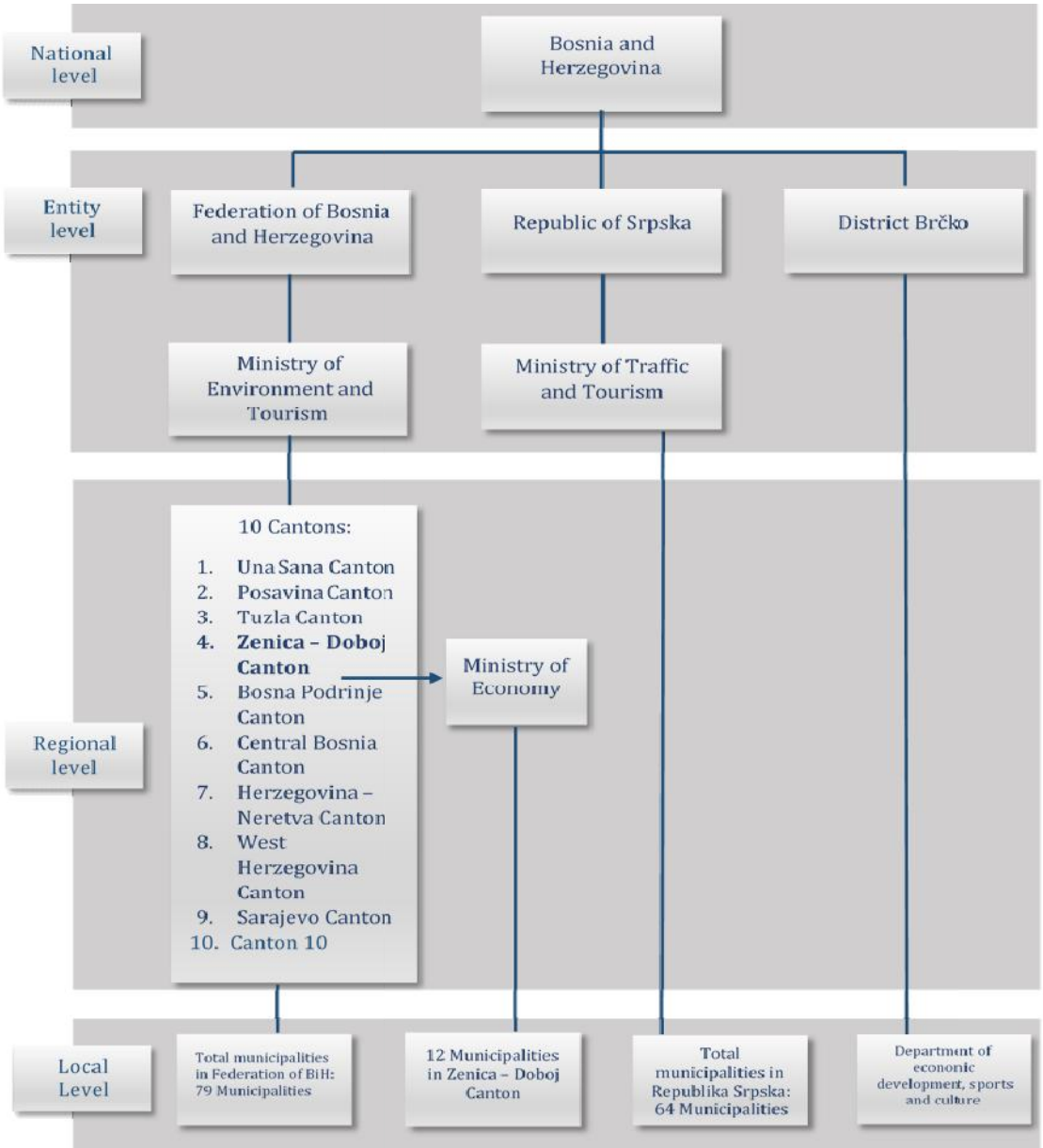
Source: (Authors' findings)

Note: ATA – Albanian Tourism Association; UTOA – Albanian Union of Tour Operators; UOTSH – Albanian Union of Tourism Operators

Bosnia and Herzegovina

The national level (BiH) consists of two entities and one district, i.e. the Federation of Bosnia and Herzegovina (FBiH), the Republic of Srpska (RS), and the Brčko District (BD). Therefore, the tourism management system in BiH is formed by three tourism management systems from both entities and one district (Figure 9).

Figure 9: Organisational structures of tourism management in Bosnia and Herzegovina



Source: (Authors' findings)

The responsible authority in FBiH for tourism is the Federal Ministry of Environment and Tourism. FBiH consists of 10 cantons that represent the regional level. Each canton has its own authority responsible for tourism (e.g. in Zenica–Doboj Canton, it is the Ministry of Economy). The authority responsible for tourism at the level of 'entity' in RS is the Ministry of Traffic and Tourism, and in BD it is the Department of Economic Development, Sports and Culture (without regional division in these two entities).

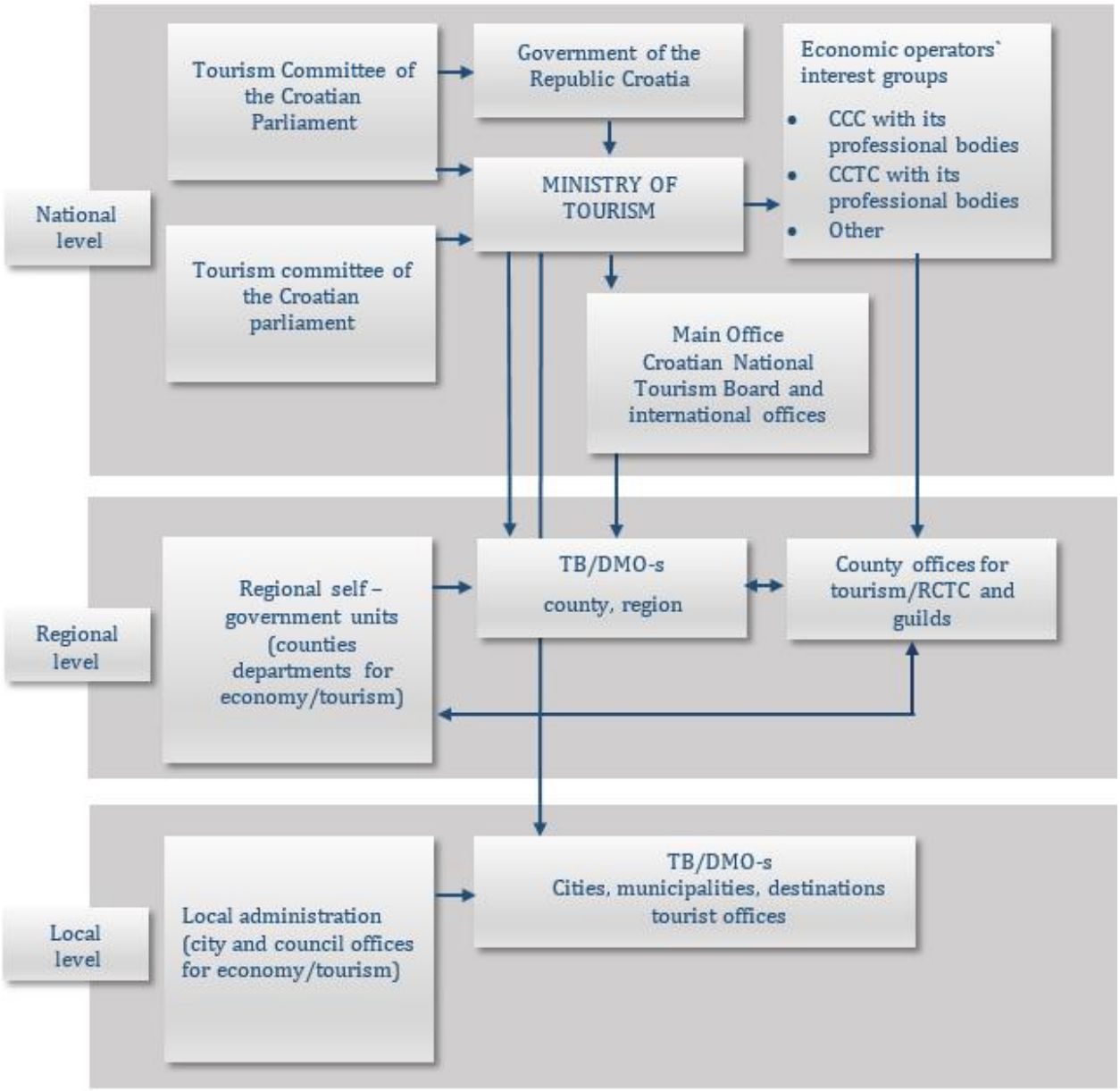
Croatia

The national body responsible for tourism in Croatia is the Ministry of Tourism, which is in charge of drafting strategies, policies, and measures at the national level, and for drawing up proposals for legislation to regulate the tourism and hospitality industry, determining the role and activities of the Croatian National Tourism Board, and tourism tax issues (Figure 10).

There are four directorates within the ministry: International Co-operation, Development and Competitiveness of Tourism, the Tourist Board System and Destination Management, and Legal Affairs. Tourism promotion is the responsibility of the Croatian National Tourism Board (CNTB). The Minister of Tourism is, ex officio, its president, while the executive director manages the CNTB's daily operations and activities.

At the regional level, most county administrative offices have a department responsible for tourism and handle the classification of, and issuing of permits for, private accommodation operators. The management bodies involved within the Croatian National Tourist Board are the Croatian Parliament, the Tourist Board, the Auditing Committee, and the President. The duties of the President of the Croatian Tourist Board are undertaken by the Minister for Tourism.

Figure 10: Organisational structures of tourism management in Croatia



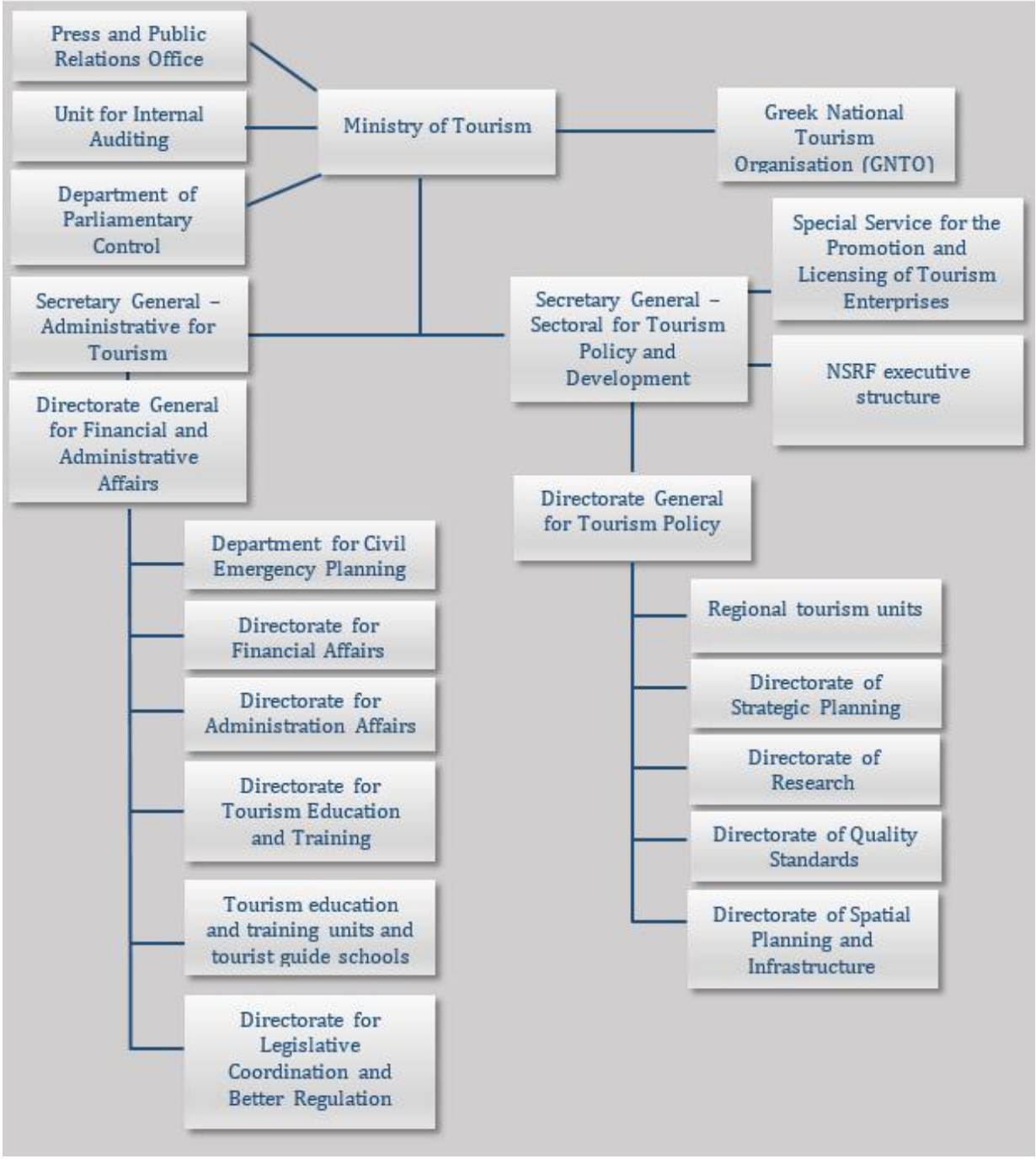
Source: (Vlada Republike Hrvatske, 2013)

Note: CCC – Croatian Chamber of Commerce; CCTC – Croatian Chamber of Trades and Craft; RCTC – Regional Chambers of Trades and Craft; TB – Tourism Board; DMO – Destination Management Organisation

Greece

In Greece, the Ministry of Tourism formulates the country's tourism policy, introduces legislative reforms, undertakes tourism planning and coordinates activities with other ministries (Figure 11).

Figure 11: Organisational structures of tourism management in Greece



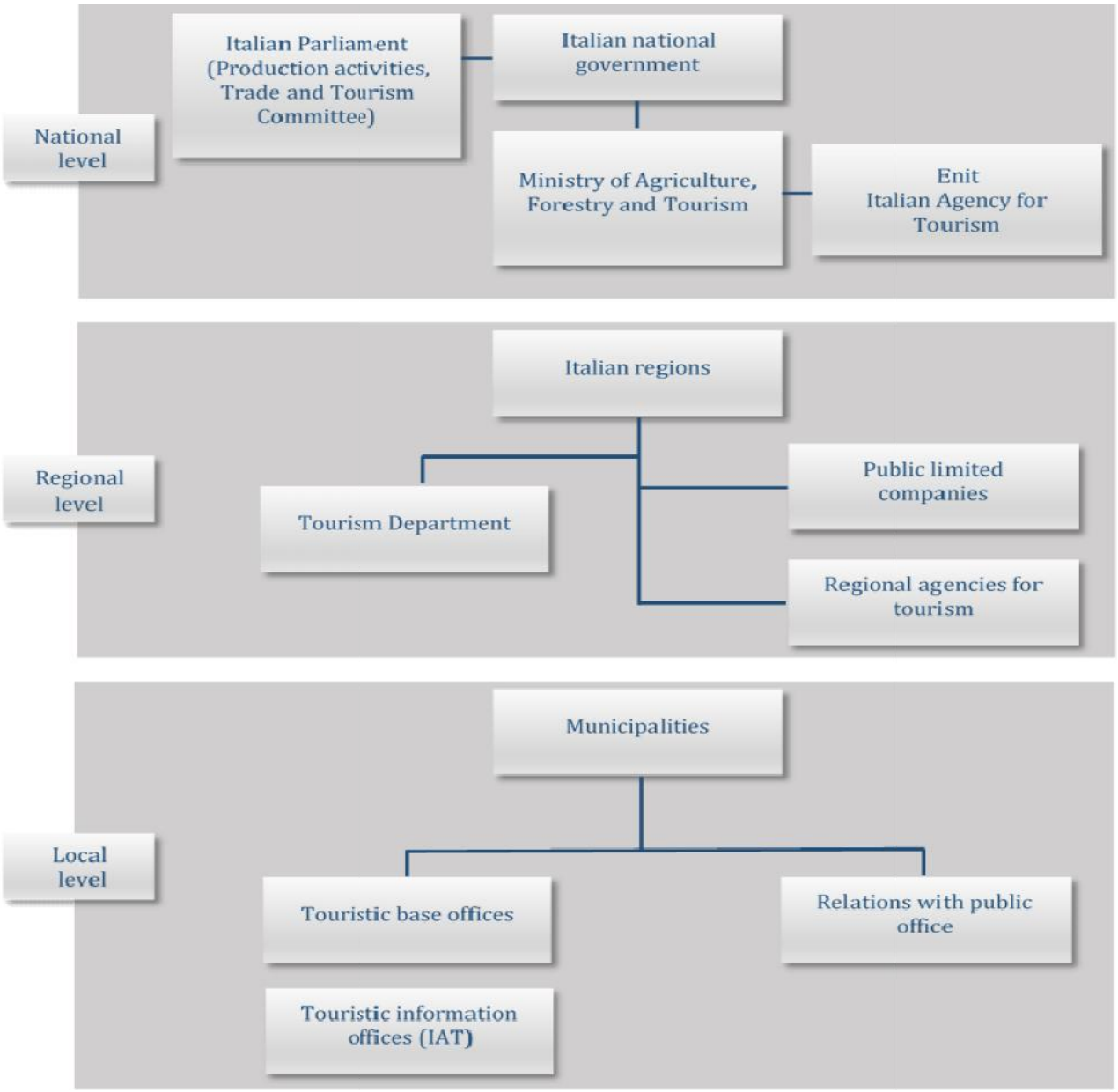
Source: (Authors' findings)

A number of directorates are responsible for the various functions of the ministry. Within this structure, the National Strategic Reference Framework Executive (NSRF) reports directly to the Secretary-General for Tourism Policy and Development and contributes to the formulation of proposals, which lead to specific tourism projects. The Greek National Tourism Organisation (GNTO) is a public entity under the supervision of the ministry. Its mission is to organise, develop, and promote Greek tourism, within the country and worldwide, utilising its 16 overseas offices. The Hellenic Chamber of Hotels is the state's institutional consultant and the authority responsible for the official classification of hotels, rooms, and apartments for rent. The Ministry of Tourism has 14 Regional Tourism Offices, located in each region, which are responsible for licensing and inspecting tourism businesses, conducting quality control, monitoring official classification and imposing administrative sanctions on tourism businesses. At the local level, regions and municipalities design and implement programmes and activities for tourism development and promotion. These activities are not financed by the central government; local authorities make use of their own resources or European programme funds.

Italy

At the national level, the management of tourism is carried out by the Italian Parliament through the Production Activity, Trade and Tourism Committee (Figure 12).
The new government has recently (July 2018) modified the governmental organisation moving the competence on tourism from cultural heritage goods ministry to the MIPAAFT (Ministry of Agriculture, Forestry and Tourism). At the national level, the ENIT - Agenzia Nazionale del Turismo (www.enit.it/en/) has to be mentioned as well. It is a state agency (National Tourism Organisation) for promoting the national tourist image and supporting the commercialisation of Italian tourism products in the world. In recent years, it has been subjected to various reforms, and it currently still does not cover the pivotal role that suits it.
To perform the functions of programming, promotion, and financing, regions also use, in addition to their direct administration (Tourism Department), bodies falling into the so-called 'regional indirect administration' (public limited companies, and regional agencies). Municipalities are the primary entities of the territorial tourist policies with responsibilities for carrying out communication strategy through Tourist Information Offices (IAT) Relations with the Public Office, and a specific service (S.O.S.) dedicated to the management of local tourism.

Figure 12: Organisational structures of tourism management in Italy



Source: (Authors' findings)

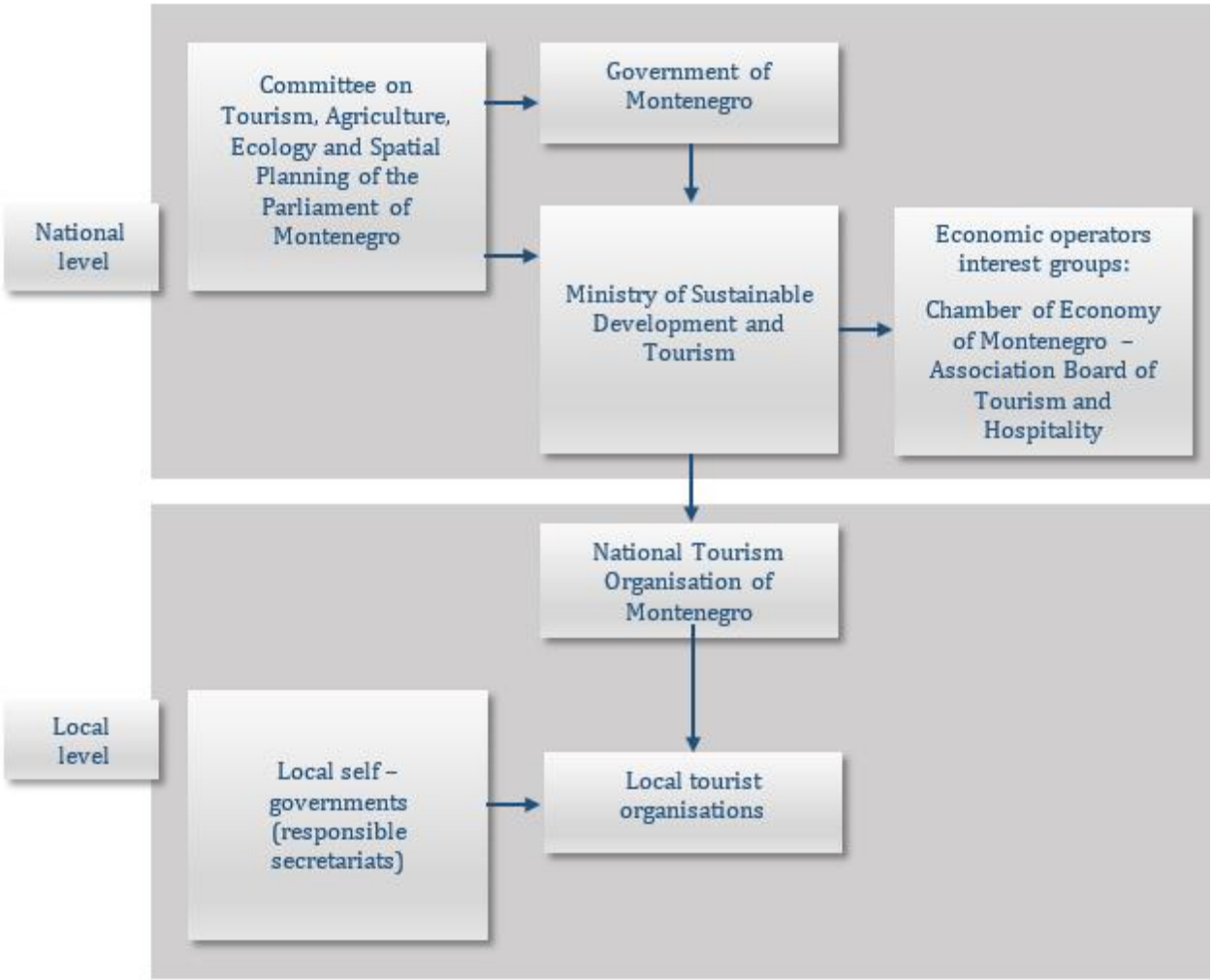
While increased attention has been given to tourism, the lack of an integrated tourism policy into an overall development strategy remains a significant challenge. As tourism is not exclusively within the remit of the state, Italy's regions are empowered to play an essential role in a variety of key tourism activities, including product development and marketing. It follows that organising and developing and efficient governance of the plethora of stakeholders active in tourism development and promotion represents a

significant challenge in terms of the implementation of a coherent and efficient national tourism strategy.

Montenegro

The Ministry of Sustainable Development and Tourism coordinates its activities with the National Tourism Organisation of Montenegro, which is responsible for planning and implementing tourism strategies, proposing and carrying out promotional activities at home and abroad, and improving the quality of tourism offerings (Figure 13).

Figure 13: Organisational structures of tourism management in Montenegro



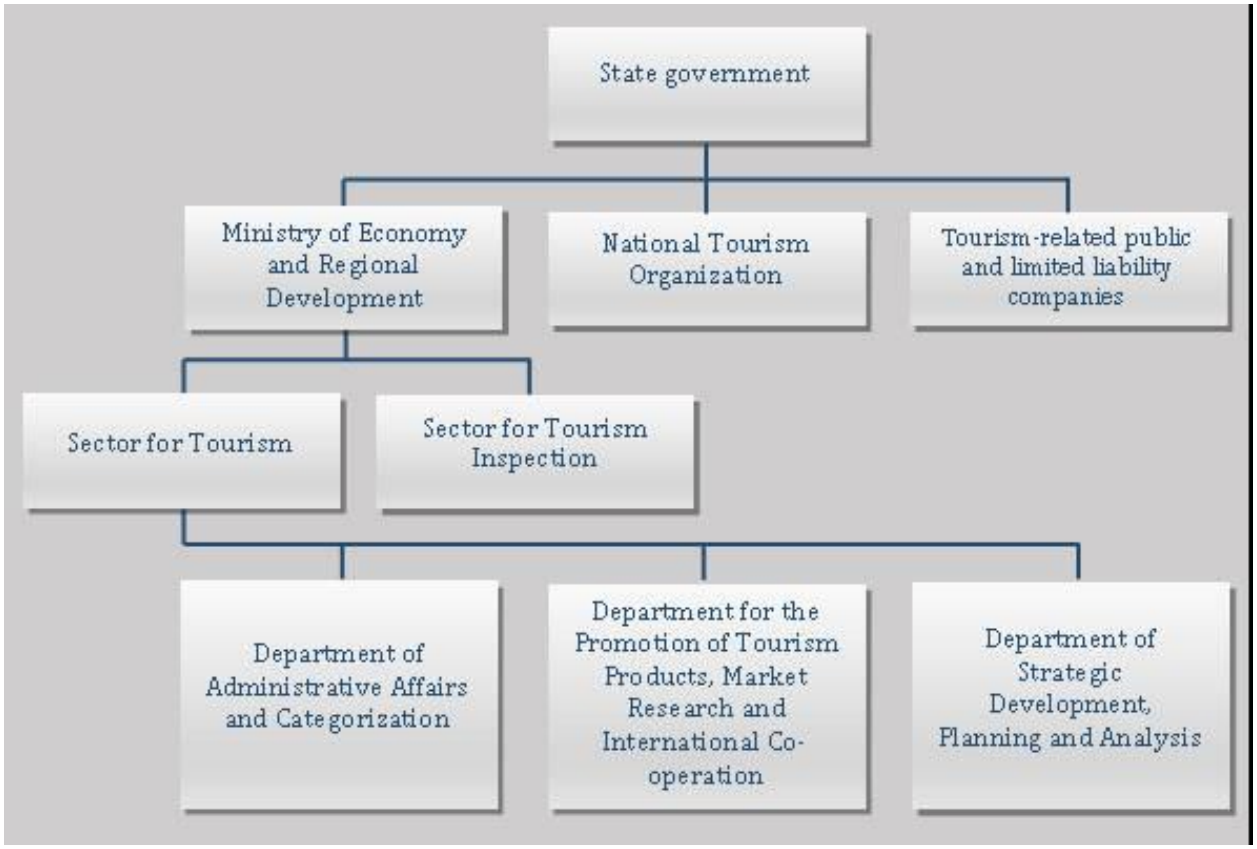
Source: (Authors' findings)

However, at the national level, this coordination takes place in a trilateral form that involves the Ministry of Sustainable Development and Tourism, as well as the parliamentary committee responsible for tourism, and economic operators' interest groups (Chamber of Economy and Association Board of Tourism and Hospitality). The coordination structure focuses on tourist organisations at the local level, which exist in 19 municipalities and are very active in all aspects of tourism development and operations in their districts, aided by the functions of local secretariats.

Serbia

The Ministry of Trade, Tourism and Telecommunications in Serbia functions through the Sector for Tourism, and the Sector for Tourist Inspection (Figure 14).

Figure 14: Organisational structures of tourism management in Serbia



Source: (Authors' findings)

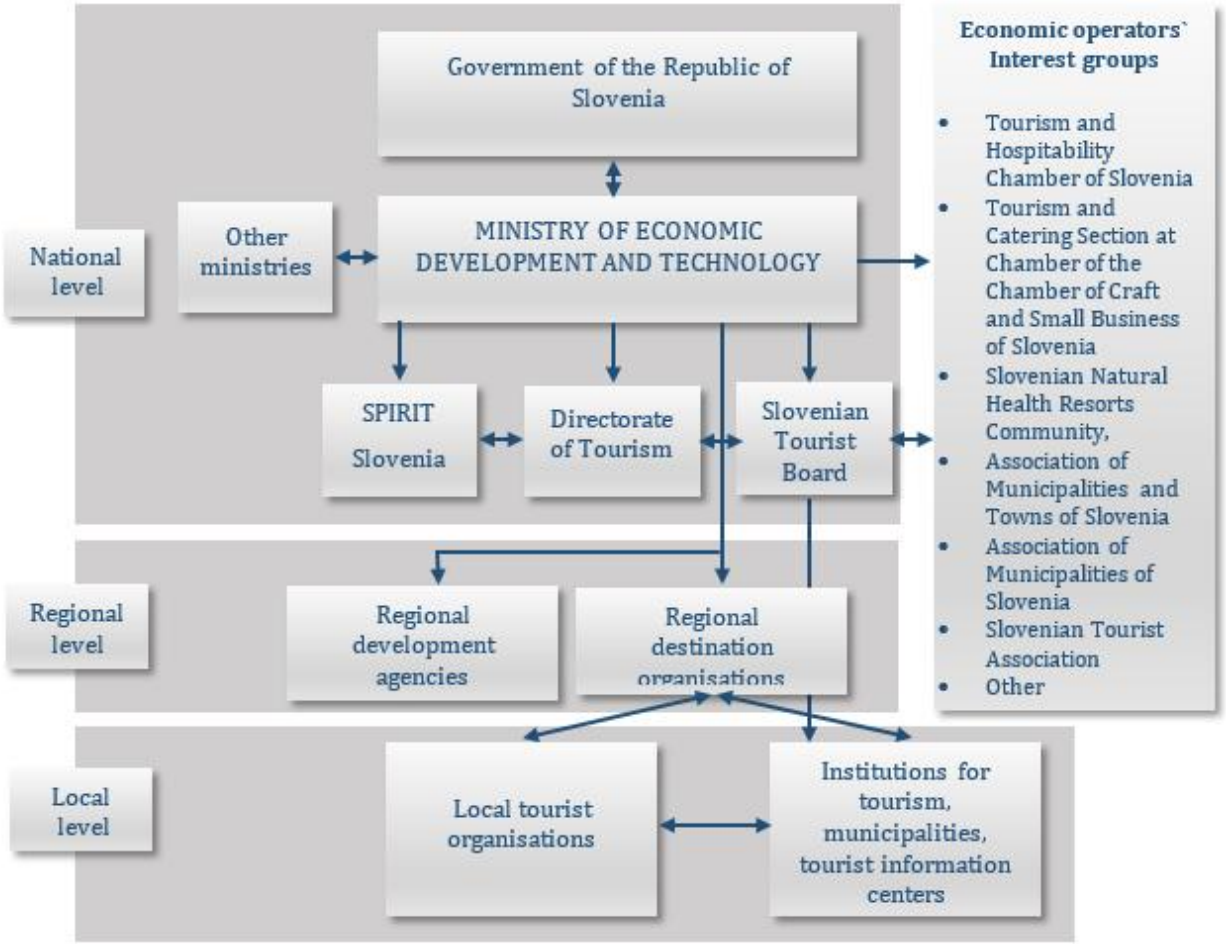
The Sector for Tourism is headed by the state secretary and performs numerous duties of state administration in accordance with the Law on Ministries, which is related to drafting legislation and implementing the Law on Tourism, proposing and implementing incentive

measures for tourism development, etc. The National Tourist Organisation serves as a connecting point between national strategy development and the law-making administrative level and 116 local tourist organisations, owned and operated by local and regional governments and supported by the tourism industry.

Slovenia

The Ministry of Economic Development and Technology (MEDT) is the main governmental body responsible for producing and implementing national tourism policy as part of overall economic policy in Slovenia (Figure 15).

Figure 15: Organisational structures of tourism management in Slovenia



Source: (Authors' findings)

Given the cross-cutting nature of tourism, it is regulated by a number of national laws requiring permanent cross-sectoral coordination. Legislation requires the adoption and implementation of a tourism strategy for a five-year period. Strategic planning for Slovenian tourism policy reflects a partnership between the public and private sectors, and NGOs. The MEDT co-operates and consults primarily with the Chamber of Tourism and Hospitality, the Chamber of Craft and Small Business, and the Tourism Association of Slovenia, engaging in the strategic planning of tourism policy. The promotion of Slovenia as a tourism destination and the corresponding marketing activities are the responsibility of the Slovenian Tourist Board (STB), a public agency that operates six offices in Europe and works with other promotional offices worldwide.

The STB is also responsible for the infrastructure of tourist information, coordinating products, stakeholder networking, and undertaking research and development. Tourism development at the regional level is undertaken by twelve Regional Development Agencies, which are responsible to Regional Councils comprised of the mayors of local communities. Regional tourism development is governed by national legislation and the national development objectives of Slovenian tourism, which include some specific regional development objectives. The MEDT has sought to establish Regional Destination Organisations (RDOs) with the aim of achieving better integration of local tourism destinations. RDOs now operate specific development and marketing programmes and destination brands in each of the twelve statistical regions. At the local level, each mayor and community council is responsible for tourism development according to national legislation and national strategic objectives.

Overview of Tourism Study Programmes

Tourism education at universities tends to focus on enabling students for future careers in the industry. The final goals of the education should be twofold, first, by providing employable young professionals and, second, by providing students with foundations for decision-making strategies, as well as for professional preparation (Inui, Wheeler, & Lankford, 2006). The strategic aim of the providers of education in tourism should focus on bringing tourism education closer in line with national tourism policies (Amoah & Baum, 1997). From an industry perspective, tourism employment in the coming decades must have a very different profile than it does today. Students entering the uncertain world of the future and, in particular, the vulnerable tourism sector need different skills, aptitudes, and knowledge to succeed. To meet the challenges of the next few decades, tourism educational systems, however, are in need of radical change. Furthermore, skills and knowledge sets must be redefined, and structures and assumptions need to be questioned;

thus, the 'old ways of doing things' must be transcended. The challenges facing the tourism industry and tourism educators call for a new paradigm of tourism education. Universities are major enterprises and, historically, have been significant sources of innovative thinking and change, while tourism is a hallmark activity of the postmodern world. As such, they are an essential factor in world-making and people-making. 'The intersection of tourism and universities is, therefore, a powerful nexus of potential influence' (Sheldon & Fesenmaier, 2013). Furthermore, significant focus in tourism education should be placed on entrepreneurship, since tourism is one of the economic sectors in which the diversification of tourism products and services is needed to cope with increased demand for new types of tourism needs (Table 17). Entrepreneurship, as such, is considered a central force of economic development. Its aim is to generate growth and serves as a vehicle for innovation and change (Lordkipanidze, Brezet, & Backman, 2005).

Table 17: Overview of school programmes

Country	Secondary education	Bachelor / Master programmes	Innovation in tourism study courses
Albania	Two professional secondary schools (in Shkodra and Lezha) specialise in Tourism, and Restaurant and Hotel Management that offer a curriculum of three years in these topics.	Faculty of Economy at Tirana University (www.feut.edu.al) University of Durres (www.uamd.edu.al), University of Korca (www.unkorce.edu.al), University of Gjirokastra (www.uogj.edu.al)	There are no particular curriculums offered in Albania in the topic of innovation, although there are courses that have included this topic as part of the syllabus.
Bosnia and Herzegovina	Of 311 secondary schools, 5 specialise in catering and tourism (pure tourism).	Faculty for Business studies in Banja Luka, College of Tourism and Management in Konjic, Faculty of Economics in Sarajevo, Faculty of Science/Geography - Dept. for Tourism and Environmental Protection in Sarajevo, Faculty of Economics in East Sarajevo, Faculty for Management and Business Economy in Travnik (6 BA, 3 MA studies)	There are no particular curriculums offered in BiH related to innovation, although there are courses that have included it as part of the syllabus.
Croatia	Of 442 secondary schools, 18 specialise in catering and tourism.	Juraj Dobrila University of Pula, Faculty of Economics and Tourism 'Dr. Mijo Mirković', University of Dubrovnik, The Department of Economics and Business Economics, study Tourism, University of Rijeka, Faculty of Tourism and Hospitality Management, University of Split, Faculty of Economics, Department for Tourism and Economy, University of Zadar, Department of Tourism and Communication Studies, University of Zagreb, Faculty of Economics and Business, Department of Tourism, Polytechnic of Međimurje	There are no particular curriculums offered in Croatia related to innovation, although there are courses that have included it as part of the syllabus.

		in Čakovec, Management of tourism and sports, Polytechnic of Karlovac, Study of Hospitality, Polytechnic of Šibenik, Study of Tourism Management, Libertas International University, Study programme Tourism and Hotel Management, VERN Polytechnic, Study programme Tourism and Hotel Management	
Italy	Of 3690 secondary schools, 292 specialise in catering and tourism (pure tourism).	Università degli Studi di Milano - Bicocca Università degli Studi di Roma 'La Sapienza' Università degli Studi di Perugia Università degli Studi di Bergamo Università degli Studi di Bologna/Rimmini Università degli Studi di Palermo Università degli Studi Suor Orsola Benincasa Napoli University of Molise	Few educational institutions are concerned with the tourism economy and innovation.
Montenegro	Of 50 secondary schools, 2 specialise in catering and tourism.	Faculty of Tourism and Hospitality (FTH), Faculty for Mediterranean Business Studies Tivat; University Mediterranean Podgorica; Faculty for Business in Tourism Budva, HEC Faculty for International Management in Tourism and Hotel Industry Budva, Faculty of Management Herceg Novi,	Programmes do not have innovation curricula, so they are not directly implemented
Slovenia	Of 182 secondary schools, 6 specialise in catering and tourism.	Faculty of Tourism, Brežice Faculty of Tourism Studies - Turistica, Univerza na Primorskem Faculty of Commercial and Business Sciences Ljubljana – Tourism I FKPV, Celje Doba fakulteta, Maribor Fakulteta za Management, Univerza na Primorskem	Faculty of Tourism, Brežice Faculty of Tourism Studies - Turistica Visoka šola za trajnostni turizem ERUDIO

Source: (Authors' findings)

Profit tax and tax incentives for R&D investments

Some countries have profit tax and tax incentives for R&D investments for research and development (Table 18). The tax on corporate profit is the highest in Greece and Italy and the lowest in Bosnia and Herzegovina.

Tax incentives for R&D are the highest in Slovenia and Serbia, while some countries do not have them at all. In the case of Slovenia, 100% means that profit generated from R&D within company activities is completely free from further taxation.

Table 18: Profit tax and Tax incentive for R&D investments

	Profit tax (%)	Tax incentive for R&D (%)
Albania	6/20 [1]	-
Bosnia and Herzegovina	10	-
Croatia	12/18 [2]	-
Italy	24	50
Montenegro	21	-
Slovenia	19	100
Greece	29	30
Serbia	15	20-80

Source: (Authors' findings)

Notes:

[1] Depending on the type of business: 6% - tourism businesses, 20% - other

[2] Depending on whether revenue exceeds HRK 3,000,000.00

CHAPTER 2

2 Trends in tourism

To create an adequate tourism development strategy, in addition to the current tourism situation analysis, it is necessary to analyse existing tourism, which ultimately defines the development model of the destination or, in this case, the whole Adriatic-Ionian region. By understanding the coming years' trends in tourism, destinations, tourism businesses, and professionals can make strategic decisions in order to achieve better competitive positions on the tourism market. Therefore, it is more than necessary to follow the trends on the tourism market both regarding tourism demand and the offered facilities and services Trend analysis helps destinations to critically analyse their own position on the tourism market. Additionally, by being aware of market changes that are taking place, destinations can adapt to these changes as quickly as possible and, in that way, cope better with competition (Čavlek, Bartoluci, Prebežac, & Kesar, 2011).

Tourism continues to grow strongly and remains a key driver of economic development. Travellers around the world have regained confidence and have gone on more international trips than ever, despite terrorist attacks in several destinations (Buck & Ruetz, 2018). According to a recent World Tourism Organization (UNWTO) Travel Barometer, international tourist arrivals (overnight visitors) worldwide increased by 7% in 2017. UNWTO reported the following 2017 results by region (UNWTO, 2018):

- Europe recorded great results for such a large and rather mature region, with 8% more international arrivals than in 2016. Growth was driven by strong results in Southern and Mediterranean Europe (+13%). Western Europe (+7%), Northern Europe, and Central and Eastern Europe (both +5%) also recorded robust growth.
- Africa consolidated its 2016 rebound with an 8% increase. North Africa recorded a strong recovery with arrivals growing by 13%, while in Sub-Saharan Africa arrivals increased by 5%.
- Asia and the Pacific recorded 6% growth. Arrivals in South Asia grew 10%, in South-East Asia 8% and in Oceania 7%, while arrivals to North-East Asia increased by 3%.
- The Middle East recorded 5% growth.
- The Americas recorded 3%. South America (+7%) led growth, followed by Central America and the Caribbean (both +4%). In North America (+2%), robust results in Mexico and Canada contrasted with a decrease in the United States.

It is expected that international tourist arrivals will continue to grow worldwide, and it is crucial that the Adriatic-Ionian region follow this trend. To do so, all destinations have to take into account and adjust their offered facilities and services according to the new tourism trends.
According to the World Travel Monitor®[3] at the global level in 2017 (Buck & Ruetz, 2018):

- holidays remain the number one reason for going on a trip abroad,
- within the holiday segment, city trips are again the main growth driver with a rise of 16%, while sun & beach holidays grew by 9%. In contrast, tour holidays dropped by 2%,
- trips to visit friends and relatives (VFR trips) showed an even stronger increase of around 8%,
- business trips overall more or less stagnated. MICE trips, making up for around 60% of all business trips, are showing positive growth.

Tourism product and service providers are now aware that it is necessary to continuously pay attention to trends since tourism is changing globally. 'Business as usual' will not help a destination succeed, since what was successful in one period probably will not work as well in the next one. Therefore, providers need to be up-to-date regarding tourism trends.

Additional analysis of tourism flows in recent years resulted with a wide range of trends, including responsible tourism, overtourism, the experience economy, safety issues, new technology, and others.

RESPONSIBLE TOURISM

In the following years, responsible tourism will take centre stage. The UNWTO declared 2017 to be the International Year of Sustainable Tourism for Development, again underlining the necessity of supporting more responsible and committed tourism. Hence, in addition to sustainable tourism term, other terms are emerging, such as 'conscious travel' and 'responsible tourism'. Sustainable, conscious, and responsible travel focuses on a traveller's carbon footprint, as well as the local economy and community. Sustainability is not just protecting the environment; it is also about local communities; therefore, more and more tourists are interested in spending money in ways that benefit the local economy and community. According to Association of British Travel Agents (ABTA) research, almost 70% of people now believe that companies in tourism should ensure their holidays help the local people and economy (Association of British Travel Agents, 2018). However, it is

[3] The World Travel Monitor® is an annual survey monitoring the outbound travel volume and travel behaviour in all main markets worldwide, covering more than 90% of the world's outbound travel demand.

becoming increasingly obvious that 'business as usual' seems impossible to reconcile with sustainability and that changes are necessary in the attitudes and behaviour of major stakeholders in tourism (Dwyer, 2018).

OVERTOURISM

The year 2017 was a turning point for some destinations, since local residents in some cities were protesting the negative impacts of too many tourists in their neighbourhoods. In light of the growing overtourism problem in major cities, tourists will increasingly search for alternative destinations that are less crowded and less expensive; therefore, rather than being a part of the tourist crowd in Barcelona, for example, cities with impressive cultural offerings, such as Seville and Valencia, will be next on the list (Fanelli, 2018). At the same time, tourism industry stakeholders are looking to less-travelled destinations in Europe to redistribute the demand (Shabada, 2018). Moreover, in addition to cities, overtourism has become an issue for other kinds of trips, including winter sport holidays and cruises. According to the World Travel Monitor®, it was found that in 2017, nearly one international trip in ten was affected by overcrowding, indicating the necessity for the international travel and tourism industry to find solutions to better manage visitor numbers without restricting growth (Buck & Ruetz, 2018). The solution for the overtourism problem is not simple, but it starts with long-term planning with all stakeholders involved. According to a special World Travel Monitor® representative survey of 29,000 international travellers in 24 countries in Europe, Asia, and the Americas conducted in September 2017, around 25% of all international tourists had the feeling that their destination had been 'overcrowded' (*ibid.*).

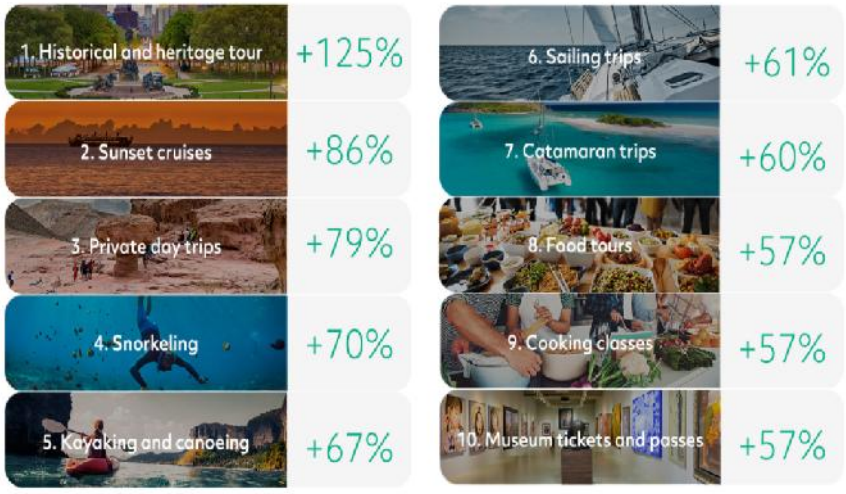
THE EXPERIENCE ECONOMY

'Experience' is usually seen as access to other people's cultures, ways of life, food and environments; however, this is possible only when the local community approves of this and benefits fairly from tourism (Responsible travel, n. d.). Nowadays, the tourism industry is at a turning point, owing to the dynamics characterising the industry in recent years. Digitalisation and globalisation have pushed the giants on the web towards an oligopolistic market structure, controlling the whole market: Internet providers govern the market and are no longer just intermediaries but even also tour operators. Simultaneously, there is an increasing search in demand not just for travelling but rather to live experiences, to 'live the visited places', with their typical attraction factors (including food, local productions, and traditions). Tourists are no longer satisfied with a single tourist offer or exclusive quality accommodation, they are looking for experiences, while quality accommodation

and services are implied. Today, tourists are tending to replace things with experiences. They are searching for those experiences that are unique and authentic. Therefore, it can be said that contemporary tourists are more into rejuvenation, adventure, fulfilment, learning new skills, seeking an adventure of a lifetime, life-changing experience, and 'being more of who you are' than just passively visiting places, sightseeing, and lying in the sun. It is expected that tourists will be interested in travel experiences that will allow them to achieve a goal or accomplish something they have never done before, like completing a marathon for the first time or climbing a mountain (Fanelli, 2018).

TripAdvisor booking data (Figure 16) also revealed that travellers are expanding their horizons and bringing growth to new, non-traditional, and experiential categories. Although tourists are becoming increasingly interested in new experiences, they remain loyal to the world's most iconic sites, i.e. the Vatican Museums, St. Peters, and Sistine Chapel, Ancient Rome, the Chicago River Architecture Cruise, the Sagrada Familia, Eiffel Tower and the Empire State Building (TripAdvisor, 2018). Therefore, the main and iconic attractions in the Adriatic-Ionian region should be presented in a more innovative way, by promoting them as unique and authentic experiences. Tour and activity operators who prioritise the quality of the delivered experience and destinations that centre their marketing efforts around experiences unique to the destination will be the ones that thrive in the years to come (Kow, 2017).

Figure 16: Fastest-growing experience categories in 2017 (ranked by year-over-year growth in total bookings count)



Source: (TripAdvisor, 2018)

In light of the previously presented experience trends, the Adriatic-Ionian region must make experiences the core its tourism products and marketing.

TRAVEL RISK – SAFETY ISSUES

Provision of a safe and secure environment for visitors represents an essential basis for providing quality in tourism. In recent decades, safety and security issues have gained much greater importance in tourism. Nevertheless, despite natural disasters and terror attacks around the world, as mentioned before, international travel continuously is rising. The World Travel Monitor® results for the first eight months of 2017 showed that there is a relatively high perceived risk of terror attacks when travelling; however, this is mainly resulting in a change to destinations that are perceived as safe rather than giving up travelling altogether (Buck & Ruetz, 2018):

- 41% of international travellers say the recent instability and terror warnings will impact their travel planning for 2018,
- 33% plan to shift to a 'safer' destination,
- 8% might not travel abroad at all,
- nearly 60% say they will not change their travel behaviour due to possible terror threats.

It is necessary to underline that a feeling of safety and security are among the most important factors involved in choosing a destination.

NEW TECHNOLOGY

A key role in changing tourism trends is and will be played by technology. Investing in new technology is a major priority for tourism products and service providers. Hence, in an effort to make guests' stay simpler, it is expected that, for example, many hotels will be focused on further improving Wi-Fi services with higher speeds and will be investing in artificial intelligence, automated check-in and check-out and mobile applications that cater to guests' needs inside and outside of the hotel (Fanelli, 2018). Augmented reality could help hotels to 'tell their story' by providing additional information about the location and surroundings; this could range from sightseeing and excursions to more unusual and memorable experiences (Buck & Ruetz, 2018). The expansion of Internet access as well as the proliferation of smartphones and other mobile devices is facilitating 'real-time' travel – whether it is canvassing online bulletin boards for restaurant or beach recommendations, getting directions to a museum or stadium from a GPS-enabled app, or booking a last-minute hotel room or flight (Visa, 2016).

In addition, autonomous technology that ranges from conversational 'digital personal assistants', such as chatbots, or interactive devices through to physical robots is particularly applicable in tourism (Olearczyk, 2018). The application of robots in tourism,

for example, could range from machines making room delivery in hotels to 'luggage robots' containing personal possessions and rolling along behind travellers, to fully autonomous aerial transportation (*ibid.*).
According to Booking.com, artificial intelligence and digital technology are reshaping the way travellers research, book, and experience travel (Booking, 2017):

- 29% of global travellers suggest that they are comfortable letting a computer plan an upcoming trip based on data from their previous travel history,
- 50% of global travellers do not mind if they deal with a real person or computer, so long as their questions are answered,
- 64% of travellers say they would like to 'try before they buy' with a virtual reality preview,
- 50% of travellers find that personalised suggestions for destinations and things to do encourage them to book a trip.

The fourth industrial revolution – the so-called Industry 4.0 (I4.0) – has been recognised to cause a paradigm shift within tourism. It aims at revolutionising tourist experience creation, as well as tourism business and destination management practices through the introduction of new technologies and high-inter-connectivity. It takes advantage of smart technology in creating, managing, and delivering intelligent tourist services/experiences and is characterised by intensive information sharing and value co-creation.
To date, research has been mainly focused on the role of Industry 4.0 as the driver of technological innovations (Grissemann, Pikkemaat, & Weger, 2013). Less attention has been paid to its role in fostering and supporting institutional innovation (i.e. new business models), by implementing strategies, models and schemes concretely different from the past. Institutional innovation occurs when new problems arise, and there is no 'focal' institution readily available to respond (Hargrave & Van de Ven, 2006). In the tourism literature, institutional innovation has been defined as a new, embracing organisational structure or legal framework that efficiently redirects or enhances the business in certain fields of tourism (Hjalager, 2010). It emphasises the necessity of an integrated approach to innovation that considers both technological and non-technological aspects. Indeed, this draws attention to the importance of recognising and understanding the different domains of innovation. A review of the broader management literature reveals a growing recognition of the importance of looking to the past as a source of innovation, as this may allow for the discovery of values, practices, and competencies connected to traditions that can contribute, in new ways, to developing and sustaining unique or distinct products/services. (Savino, Petruzzelli, Messeni, & Albino, 2017) In this sense, mixing tradition and new technologies may be a winning formula for successful innovation. Accordingly, some new products/services can be the result of the process of recombining

local and cultural traditions as well as the traditions of some long-standing firms and the adoption of cutting-edge technologies.

Other trends in tourism include:

- **Millennials.** As the youngest generation with disposable income, Millennials (ages 20 to 35) are considered to be leaders in travel and tourism. When planning travel, they are used to having their options conveniently available to them, and they want to be able to research and book their trips and tours online. It is important to point out that by 2025, Millennials will comprise three quarters of the global workforce, which will bring them into a new era of spending power (Fuggle, Kow, Burkhard, & Silva, 2018).

- **Solo, single-parent family, and multigenerational travel.** Solo, especially solo female travel is a major trend in recent years. Additionally, the travel industry is quickly adjusting its offering towards single-parent families. For example, according to a recent Stats Canada survey, single-parent families now make up 19.2% of Canadian households with children, and the United Kingdom's Office for National Statistics states that there are around two million single-parent families in the UK (Shabada, 2018).
- In addition, in the coming years, it is expected that the interest in multigenerational travel will increase. Family members of all ages, including parents, children and grandparents, will be travelling to reconnect and create new memories together (Fanelli, 2018). For Generation X (those born between 1965 and 1980), multi-generational travel is the norm. Moreover, given longer life expectancies, more people will be able to travel for more years, i.e. Visa projects that the number of trips made by travellers aged 65 and up will double from 2015 to 2025, to 180 million (Visa, 2016[4]). This indicates that destinations will have to provide options, whether it be accommodation or activities, for tourists of all ages.

- **Booking trends.** More bookings are happening on mobile devices, hence the ability to measure how mobile influences the customer journey is critical. According to Booking.com, one in two traveller journeys start on mobile devices. In addition, 69% of US travellers are more loyal to a travel company that personalises their experiences online and offline (Loo, 2017).

- **Online reviews.** Online reviews have the most impact on bookings; therefore, tourism companies need to consciously manage their reputation online. As many as 9 out of 10

[4] Taken from: WTTC, 2017

travellers think that reading online reviews is important and 95% of travellers trust reviews on third party sites (Fuggle et al., 2018).

- **Sharing economy.** The phenomenon of peer-to-peer (P2P) sharing of access to under-utilised goods and services prioritises utilisation and accessibility over ownership, either for free or for a fee (Schor & Fitzmaurice, 2015). Internet services based on user-generated content such as YouTube and Facebook encourage individuals to share in various ways; this concept has emerged in the tourism as well and continue to grow at a phenomenal rate. The rise of profit-based online platforms for P2P sharing, such as Airbnb, Uber, and others, has changed the way people travel and is of great significance to the traditional tourism industry (Heo, 2016).

- **Mobile photography.** The vastly improved cameras on mobile phones have given tourists the chance to capture images of a coveted vacation spot and post it immediately to social media, generating nearly instant interest (Lyerly & Lyerly, 2018). Tour operators and activity providers can benefit from this trend, as it is the perfect social media marketing tool since it helps to develop user-generated content (Napier Burkhard, 2016).

- **Work and travel.** Because reliable Wi-Fi is accessible almost all around the world and online communication tools are advancing, it will be easier than ever to live and work in different destinations for longer periods of time. Hence, extending a business trip by a few days will not be satisfying for new tourists; instead, it is expected that they will be interested more in working full-time or even part-time as a digital nomad for a month or more (Fanelli, 2018).

- **Authentic culinary tourism.** The future of culinary tourism tends to move away from expensive dining to more authentic food experiences. It is expected that visiting local markets and dining with locals in their homes will be major interests for tourists. Moreover, even entire vacations will be planned around food, with destinations being chosen based on their culinary offerings. These experiences are closely tied to the culture of the location, and they can be one of the best ways to get to know the destination and its culture and tradition. Operators that provide a food experience can benefit by ensuring that it connects products with people and the traditions of a destination (Napier Burkhard, 2016).

- **Wellness tourism**. People focus increasingly on their own wellbeing and prefer healthy life choices, as well as paying attention to environmental issues and sustainability. Related to that, wellness tourism is a growing trend in tourism and has countless opportunities in future markets and product development. The concept of wellness tourism can be understood as a combination of wellness, health tourism, and wellbeing products and services (Voigt & Pforrs, 2014). The development of health and wellness tourism can also influence the quality of life of the local population due to the emerging markets of wellness tourism. This also helps constitute development poles on local and regional scales. The strategic potential in these health and wellness centres depends on the variety of activities that the destination has to offer, which might then result in increased destination attractiveness and customer loyalty (Peris-Ortiz & Álvarez-García, 2015).

Understanding the presented trends is essential for tourism destination management, since destinations need to increasingly adapt to a situation in which tourists are making real-time adjustments to their plans. In that context, this analysis allows destinations in the Adriatic-Ionian region a better understanding of future tourists, and the knowledge about the trends should represent a basis for its future tourism innovative solutions. By taking into account the above, it is necessary for the whole region to keep up with these trends by creating an appropriate development strategy. Additionally, even though only global tourism trends are analysed in this document (due to the fact that it refers to the whole Adriatic-Ionian region), it has to be underlined that it is also critical to identify the trends happening at the local level when developing action plans for fostering innovations in sustainable tourism.

CHAPTER 3

3 Results of the empirical surveys on tourism and innovations in the Adriatic-Ionian region

In addition to the situation analysis and the analysis of tourism trends, several different research activities have been conducted to obtain a more detailed overview of tourism and innovations in the Adriatic-Ionian region. Online and telephone surveys were conducted with employers in tourism from different parts of the Adriatic-Ionian region. Furthermore, in-depth interviews with different stakeholders were also conducted with the aim of detecting the main issues related to sustainable tourism, education in tourism, and innovative capacity in Adriatic-Ionian tourism. Finally, all the empirical surveys' results, as well as the results of the situation analysis and trends analysis, have been presented and discussed in workshops organised with key tourism stakeholders in Albania, Bosnia and Herzegovina, Croatia, Italy, Montenegro, and Slovenia. The results of those activities are summarised and presented in the following subchapters.

3.1 Online questionnaires and telephone survey

To obtain better insight into the innovation culture in the enterprises operating directly or indirectly in tourism, a questionnaire was developed aiming to gather relevant information from employers in tourism in the Adriatic-Ionian region. In total, 839 questionnaires (77 in Albania, 105 in Bosnia and Herzegovina, 120 in Croatia, 130 in Italy, 68 in Montenegro, and 339 in Slovenia) were gathered and analysed.

The aforementioned aim of the survey points to a specific need to generalise results conveying the nature of the innovation process and not the attributes of sectors or populations. This notion drives the sampling needs and diverts research attention from 'statistical units' towards concrete business experiences of observational units, which allows 'transferability' or 'analytical generalizability'.[5] The social significance of these 'extracted experiences' lies in the possibility of improving the understanding of innovative practices and their applicability and relevance for designing regional innovation policies within tourism.

[5] For more detail, see Gobbo, 2004

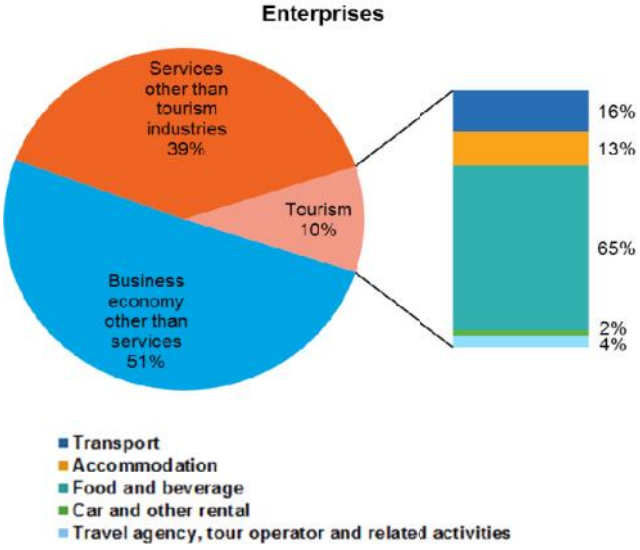
The questionnaire was still extensive though, with 19 question-categories, covering several topics of interest for the tourism development and specific issues of innovations and innovative processes in tourism, such as:

1. **Company's profile**
2. **Strategy**
3. **Human resources**
4. **Quality control**
5. **Sustainability**
6. **Innovation potential**

Company's profile

The first part of the questionnaire enabled *ex-post* examination of how sensitive some business practices are, depending on the area of operation, company size, or ownership structure (Figure 17). Economic activities related to tourism employ just over 12 million people in the European Union, of which nearly 7 million work in the food and beverage industry. The accommodation sector (not including real estate) accounts for 2.4 million jobs in the EU; travel agencies and tour operators account for nearly half a million.

Figure 17: Number of enterprises, EU-28, 2015 (%)



Source: (Eurostat, 2016)

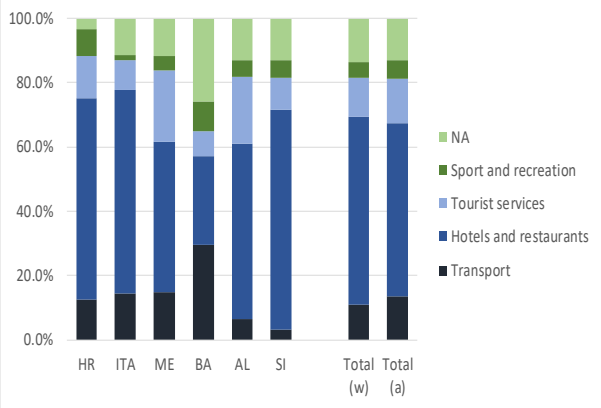
The three industries that rely almost entirely on tourism (accommodation, travel agencies/tour operators, air transport) employ 3.3 million people in the EU. More than half (52%) of the 2.4 million enterprises in the tourism industries in the EU in 2015 (Figure 9

portrays its structural characteristics) were located in four Member States: Italy, France, Spain, and Germany.

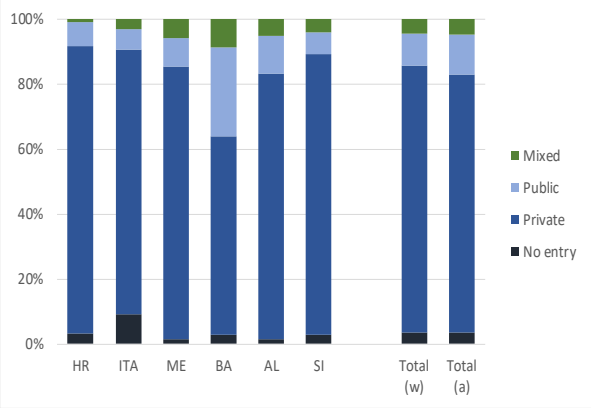
The Adriatic–Ionian region is a location for one fifth of these businesses, with the highest number in Italy (361,453) in 2015, followed by Greece (155,506), Croatia (23,800), Albania (18,586),[6] Slovenia (12,362), Bosnia and Herzegovina (4,133),[7] and Serbia (3,123).[8] These facts, already assessed to some extent in the situation analysis, give an overview of the significance of tourism activities across the region and provide a sense of the 'landscape' of the survey respondents. Data gathered for the Adriatic-Ionian region capture the structure of companies according to the NACE classification of activities, the ownership structure, and the size of the company, as shown in Figure 18 (a-c). The respondents are typically from micro and small private companies operating in the category of hotels and restaurants.

Figure 18: Companies profiles according to…

18.a … economic activity

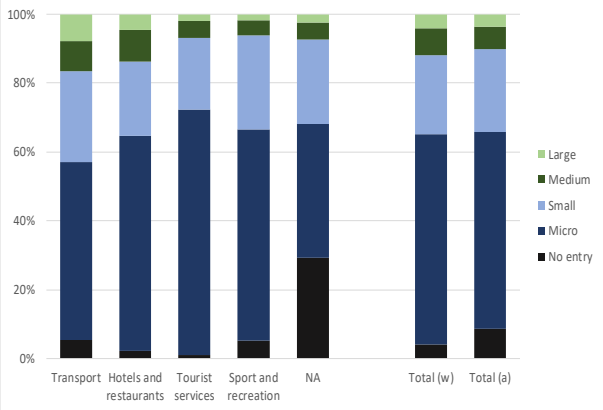


18.b … ownership



[6] Institute of Statistic of Republic of Albania, www.instat.gov.al
[7] Agency for Statistics of Bosnia and Herzegovina, www.bhas.ba
[8] Statistical Office of the Republic of Serbia, www.stat.gov.rs

18.c … size (and economic activity)



Classification:

Transport – NACE H
Hotels and restaurants – NACE I
Tourist services – NACE N
Sport and recreation – Other

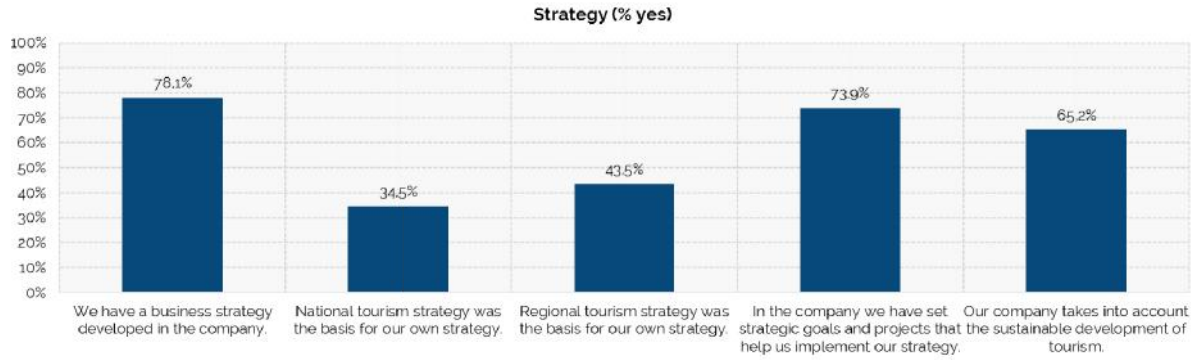
Source: (FOST INNO Survey)
Notes: (1) w – (country) weighted; a – (country) average (normalised); (2) NA – not available

Strategy

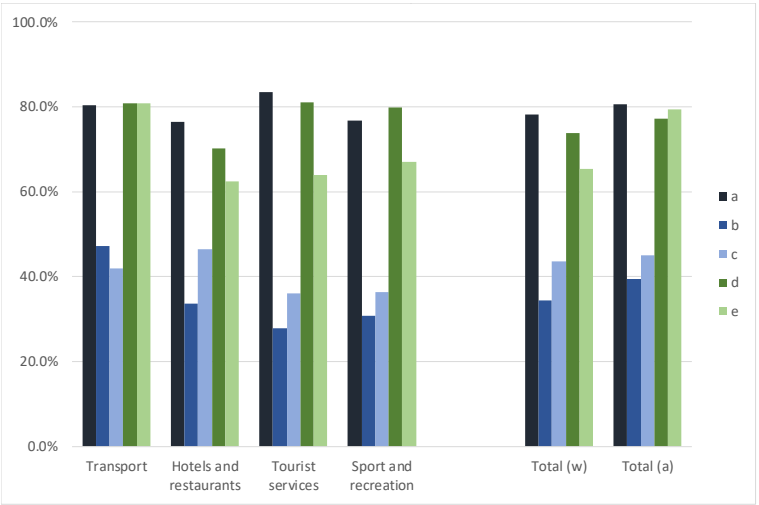
Ideally, one would expect that companies active within tourism would be fully aware of the latest practices and innovations in tourism as well as in compliance with the proposed national tourism strategy. Since the majority responded that they do not rely on these external strategies, but at the same time do give considerable attention to internally developed ones, this indicates a discrepancy that reflects either business misconceptions of national and regional policies or one that originates in ill-prepared strategic frameworks, or both. In these conditions, a more compact institutional network (like the envisaged Adriatic-Ionian Tourism Innovation Centre) might help alleviate the problem in addition to its central goal (innovation generating and sharing). It would also seem (Figure 19) that these firms take the sustainability issues seriously into account, although to some extent less so than in hotels and restaurants. This probably mirrors regulatory compliance with safety standards within this sub-sector that is not necessarily seen as a part of the sustainable development or, in contrast, is given the status of primary importance, which is something that differentiates them from other sub-sectors.

Figure 19: Strategy is…

19.a … important, but developed internally…



19.b … and consistently so across the sub-sectors



a - We have a business strategy developed in the company
b – The national tourism strategy was the basis for our own strategy
c- The regional tourism strategy was the basis for our own strategy
d- In the company, we have set strategic goals and projects that help us implement our strategy
e -Our company takes into account the sustainable development of tourism

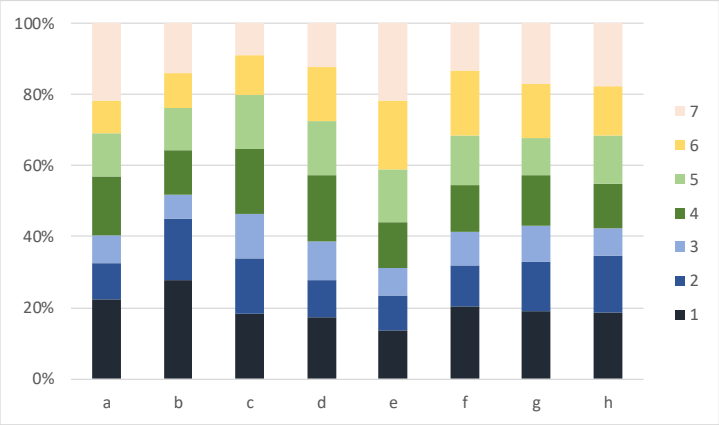
Source: (FOST INNO Survey)
Notes: w – (country) weighted; a – (country) average (normalised)

Human resources

People are clearly a central resource to the tourism and hospitality industry's effective operations. It is quite natural that tourism has a close relationship with the labour market environment from which it draws its skills and, consequently, depends on its workforce for the delivery of service and product standards to meet existing and anticipated demand from its visitor marketplace (Baum, Amoah, & Spivack, 1997). Therefore, it comes somewhat as a surprise to learn from employers that there is no strong preference for compulsory training or the precise systematisation of jobs. In addition, they see no lack of tourism experts currently and, generally, there is no strong support for the belief that key

positions are reserved for people that have attended a formal study programme in the field of tourism. This would suggest that tourism, as a relatively low value-added branch, helps derive demand primarily for lower-skilled workers and that they are perceived by employers as sufficiently able to handle tasks that ensure innovative applications and ideas of sustainable tourism. A different view was expressed by a few interviewed stakeholders regarding the perceived need for more highly qualified professionals to be employed in tourism (Figure 20), basically expressing the attitude rooted in the human capital theory (in short, a more qualified workforce should supposedly produce more innovations). Which of these views indicates a misunderstanding of the concrete role of a skilled workforce, and to what extent and in what manner, remains unclear.

Figure 20: Human resources



Likert scale

1 – strongly disagree
2 - disagree
3 – somewhat disagree
4 - neither agree nor disagree
5 - somewhat agree
6 - agree
7 - strongly agree

Source: (FOST INNO Survey)

a - The company is facing a lack of tourism experts.
b - In our company, the key positions are reserved for people that have attended a formal study programme in the field of tourism business.
c - Our employees have little knowledge about how to apply innovative procedures in their everyday practice.
d - The idea of sustainable tourism is something that our employees embrace and perform accordingly.
e - When we apply innovations at the working place, all employees receive sufficient training.
f - We have defined a set of competencies required/needed for typical jobs in the company.
g - First-line employees receive compulsory training at least once per year (min. 4 hours).
h - Managers are required to receive compulsory training at least twice per year (min. 4 hours).

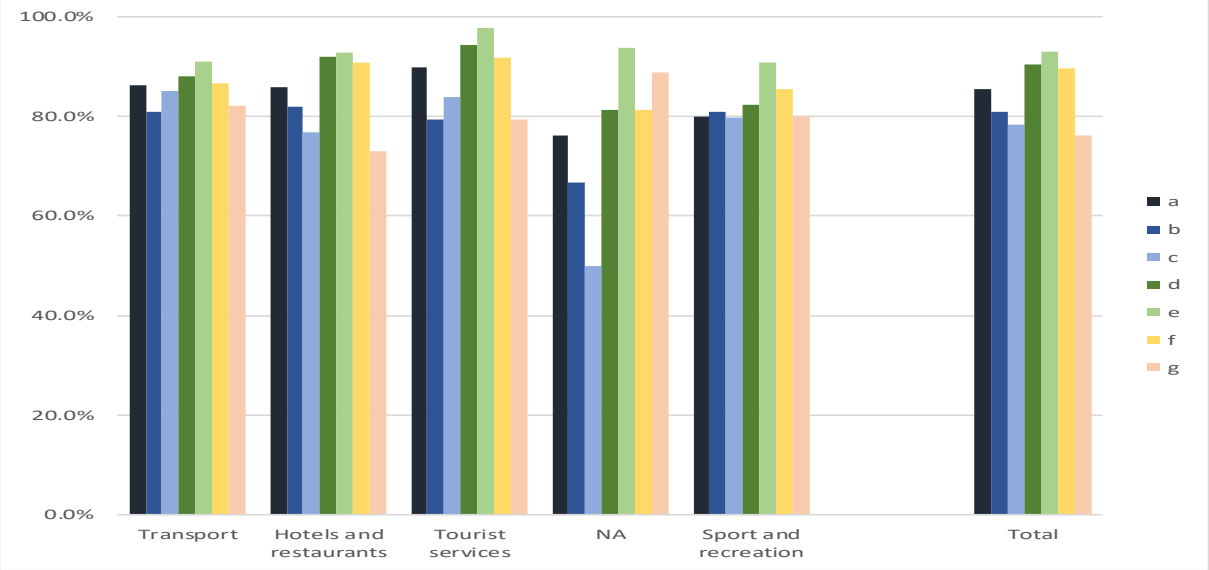
Quality control

The importance of quality control in the tourist industry has risen to an extraordinary level because of the change in preferences of tourists' behaviour and the growth of competitiveness of new tourist destinations (Camisón, 1996). The survey focuses on the work standards and procedures, dealing with complaints, suggestions that guests have, and the exchange of good business practices between companies. Collected answers suggest that companies within the Adriatic-Ionian region highly value quality control: more than 90% of them collect guest suggestions for improving existing or introducing new services, and deal with guest complaints promptly (Figure 21). All other aspects of business conduct that ensure quality control also seem important to them. However, there is an extremely instructive detail of interest to this inquiry. The lowest care is given to the exchange of good business practices among firms, which probably demonstrates the effect of the competitive environment in which they operate and could inhibit potential activities aimed at sharing innovation and innovative ideas within the region.

Figure 21: Quality control is…

21.a … highly valued and…

21.b … also across sub-sectors



Source: (FOST INNO Survey)

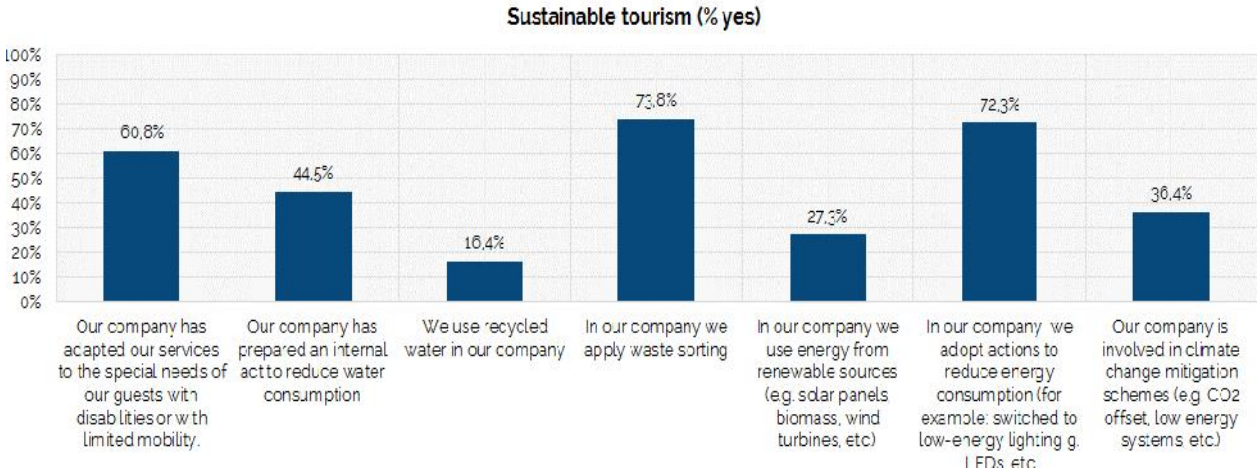
a - The company has set work standards.
b - We have implemented work procedures in our company.
c - We systematically collect guests' opinions.
d - Managers are obliged to deal with guest complaints promptly.
e - The company collects guest suggestions for improving existing or introducing new services.
f - We regularly inform our employees about the suggestions that we receive from guests.
g - Our company is exchanging good business practices with other companies.

Sustainability

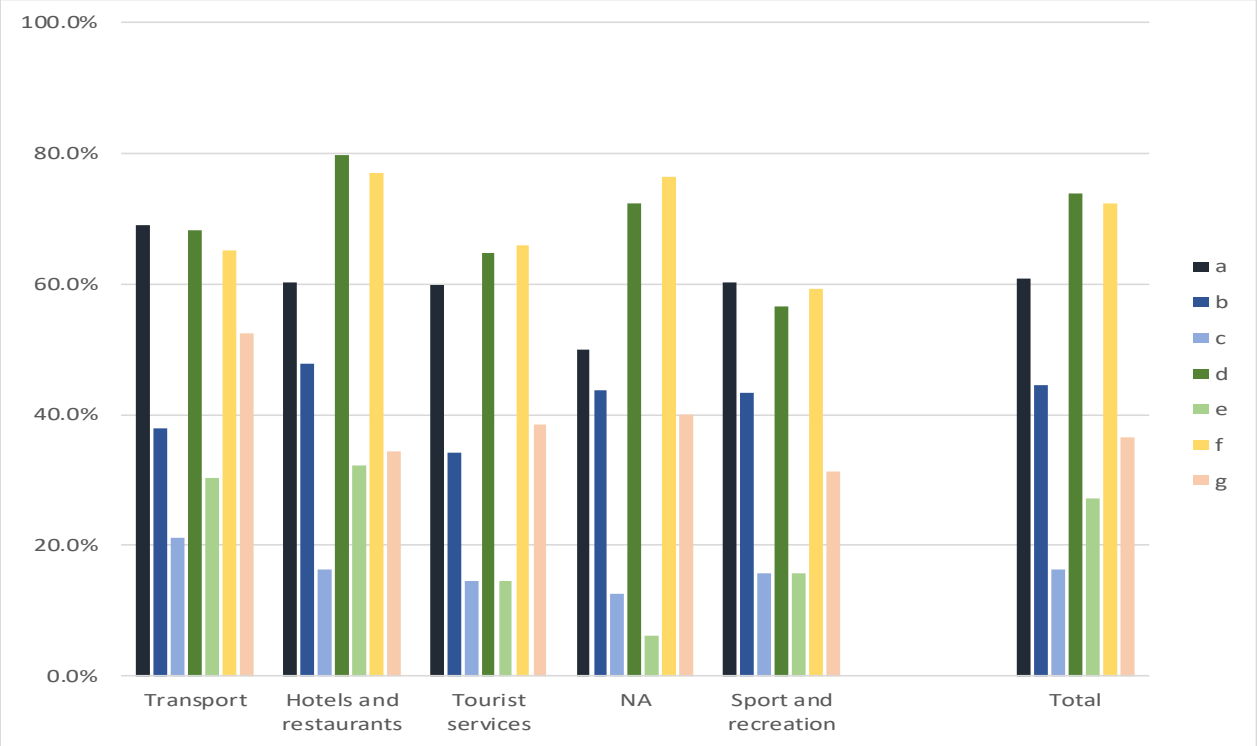
Tourism can have a negative effect on environments and communities if it is not carefully managed. Sustainable tourism aims to balance the requirements of tourists with the needs of local communities and to protect the environment. Respondents across the region demonstrate that they employ low-cost applications and practices that can additionally help their business image and ensure customer satisfaction in the longer run (Figure 22). These include waste sorting, water consumption and energy reductions, or adapting services to the special needs of their guests. In contrast, high-cost and likely technically more advanced practices, equipment, and tools are less represented. This could have been expected, both due to cost-competitiveness concerns and, in the case of water treatment, to potentially challenging attitudes of customers.

Figure 22: Sustainable tourism…

22.a … entails high-cost and low-cost activities…



22.b … recognised almost uniformly



Source: (FOST INNO Survey)

a - Our company has adapted our services to the special needs of our guests with disabilities or with limited mobility.

b - Our company has prepared a policy to reduce water consumption (such as water saving actions, e.g. dual-flush toilets/waterless urinals, low-flow showerheads and faucets, drip irrigation for gardening, etc.).

c - We use recycled water in our company.

d - In our company, we apply waste sorting.

e - In our company, we use energy from renewable sources (e.g. solar panels, biomass, wind turbines, etc.).

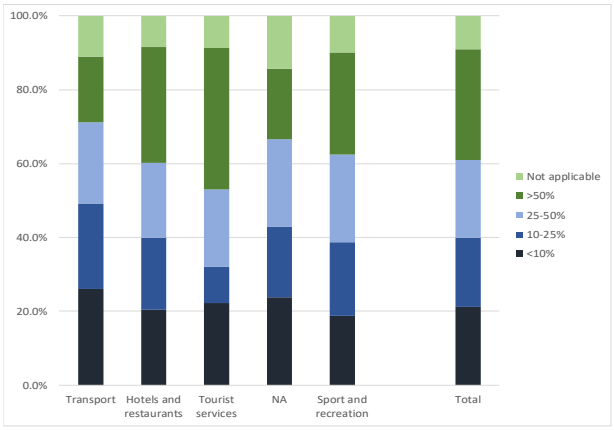
f - In our company, we adopt actions to reduce energy consumption (for example: switched to low-energy lighting, LEDs, etc.).

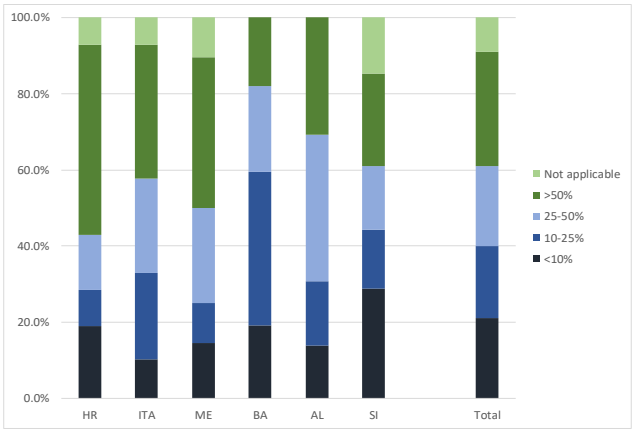
g - Our company is involved in climate change mitigation schemes (e.g. CO_2 offset, low energy systems, etc.).

Another dimension of sustainable approaches to tourism development can be associated with creating inclusive local markets, which implies less transport pollution, the alleviated impact of foreign demand on local markets, etc. In general, non-local producers provide the majority of goods and services, which reflects a natural adaptation of supply to tourist demand that is predominantly of foreign origin. This happens to be the case even in Italy, where domestic demand is relatively larger, but that still does not necessarily mean that is confined to the borders of the *local* markets (Figure 23). One can detect from the responses somewhat less pressure on local markets for services at least in the largest tourist markets in the sample (Italy, Croatia, and Montenegro), which probably reflects, to some extent, their so-called non-tradability features.

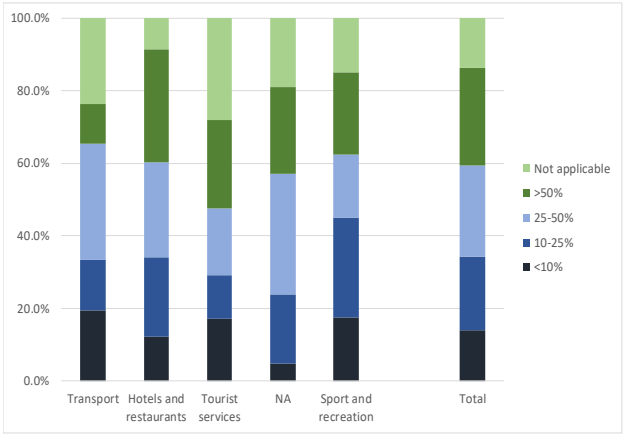
Figure 23: Domestic component of services and goods provided by the tourist sector

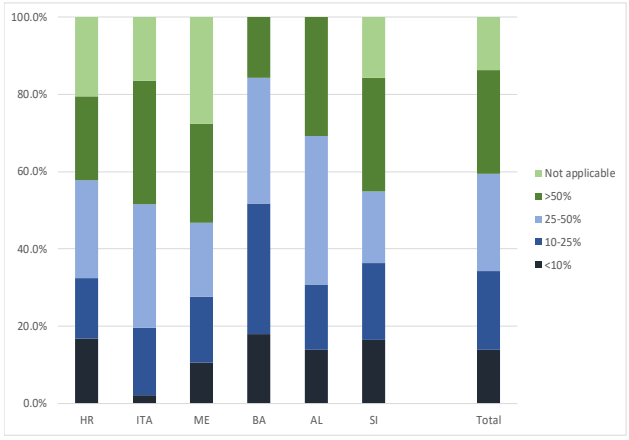
23.a Services





23.b Goods, food and drinks



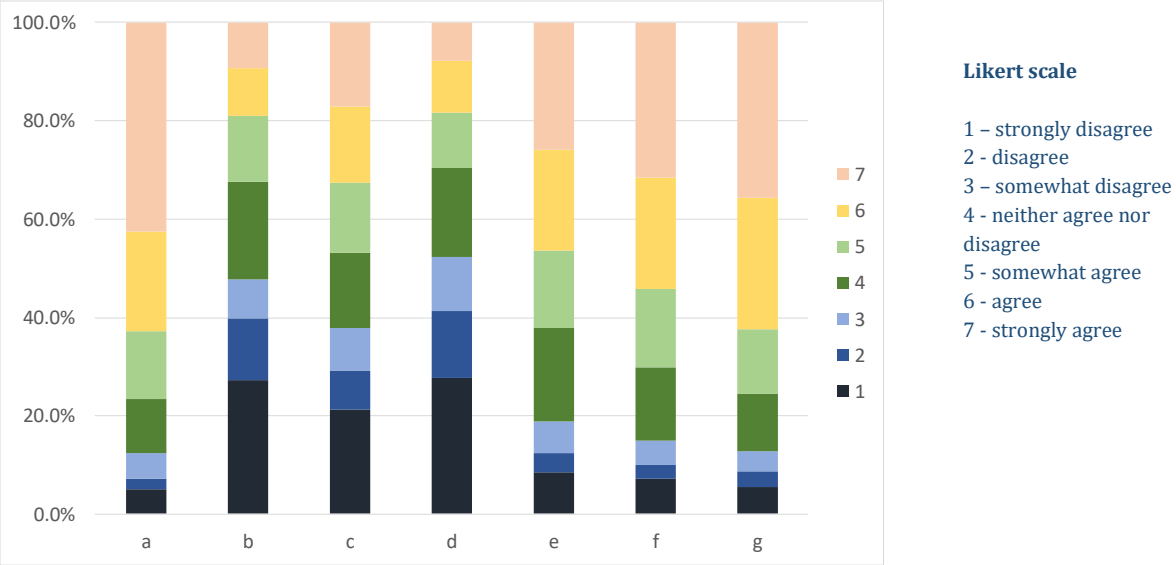


Source: (FOST INNO Survey)

Innovation potential

Innovative attempts gain new strategic value when viewed from a perspective that values experience as an important new attribute. Such a perspective has significant consequences for the growth of destination strategies, policies, and the integration of the information-society dimension (Stamboulisa & Skayannis, 2003). Though firms in tourism do consider innovations important for their development, the survey responses also convey that they are not too keen on attaching any formal dimension to it, e.g. a rulebook or some other kind of written regulatory standards. Seemingly contradictory answers were provided to questions about their willingness to share good practices with other companies if one compares them to the lack of exchange of these practices reported within the quality control section (Figure 24). One explanation could be that they associate possible collective agreements, external criteria and incentives with prospective frameworks for rewarding these sharing practices that could potentially compensate for the previously disused loss of competitiveness, perhaps more through public reputation and increased advertisement, than through monetary rewards.

Figure 24: Innovation



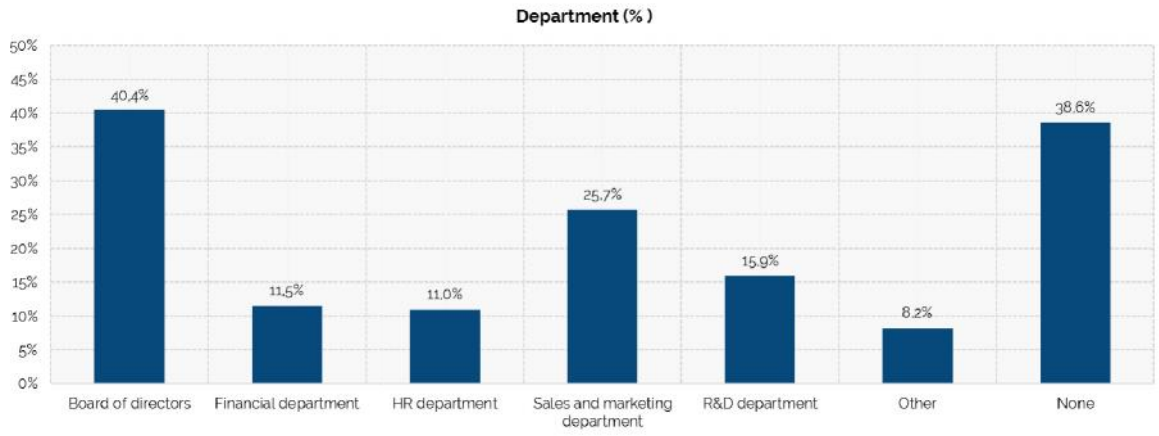
Source: (FOST INNO Survey)

a - Innovations are important for the development of our company.
b - In our company, we have adopted a special rulebook (act, organisational regulation) on innovations.
c - The rulebook is a living document that our company intends to improve.
d - To stimulate innovation, we organise seminars to promote it.
e - The collective agreement in the tourism business should more precisely specify the criteria for rewarding innovations.
f - The Section for Tourism at the Chamber of Commerce should help in the elaboration of criteria for rewarding innovations.
g - We are ready to share our own good practices with other companies in the industry

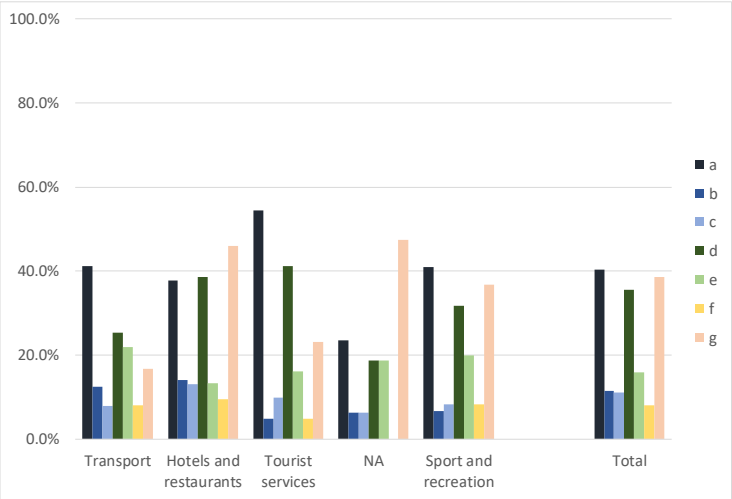
Determining where the responsibility for dealing with innovations lies within these firms is of particular interest for understanding the process of innovation and evaluating the scope of potential incentives (Figure 25). Mainly the board of directors (40%) or, to a lesser extent, the sales and marketing department (26%) is responsible for innovations. A considerable share of firms (almost 40%) does not have a specialised section of their organisational structure formally supporting the innovation process. Traditionally, it is expected that the R&D department is responsible for innovative practices. However, R&D is expected to play a more significant role in industry than in services, where innovation is somewhat less connected to technical advancements; that probably can explain the slightly larger share of responses in favour of this department in firms within economic activities, such as transport and sport and recreation.

Figure 25: Which department of your company is responsible for dealing with innovations?

25.a Regional view



25.b Sectoral view



Which department of your company is responsible for dealing with innovations (multiple answers are possible):

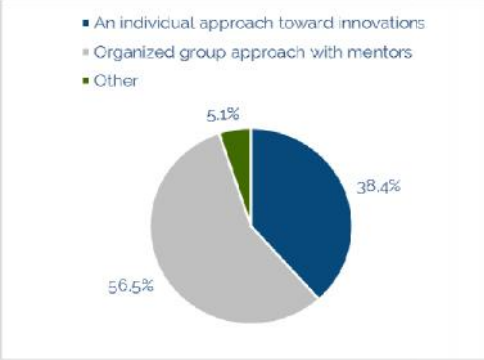
a - Board of directors
b - Financial department
c - HR department
d - Sales and marketing department
e - R&D department
f - Other
g - None

Source: (FOST INNO Survey)

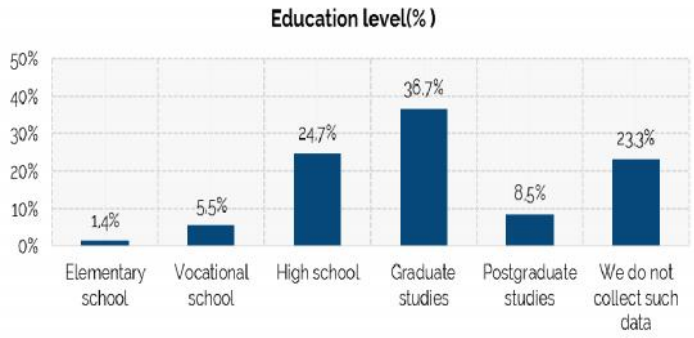
What accounts for an innovation mindset, if any exists, in these circumstances? According to the responses collected within the region, it is mainly an organised group approach with mentors (Figure 26.a). Since it was earlier established that no formal specialised organisational unit clearly takes responsibility for innovations, except perhaps for the management of the company, it is most likely that it takes the form of brainstorming. That would explain why most of them (Figure 18) have a higher level of education (graduates or postgraduates).

Figure 26: Innovation mindset

26.a What is the most important when attempting to develop innovation ab mindset among employees?



26.b What is the average education level among employees who appear as innovators or providers of useful suggestions in your company?

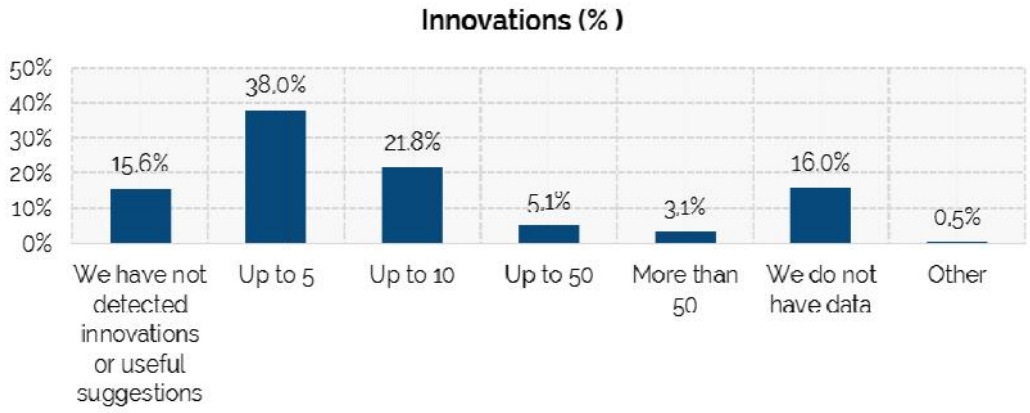


Source: (FOST INNO Survey)

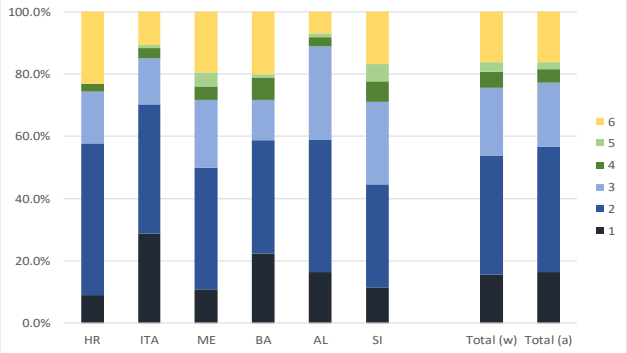
Innovation practices, policies and incentives that exist in these firms, under the conditions detected in the survey, do not have a large impact in actual innovation advancements (Figure 27). Roughly, one third of respondents did not register any innovations or useful suggestions or simply has no data to confirm it. The majority of respondents did have one or the other on very low frequency: less than two on an annual basis. This is much the same at the country level and across economic activities. Perhaps one can argue that Italy has a relatively lower score of innovation advancement on an annual basis, but further investigation would be needed for any reliable conclusions.

Figure 27: How many innovations or useful suggestions did you have in the last three years?

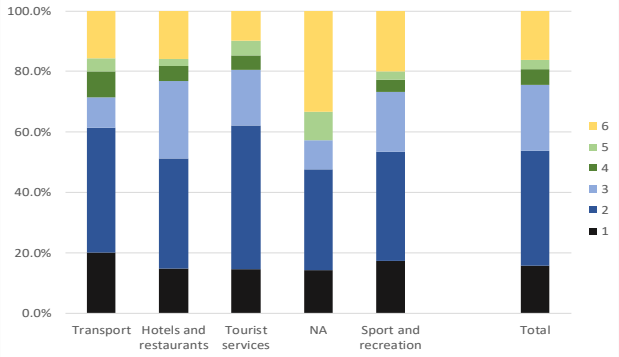
27.a Frequency of innovations



27.b Country perspective



27.c Economic activity perspective

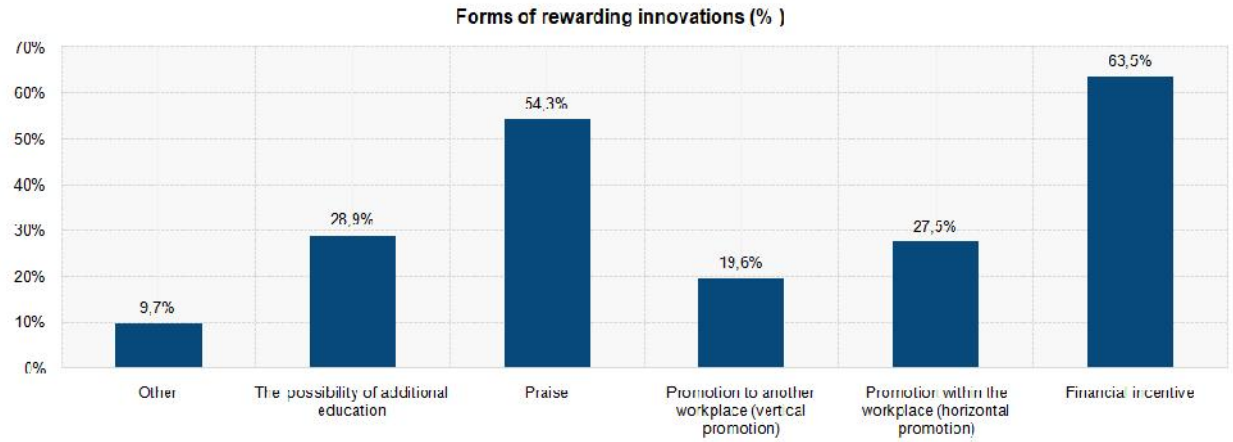


Source: (FOST INNO Survey)

1 - We have not detected innovations or useful suggestions
2 - Up to 5
3 - Up to 10
4 - Up to 50
5 - More than 50
6 - We do not have the data

From an organisational perspective, if the innovation process is offered, it would be expected for rewards in the form of promotion to be devalued by the respondents. The survey results do support such a view. The answers (Figure 28) gathered reveal that the most common forms of rewarding innovations in the companies are financial incentives (63.5%) and praise (54.3%).

Figure 28: What are the most commonly accepted forms of rewarding innovations in your company?

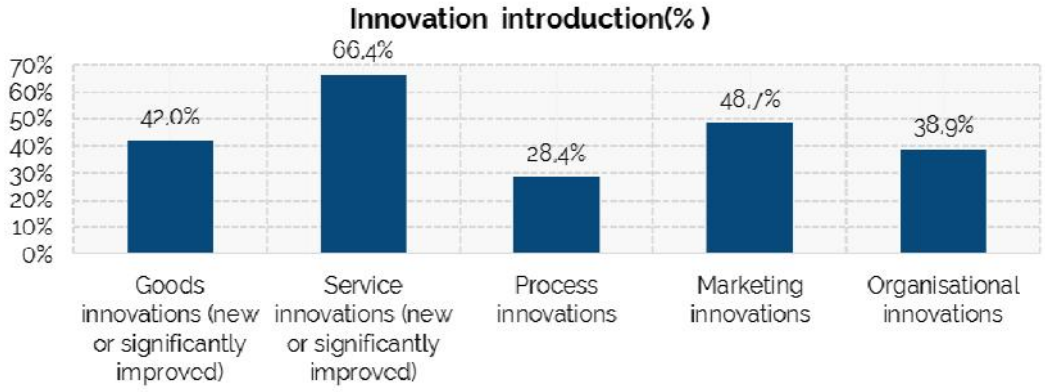


Source: (FOST INNO Survey)

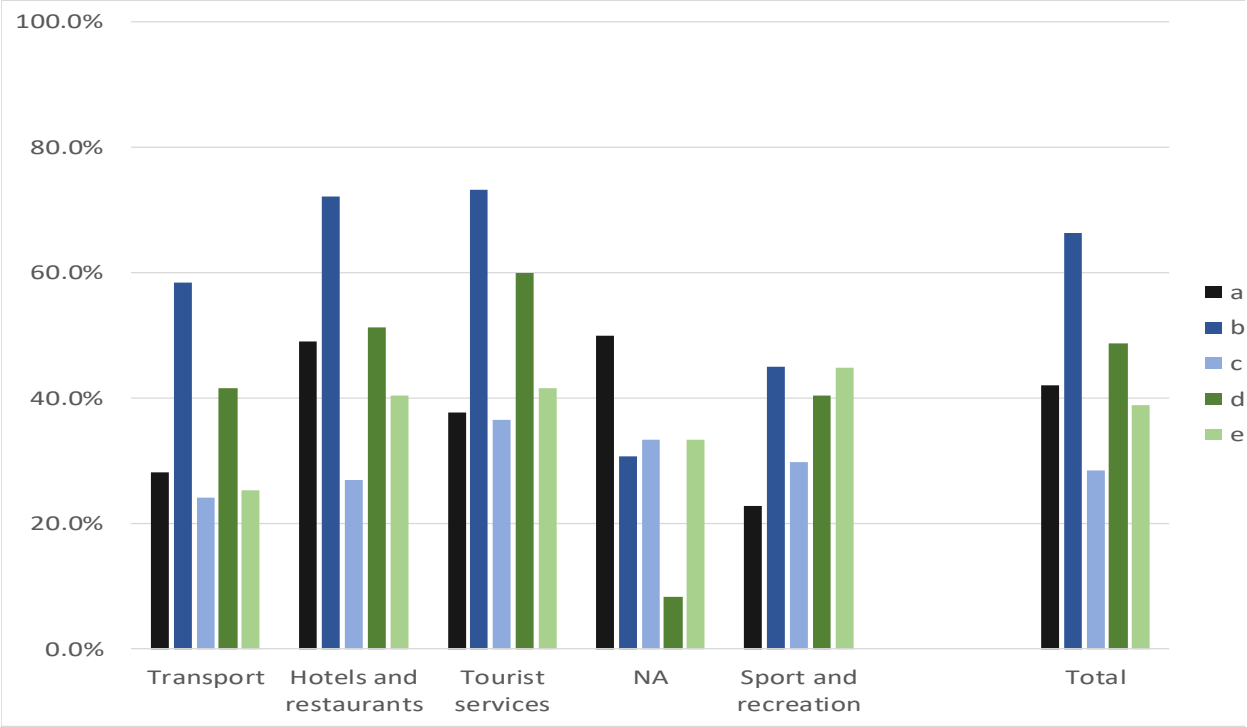
Simultaneously, the responses demonstrate a high share of service innovations, while other forms of innovations are better balanced. However, it seems that in the activities of sport and recreation, they are at least equally important as marketing and organisational innovations, which again indicates the nature of the activity and comes as no surprise (Figure 29).

Figure 29: Regarding innovations introduced by your company in the last three years, please specify which were introduced?

29.a Service innovations dominate…



29.b ... except in sport and recreation



Source: (FOST INNO Survey)

Regarding innovations introduced by your company in the last three years, please specify which were introduced (multiple answers are possible):

a - Goods innovations (new or significantly improved)

b - Service innovations (new or significantly improved)

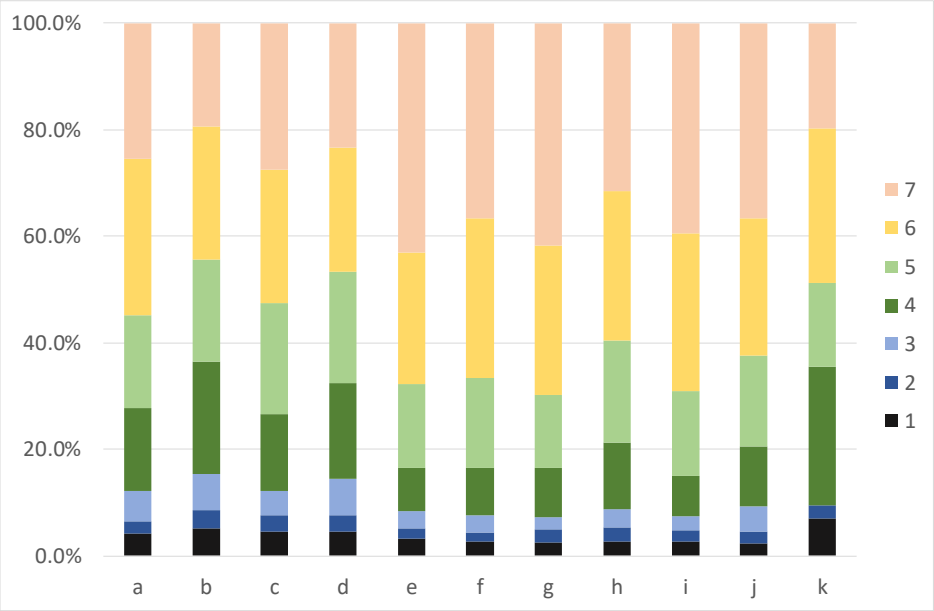
c - Process innovations

d - Marketing innovations

e - Organisational innovations

The last category of questions in the survey was designed to help retrieve information on employers' perception about the effectiveness of various stimuli packages that are or can be used or engineered for improving the innovative performance of the firms (Figure 30). Respondents perceive formal strategic planning and documentation as less important in this sense, and more emphasis is given to the creativity and new ideas, the rewarding system for new ideas, as well as better coordination and communication between departments.

Figure 30: What can improve your company's innovation performance?



Likert scale

1 – strongly disagree
2 – disagree
3 – somewhat disagree
4 – neither agree nor disagree
5 – somewhat agree
6 – agree
7 – strongly agree

Source: (FOST INNO Survey)

In your opinion, what can improve your company's innovation performance?

a - Including innovation strategy in the business strategy
b - Better regulation of innovation policy within the company
c - National innovation policy and incentives
d - Development of the international innovation strategy
e - More creativity and new ideas
f - Additional education of employees
g - Rewarding system for new ideas
h - Effectiveness of innovation marketing
i - Better coordination and communication between departments
j - Fostering of a risk-taking (smart) culture.
k - Other

3.2 Interviews with key stakeholders

The main purpose of the in-depth interviews was to obtain a general overview of the situation related to the strategic orientation towards the sustainable tourism and innovations as well as to obtain an overview of the possible mechanism for the promotion of innovations in tourism from different points of view. In that context, different types of structured interviews, for three groups of stakeholders, were created and conducted during May and June 2018. Overall, 38 interviews were conducted. The first group of interviews was conducted **with national tourism state representatives** (i.e. ministry/department of tourism; national or regional tourism organisations). The second one was conducted with the **representatives of national and regional business support organisations** (Tourism Trade Union, Chamber of Commerce, Chamber of Crafts, etc.). The last set of interviews was conducted with the representatives of **higher education and research** in the field of tourism.

The analysis of interviews conducted with nine **national tourism state representatives** in Albania, Bosnia and Herzegovina, Croatia, Italy, Montenegro, and Slovenia showed that national tourism organisations promote sustainable tourism and innovations in different ways, depending on their countries' tourism development level. Interviewees indicate that their national tourism strategies are based on sustainable tourism development principles. Accordingly, the majority of the respondents are also emphasising that their organisations are carrying out (directly or indirectly) different activities to ensure the sustainable development of tourism. Since innovations play an important role in tourism development and because innovative solutions are contributing to stronger competitiveness on the tourism market, in addition to increasing awareness of the importance of innovation, interviewees indicated that their organisations will continue to promote them through different mechanisms. The majority of those mechanisms relate to different public tenders for financing or co-financing sustainable and innovative tourism programmes, products, services and offerings, as well as to rewarding innovative products and projects.

To ensure tourism competitiveness and sustainability, national tourism organisations are cooperating with numerous international tourism organisations, i.e. the UNWTO (World Tourism Organization), the ETC (European Travel Commission), the OECD (Organisation for Economic Co-operation and Development), the INSTO (International Network of Tourism Observatories), and others. Additionally, the vast majority of the interviewees point out that their organisations take part in international co-operations through a variety of projects relating to innovations and sustainable tourism. In that context, some of the interviewees are particularly indicating the participation in EU projects, such as:

- ADRION 5 SENSES (Adriatic-Ionian Programme INTERREG V-B Transnational 2014-2020),
- DIOD - Development of ICT for outdoor destination (IPA Cross-Border Programme Croatia-Montenegro),
- EDEN - European Destination of Excellence (European Commission project),
- HERICOAST - Management of heritage in coastal landscapes (Interreg Europe project),
- INHERIT - INter-sectoral Health Environment Research for InnovaTions (Horizon 2020),
- INNOTOURCLUST - Innovative cluster of SMEs in cross-border tourism (Interreg IPA CBC Italy-Albania-Montenegro),

Respondents are convinced that their national tourism organisations will continue to promote sustainable tourism development and innovations by following the guidelines defined in their national tourism strategies and by implementing measures and activities provided in the action plans.

The second group of structured interviews was conducted with 14 **national and regional representatives of business support organisations**. Interviewees were representatives of the Regional Development Agency, Sustainable Urban Planning Organisation, Prefecture of Shkodra District, Municipality Tourism Development Sector (Albania), Citizens' Forum and Tourist Association (Bosnia and Herzegovina), Chambers of Commerce (Albania, Croatia, Italy and Montenegro), Tourism Trade Union (Italy and Slovenia), and a Chamber of Crafts, Natural Park, Destination Management Company (Italy). The majority of interviewees agreed that the process of innovation in tourism is held back by the lack of collaboration and coordinated strategy between the different levels of governance. It has been repeatedly emphasised that it is necessary to strengthen the coordination in tourism horizontally and not just vertically (top-down). Respondents also indicate the importance of developing a strong and well-defined network to foster tourism and particularly the innovations in tourism. Additionally, some of the interviewees indicate that the obstacles to the innovation process in tourism lie in the lack of knowledge, the fragmented nature of tourism, and in insufficient incentives for innovations at all levels. The key mechanisms for general improvement and growth of innovations are seen in better collaboration and efficient, coordinated actions of the public and private sectors in tourism. It was also underlined that the tourism development strategies should set out clearer objectives and measures to increase interest in finding innovative solutions.

Considering the brain drain in tourism, the majority of the interviewees agreed that people of different professions (e)migrate abroad for better jobs and better wages, and tourism is not an exception. Better salaries, better working conditions, better workplace treatment, greater involvement in decision-making processes, and advancement opportunities are seen as common patterns of departure. As long as the labour markets of highly developed EU countries express the need for workers from other countries, and as long as they offer far better conditions than their domestic counterparts, it is difficult to expect changes in the current negative trends in this phenomenon. In addition, some of the interviewees indicated that tourism is witnessing a shortage of highly qualified personnel and that this aspect can have serious consequences because it can reduce the innovativeness of tourism and competitiveness. Therefore, interviewees concluded that it is necessary to involve qualified and educated people in the key positions in tourism.

As far as the potential of regional cooperation aiming to attract tourists from distant and/or new markets is concerned, all interviewees agreed that cooperation could bring great benefits, but some outlined that in this regard state support is also needed. Regional cooperation can help in terms of higher general regional competitiveness (because regional cooperation is seen as an important factor in achieving a certain degree of visibility throughout the entire tourism market), and especially with regard to innovations, tourism product diversification, and seasonality. As sustainable development implies, through regional cooperation, common issues and interests should be defined, all in order to avoid conflicts that obstruct the sustainable development of tourism in the Adriatic-Ionian region.

Finally, the summarised analysis results of the interviews with **higher education and research representatives** are drawn from the 15 interviewees (university professors and researchers with a professional interest in tourism). In terms of inhibitions of the innovations process in tourism, they suggested the following reasons:

- lack of financial and human resources;
- lack of business cooperation with other institutions;
- employees in tourism are neither trained nor encouraged to be innovative;
- tourism employs (formally and informally) a large share of the labour force without formal education in the field of tourism;
- tourism incorporates a large number of micro and small companies without significant resources and funds for innovation;
- given the specific (fragmented and complex) nature of tourism, it is very difficult to statistically monitor the innovations in tourism apart from other innovations (e.g. innovations in the transport or IT sectors, whose products are also significant for tourism).

- high investment and maintenance costs in tourism, coupled with the high seasonality of tourism, make the decision to invest significant resources in innovation development rather difficult.

One of the interviewees stated that, in general, there is a lack of an established culture of innovation in tourism. One way to tackle this issue is seen in continuous education related to the importance of innovations (starting from primary schools and all the way to life-long learning programmes). It was also emphasised that the number of innovations could not be increased overnight but through a systemic and long-term approach. According to the interviewees, the main mechanisms and measures that could increase the number of innovations in tourism include the employment of a labour force with a formal education in tourism, raising the salaries and improving working conditions in tourism, as well as encouraging innovations. This should consequently contribute to higher employee loyalty and increase the companies' innovative potential. In the context of a culture/innovative environment, it is necessary to ensure the appropriate reward system for innovators (by introducing the systematic support/stimulation measures for innovations, such as tax exemptions, better access to favourable capital/financial sources, by public support for innovative entrepreneurs and their products, etc.).

The main reasons for brain drain, according to the higher education and research representatives, can be found in the fact that the tourism professions that are still being perceived as insufficiently attractive (because of the seasonality, low wages, poor working conditions, poor possibilities for promotion and advancement). In contrast, some of the interviewees see the existing brain-drain as a positive situation in the long run, since some of these people will return with new knowledge and initiatives.

This group of interviewees also agreed that regional cooperation is quite necessary for attracting tourists from both distant and new markets. Tourists from distant markets tend to visit a larger number of countries during one trip, not just a single country/destination and, therefore, integral Adriatic-Ionian products/offerings should be a natural response to such demand.

The interviewees welcomed the possibility of introducing new study subjects in the field of innovation into their existing curriculum. This should result in a higher awareness of the importance of innovation in tourism. In this respect, the introduction of courses that would focus on different kinds of innovations and the benefits that innovations could bring, as well as on obstacles that may occur, when they decide to introduce innovation in tourism would be of great value. Consequently, the chances for the implementation of innovation in tourism will be significantly increased. Apart from standard teaching methods, case studies

are identified as very practical and useful for the stimulation of innovative capacity and atmosphere among students as well as for the transfer of innovations to practice.

The vast majority of the respondents confirmed the extreme value of the feedback from the field (state-of-art), reached through the collaboration with practitioners in tourism, local stakeholders, and all businesses that are directly or indirectly connected to tourism.

3.3 Workshops

Additional valuable inputs on tourism and innovations from Adriatic-Ionian stakeholders were gained through two rounds of interactive workshops. Overall, twelve workshops were organised in Albania, Bosnia and Herzegovina, Croatia, Italy, Montenegro. and Slovenia between April and July 2018.

The first round of workshops was mainly focused on obtaining feedback from the stakeholders on the situation in their countries related to sustainable tourism, innovations, their (positive and negative) cooperation experiences on the local, regional, national, and international levels. Their opinions related to the new markets and tourism trends were also gathered.

During the second round of workshops, strategy proposals and the results of the previous analyses were presented to the Adriatic-Ionian stakeholders, aimed at obtaining their approval and constructive suggestions for the improvements of the future document. All their inputs were later incorporated into the objectives of this strategy and into the model for fostering innovations in tourism in the Adriatic-Ionian region.

Stakeholders who were actively taking part in these workshops were representatives of local, regional and national public authorities, sectoral agencies, interest groups including NGOs, higher education and research institutions, enterprises, SMEs and business support organisations. Given the wide range of stakeholders (coming from different Adriatic-Ionian countries), their recommendations, opinions and suggestions were of great value for the further development of this document.

The **first round** of the **workshops** gathered a total of 235 participants. The analysis of their opinion indicates that, as far as countries and regional potentials are concerned, the Adriatic-Ionian region covers all types of experiences that contemporary tourists seek: cultural, historical and artistic heritage, unique traditions, rich gastronomy, and diverse and preserved nature. However, the stakeholders agree that apart from the evident enormous tourism assets, some parts of the region still have tourist potential that remains unused. In that context, it was concluded that, in order to stay sustainable, it is necessary to

follow the tourism trends and accordingly develop various types of special interest tourism that will be compatible with different parts of the region and their potentials.

Some of the workshops' participants pointed out that the lack of financial resources and the interference of political and personal, as well as, public and private interests represent issues that need to be overcome. These also influence the cooperation and integration at all levels. In this sense, as stakeholders agree, cooperation enhancement is necessary and essential since it can make tourism in the Adriatic-Ionian region more competitive and consequently, can bring benefits and new development opportunities to all stakeholders. Participants agreed that stakeholders at all levels are responsible for taking the initiative for cooperation. The key benefits of such cooperation could be joint promotion, financial and organisational benefits, more efficient approaches to distant and new markets, further product and market diversification, exchange of knowledge and good innovative practices, etc. To overcome the mentioned issues and to enhance the implementation of the innovative and creative ideas and solutions in tourism, it was concluded that cooperation must be improved in all countries and at all levels, including at the international one.

The potential of the Adriatic-Ionian region as a tourist destination is very high, and in that context, the participants of the workshops agreed that it would be essential to focus the efforts towards new and more distant markets, taking into account current tourism trends. In addition, some of the participants emphasised the issues related to the collection of quality data, vague methodology, and overall poor accessibility of data related to tourism. It is agreed that certain indicators are easily monitored while others are difficult to measure and that monitoring sustainable tourism development cannot be one-dimensional (e.g. number of arrivals and overnight stays). It is also necessary to pay attention to the destination's life cycle stage, the type of tourism developed, and to the local community needs. Therefore, additional efforts should be made in a way that, along with tourist satisfaction, the attitudes of local residents are also monitored on a regular basis. The results of those surveys should serve as a basis for decisions on future tourism development. All the workshop participants agreed that tourism needs to be developed following sustainable principles, but it was found that the majority of the tourism stakeholders, apart from economic viability, are mostly focused on the environmental and much less on the socio-cultural aspects of tourism. In this context, some of the participants highlighted the issue related to overtourism, as well as to the trend that leads to the depopulation of historic centres. Not only are they abandoned by people who choose to live in the suburbs, but also by the small local businesses due to the high cost of living and doing business in such areas. It was underlined that, in order to ensure sustainable tourism development, it is of great importance to respect the local population and take their opinions, wishes, and interests into account when defining the destination tourism goals.

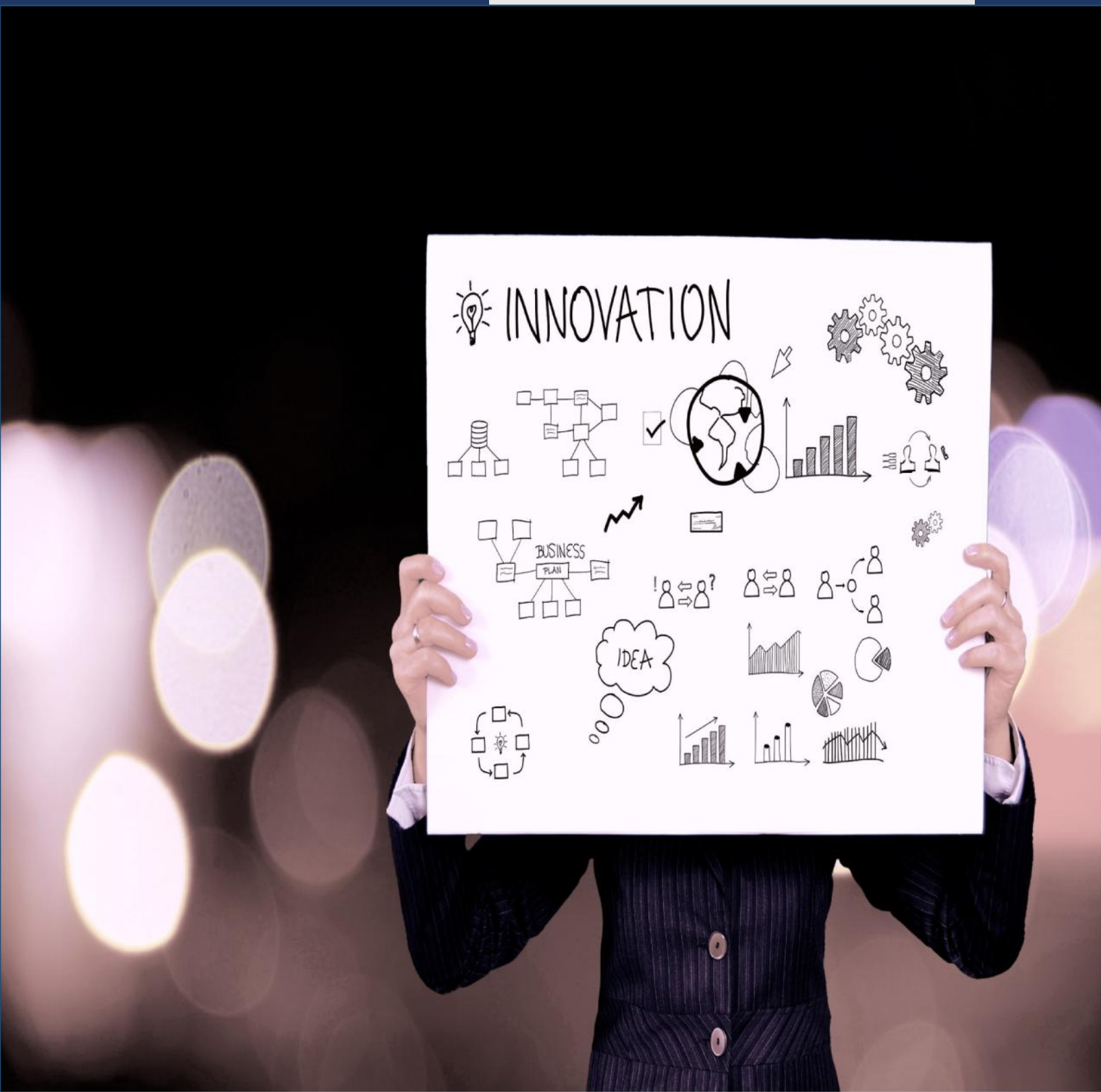
Furthermore, workshop participants agreed that the great importance of innovation in achieving long-term tourism development is undeniable. At the same time, they agreed that there is a lack of innovation solutions in tourism. Stakeholders pointed out that it is necessary to combine traditions, historical, and cultural heritage with new technologies and innovations. Key benefits (goals) of implementing innovations in tourism are seen in new and/or improved products, better image, new markets, fostered local cultural identity, better environmental protection, and many others. The countries within the Adriatic-Ionian region must cooperate, develop, and share the best practices to reach these goals. Another interesting observation relates to the term 'inertness to innovations' manifested in a lack of interest and action towards innovative processes inherent particularly to the public sector but to others as well. In addition to the previously mentioned, the combination of high business risk, disloyal competition, the fact that services can be easily copied and very difficult to be patent, legal obstacles, regulations and tax policy, make the tourism business quite risky and hard to plan, organise, and control.

Finally, participants agreed that due to the lack of quality monitoring in tourism, the same problems with data collection naturally occur in a specific segment, such as innovations. In that context, it was emphasised that creating an efficient and effective monitoring system (including methodology, indicators, people, equipment and others) would be quite an innovation itself.

In the **second round**, additional six **workshops** were organised, gathering 206 participants. As mentioned earlier, this time a strategy proposal was presented along with the results of the previous analysis relating to the characteristics of tourism in the Adriatic-Ionian region, tourism trends, SWOT and PEST analysis of tourism and innovations in the region. Particular attention was given to the results of the survey conducted with the employers in tourism, where the differences and deviations, both positive and negative, among the Adriatic-Ionian countries were emphasised. The purpose of this approach was to obtain stakeholders' opinions on the strategy proposal since, in the end, they are the ones who will (or not) implement the strategy. In general, the stakeholders expressed positive attitudes toward the strategy proposal. They particularly welcome the kind of approach in which all levels of stakeholders can contribute to the creation of a strategy that has a major potential for implementation in all Adriatic-Ionian countries, since a bottom-up approach is needed to enhance its later implementation. Stakeholders are, however, concerned whether the strategy would find its way to the decision-making actors and they are concerned about how it will be implemented in practice. In this sense, it was essential to involve as many stakeholders as possible in order to obtain their points of view on how to overcome these concerns. In this case, the cooperation enhancement at all levels emerged as a good starting point.

All suggestions given at the workshops were fully taken into account when defining the principles and objectives of this strategy as well as when developing the model for fostering innovation in the region.

CHAPTER 4

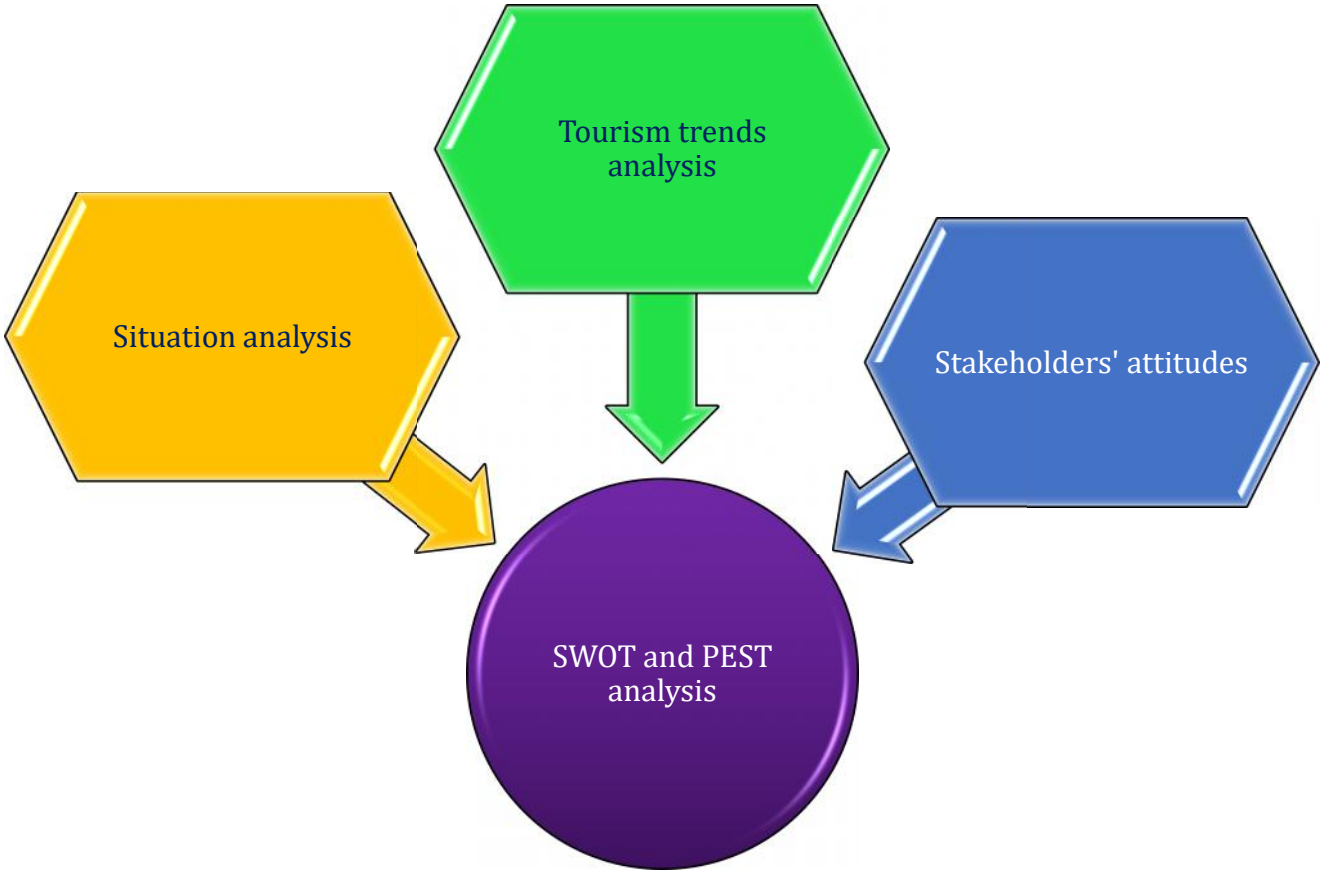


4 Tourism and innovations in the Adriatic–Ionian region

Following the results obtained via the situation analysis regarding tourism in the Adriatic-Ionian region and the results of the empirical research, it can be concluded that the entire area has many potentials to be explored and used in the future development of tourism. Due to its rich natural and cultural heritage, the Adriatic-Ionian region is considered a very attractive tourism destination. It has been confirmed that tourism development in this region must be carefully planned and managed in order to be sustainable in the long run. The region consists of different countries and sub-regions, each unique, which must be taken into account when planning tourism development. Every country in the region recognises tourism as an essential activity for their economy and society as a whole. In that context, the countries have developed (or have in the process of development) their strategic documents related to the future tourism development. All those strategic documents include a SWOT analysis of each country based on their specific characteristics. Given the fact that the *Strategy for fostering innovations in sustainable tourism for the Adriatic-Ionian region* covers the whole region, it was found necessary to generate strengths, weakness, threats, and opportunities that are common to all countries of the Adriatic-Ionian region. Therefore, the SWOT and PEST analyses summarise the results of the situation analysis of tourism in the whole region as well as the empirical research results, including the online survey, the interviews conducted, and the workshop reports, which all include the opinions of the tourism stakeholders in the Adriatic-Ionian region.

Based on the SWOT (Table 19) and PEST analysis (Table 20) of the tourism and innovations in the Adriatic-Ionian region, the main principles of the future region tourism development are recognised, and, upon them, the objectives of this strategy are defined (Figure 31).

Figure 31: SWOT and PEST analyses development process



Source: (Authors' findings)

4.1 SWOT analysis of the Adriatic-Ionian tourism and innovations

To define the basis upon which the objectives of the future tourism development in the function of fostering innovation in the Adriatic-Ionian region can be defined, it is necessary to develop a common SWOT analysis of the tourism and innovations in this region (Table 19). The following analysis is created upon desk and empirical research results, and each country's SWOT analysis is presented in the first chapter of this document.

Table 19: SWOT analysis of the Adriatic–Ionian tourism and innovations

Strengths	Weaknesses
• *Strategic geographical location* • ***Proximity** of tourist markets* • *Preserved nature* • *Rich and diverse cultural and historical heritage* • *Gastronomy* • *Diverse climate* • *Tradition in tourism* • *Hospitability of the local population* • *Multiculturalism* • *Existence of strategic tourism documents* • *Growing tourism revenue* • *The existence of good practices – innovation implementation in tourism* • *Participation in the EU projects that focus on innovations*	• *High seasonality* • *Uneven distribution of tourism demand* • *Slow adoption of new technologies* • *Lack of quality of workforce* • *Management* • *Education* • *High unemployment rate* • *Ageing population* • *Cooperation between stakeholders* • *Low level of knowledge about innovations* • *Lack of innovations and incentives for innovations* • *Lack of creativity stimulation* • *Legal and legislative frameworks* • *Innovation measurement (lack of indicators)*
Opportunities	Threats
• *Growing tourism demand* • *New technologies* • *Experience economy, special interest tourism* • *New markets* • *Transport development* • *Strengthening regional, national and local cooperation* • *Cross Selling – Adriatic Ionian Tourism Integration* • *EU funds*	• *Growing competition* • *Overtourism* • *Environmental degradation* • *Climate change* • *Insufficient financial resources* • *Socio-political stability* • *Migration Management* • *Terrorism* • *Natural disasters*

Source: (Authors' findings)

The Adriatic-Ionian region's strategic geographical location induce enormous potential for tourism development. Tourism in this area has a long tradition, and countries are recognising the importance of tourism for their economic development. This is confirmed by the fact that all countries have developed strategic tourism documents, which took into consideration sustainable principles. Therefore, the main strengths of this area are seen in the adequate planning of sustainable tourism development as well as in the strategic location of the region and the proximity of major tourism markets.

Preserved nature in this region is also one of the strengths that represent a high-value resource in tourism development. At the same time, it implies high responsibility in its preservation for the future generations. Additionally, the Adriatic-Ionian region has a diverse and rich cultural and historical heritage that, along with diverse and specific gastronomy, makes this area authentic and unique. Those strengths have to be recognised and preserved in terms of their usage in tourism. On the one hand, natural, cultural and historical sites are marketed as a highly compelling site to visit, but on the other, conservationists are afraid of the adverse effects brought by excessive tourism activities to those sites (Hassan, Jailani, & Rahim, 2014). Therefore, it is necessary to ensure that the revenue generated from those visits is being reinvested in the same resources. Preserved nature and cultural and historical heritage have reported increases in tourism demand in recent decades. Hence, the diversity of those resources in the future need to be valorised in tourism development of the Adriatic-Ionian region in a responsible and innovative way.

Additionally, the Adriatic-Ionian region is perceived as a home of very hospitable people, where the multicultural environment implies mutual understanding between people. Multiculturalism enables seeing the world through different aspects that enhance openness and creativity. The literature also identifies increased research and innovation as a key benefit of cultural diversity (Qian, Acs, & Stough, 2013). In general terms, a diversified workforce is likely to have different skills and mindsets, which in turn are positively correlated with business, technological, and cultural innovation (SGS Economics and Planning, 2016). However, unfortunately, a lack of innovations and incentives for innovative solutions is identified as one of the weaknesses of the Adriatic-Ionian tourism. In this context, it is of great importance to find a solution that will result in fostering the implementation of innovations in tourism. Given that countries in the Adriatic-Ionian region record increased tourism revenue, there is a potential that part of the revenue be directed in fostering innovation. Regarding innovation in tourism, in addition to taking part in different EU projects that focus on innovations, the region does have many good examples of implementing and/or fostering innovations in tourism that should be promoted so that other tourism stakeholders can learn about the ideas that could be implemented in their own practices. However, there are no systematic innovation

incentives or monitoring, especially with regard to tourism. In addition, the results of the conducted empirical research indicate that there is a low level of knowledge about innovations and consequently a lack of innovations and their incentives.

The majority of tourism destinations in this region, as seen from the situation analysis, are facing an issue of high seasonality, since the majority of their tourism flows are concentrated in the summer season. Therefore, an active approach is required that would result in the enrichment and innovation of the tourism offering, particularly in the off-season periods. This could result in higher value for money and could lead to seasonality smoothing. The other weakness of the whole region lies in the geographically uneven tourism development, since some parts of the region are facing massive inflows of tourists while others remain with a low number of arrivals and overnight stays. One of the issues if tourism of this region also lies in the slow adoption of new technologies and in the low quality of the workforce. Due to the relatively unfavourable working conditions and low wages in tourism, there is a high fluctuation of the labour force. Moreover, tourism employs (formally and informally) a large share of the labour force without formal education in the field of tourism, and this also represents an issue when the aim is to provide high quality tourism products. By solving the educational issues of the employees in tourism, raising salaries, improving working conditions in tourism as well as by stimulating creativity, employees' loyalty will increase, and they will contribute to innovative capacity and performance. Additionally, compared with the EU, the unemployment rate in the Adriatic-Ionian region is very high. However, the falling share of children and young people and the rising share of elderly people in the total population could result in labour market shortages. This also could be seen as an opportunity given the fact that tourism is a labour-intensive activity and can provide employment to people of different age and education levels.
Another issue, which was also raised from the previous analyses of tourism in the Adriatic-Ionian region, is poor cooperation among stakeholders in tourism at all levels (national, regional, and local). This issue needs prompt attention since the cooperation and involvement of all interested stakeholders in the decision process in tourism is essential if tourism is to be developed in a sustainable way.

The opportunities for further tourism development in this area are enormous. As UNWTO predicts, international arrivals will continue to grow worldwide in the years to come. This trend is positive, but also challenging, as destinations need to stay true to their identity and maintain their uniqueness (Bosnić, Tubić, & Stanišić, 2014). Hence, tourism destinations in the Adriatic-Ionian region need to be prepared and take advantage of this positive trend. To do so, it is evident that destination management needs to follow current tourism trends and provide more innovative, diverse, and sustainable tourism products. This implies the

enhancement of knowledge transfers (between stakeholders at all levels) on sustainable tourism principles as well as on the importance of innovations in tourism development. In addition, given that the measurement of innovation in tourism, as in the knowledge-intensive services, is very complex, there is a lack of adequate innovation indicators. As soon as this is recognised, more incentives for innovations will be introduced in all countries in the region. In this context, tourism has to be recognised as a connection or a link of many industries and sectors that are directly and indirectly involved in tourism (hotel industry, intermediaries, catering, trade, transport, agriculture, construction, manufacturing, IT, and many others). Hence, the innovation in all of these industries and sectors can be directed and applied in tourism.

In addition, when planning the development of tourism products, trends in the tourism market need to be followed. For instance, new technologies need to be applied much faster than they are applied now, in order to make guests' stays simpler, and to provide them with the services that they are expecting (i.e. Wi-Fi services with higher speeds, automated check-in and check-out, mobile applications that provide guests additional information inside and outside the hotel, etc.). Additional opportunity for this region lies in providing authentic and unique experiences, not just products. This could be easily done since the whole region is diverse and, therefore, can offer different kinds of experiences (i.e. cultural, rural, sport, adventure, eco, gastronomic, and other experiences). By doing so and, given that more and more tourists are seeking for different (and very often nature-based) experiences, certain destinations in this region can focus on developing special interest tourism in order to avoid dependence on the sun and sea products.

Many destinations in the region are dealing with inefficient tourism management; thus, there is need to upgrade the existing tourism management systems for destinations to be more flexible in adjusting their products according to the rapidly changing tourism trends. To achieve high-quality and effective management of a destination, it is necessary to form a strongly structured and institutionalised destination management that has adequate human and financial resources and that functions independently and responsibly with the support of public institutions, the private sector, and the local population (Cetinski, 2009). Having said that, it is necessary to enhance and foster the cooperation between stakeholders in tourism. Given globalisation and the high competitiveness of the tourism market, there is a need for greater flexibility than ever before from tourism companies, as well as rapid access to different resources (Freel & Harrisom, 2006). In tourism, given that micro and small companies dominate, this may be achieved above all by cooperation with a range of stakeholders at the local and/or regional levels, so the most popular motivation for cooperation is seen in the lack of information, knowledge, human, financial, or organisational resources (Borodako, 2011). Some of those resources could also be gained through EU funds, which also requires cooperation between different partners. Cooperation between countries in the Adriatic-Ionian region has to be strengthened and

upgraded through cross-selling, joint promotion, and the exchange of good practices related to innovations in tourism. All these opportunities represent the basis on which innovative solutions should be developed.

Evident growing competition on the tourism market represents a threat for the future development of tourism in the Adriatic-Ionian region. For that reason, it is of great importance to plan future tourism development on a sustainable basis, which includes active stakeholders' cooperation, innovative, and authentic tourism products, as well as the preservation of socio-cultural and environmental resources. By providing innovative tourism experiences in a preserved environment, greater competitive advantage can be created. Recently, the new issue of overtourism has emerged in certain destinations, and the Adriatic-Ionian region is no exception. This should be taken very seriously, since this problem is not simple and requires responsible long-term planning with all stakeholders involved.
Among the threats, in addition to the previously mentioned ones, possible insufficient financial resources, the lack of venture capital and socio-political stability are also identified. In addition, a high priority on maintaining stable governance and establishing control over migration has emerged. Moreover, terrorism remains a real threat to tourism destinations worldwide; therefore, personal safety and security are imperative for further tourism development.

4.2 PEST analysis of the Adriatic-Ionian tourism and innovations

The PEST analysis focuses on the environment in which the tourism of Adriatic-Ionian tourism is developing (Table 20). Apart from the political, economic, sociological, and technological environment analysis, particular emphasis has been placed on the innovations and the quality of tourism offering.

Political environment: The development of tourism products will be influenced by the range of circumstances in the political environment: current and future market regulations in the Adriatic-Ionian countries; their government policies; eventual conflicts that can influence the political stability in the region. All of these can influence the level of financing, subsidies, and initiatives related to tourism and innovations; legal environment, such as new commercial (business) laws as well as tighter control in terms of compliance with legal regulations (consumer protection, labour legislation, etc.); quality control; intellectual property protection, environment protection and the application of environmentally responsible 'green' concepts. Additionally, in terms of fiscal policy, in order to provide incentives for tourism and innovation development, it would be a positive impact if the conditions for an additional reduction of the fiscal pressures on tourism and innovations

(preferential tax status, value-added tax, tax on profit, income tax, and other) are established throughout the region. The ongoing process of EU integration should positively influence the business climate as well as accelerate the collaboration between countries in the region.

Table 20: PEST analysis

Political environment	Economic environment	Socio-cultural environment	Technological environment
- *Future market regulations* - *Government policies* - *Political stability* - *Subsidies and incentives for innovations* - *Intellectual property protection* - *New laws (tourism, innovations)* - *Labour legislation* - *Quality control* - *'Green' concepts* - *Process of EU integration*	- *Growth of the European economy* - *Steady tourism growth* - *Potential incensement of foreign tourist expenditures* - *Investments in innovative solutions* - *Research and development* - *Grey economy* - *Common European currency (€)* - *EU funds*	- *Increased share of elderly people* - *High-income tourist with free time to travel* - *Increase in individual travel* - *Higher general welfare* - *'New tourists' seeking experiences and personal development* - *Unemployment* - *Education* - *Overtourism*	- *High-speed development of information and communication* - *ICT innovations implemented in tourism* - *Transport infrastructure* - *Improved and innovative computer reservation and management systems*

Source: (Authors' findings)

Economic environment: Economic developments can be seen in the context of the growth of the European economy (at its fastest rate in 10 years in 2017 and, for the first time since 2007, all Member States saw their economies expand (European Commission, 2018)). This will have implications for the Adriatic-Ionian macroeconomic environment. Previous analysis showed that tourism in the whole region rises in terms of tourists' arrivals and overnights stays as well as in terms of their expenditures. Changes that stimulate the development of tourism are certainly the economic power of the outbound countries (that affect the two basic driving factors of tourism demand: the amount of income and the amount of free/leisure time). In developed economies, despite occasional fluctuations, the trend of growth of these two factors is noticeable. Forecasts for economic movement in the next decade point to the increasing economic potential of the so-called BRIC (Brazil, Russia, India and China) and MIST (Mexico, Indonesia, South Korea, Turkey) countries, including

their affinities for tourist travel. Given the potential of increased tourist expenditure, positive economic impacts of tourism are expected: investments in innovative solutions as well as higher investment in research and development. One of the issues that many countries in the region encounter is the grey economy to which a complex bureaucracy, slow judicial system and an over-leveraged public sector add to the problem. Because of these difficulties, there is a lack of Foreign Direct Investment (FDI) in tourism; however, great potential is seen in the EU funds that support sustainable tourism development and innovations.

Social environment: Social aspects, in terms of tourism, record the most significant changes in the composition of the tourism demand (the increase in the share of elderly people travelling) and in the increase of individual travel as well as of experiences-based and active vacations. Changes in the ageing population structure, with an increased share of people over the age of 60 or 65 in the total population of developed countries, create a significant market segment that consists of high-income tourists with plenty of free time available for travel. In addition, due to economic growth, higher levels of education and general welfare, the social and cultural value system is changing resulting in 'new' tourist behaviour and expectations. All of these factors (economic development, growing level of education and a general increase in prosperity) contribute to the transition towards post-materialistic social values of the experience economy. New trends show that tourists will increasingly seek those tourism products that, in addition to other qualities, include experience and personal development. Additionally, the tourism development should be in synergy with the cultural environment since the cultural heritage of the region (or a destination) should be considered an essential element of the tourism offering. To develop high-quality products and achieve a positive climate in terms of enhancing innovations and their application in tourism, education should encourage changes (i.e. inclusion of new study programmes with the focus on innovation and tourism, lifelong learning programmes, etc.). Finally, local communities must be actively involved in the planning and managing tourism development in their destinations.

Technology: Information and communication technologies are developing at high speed and have a significant impact on tourism and businesses. The Internet, as one of the most significant technological phenomena, provides tourism stakeholders with a whole new competitive potential, of which the most significant is the ability to provide current information, all over the world, in real time. Therefore, it is a powerful communication medium that effectively connects tourism supply and demand. In the domain of traffic changes and their relations with tourism, there is an increased demand for better transport infrastructure. This requires the construction of state-of-the-art road transport, and the more efficient organisation of rail, air and ship traffic, and the development of new generations of aircraft, super-trains, mega cruisers as well as the use of alternative energy

sources. Changes in information technology include the improvement of the computer reservation and management systems of service providers in tourism.

4.3 Adriatic-Ionian tourism development principles and strategic goals

The desirable development of tourism in the Adriatic-Ionian region demands innovative, high-quality, authentic and creative tourism products, as well as economic (prosperity) growth and responsible management of nature and socio-cultural environment. Accordingly, tourism development until 2025 should be based on the following principles (Figure 32).

Figure 32: Adriatic-Ionian tourism development principles and strategic goals

Source: (Authors' findings)

Sustainable tourism development – every activity, done or planned, needs to be in accordance with sustainable principles. It has to be noted that being sustainable does not mean just protecting the environment: it is about the local communities and their well-being, satisfaction, and quality of life.

Partnership – given that tourism is a complex economic activity that crosses the boundaries of many different industries and sectors of the economy, cooperation is essential. This includes cooperation at and among all levels (national-regional-local), but also the cooperation of public governing bodies with the private sector (entrepreneurs), the civil sector, environmental protection institutions, culture, traffic, security, and others.

Tourism across the Adriatic-Ionian region – it was found necessary to include all parts of the region in tourism activities according to their potentials, resources and traditions (i.e. stimulating rural, ecotourism or heritage tourism development). In that way, tourism can assist in the development of remote areas, improve their infrastructure, stimulate local production and contribute to household incomes and standard of living,

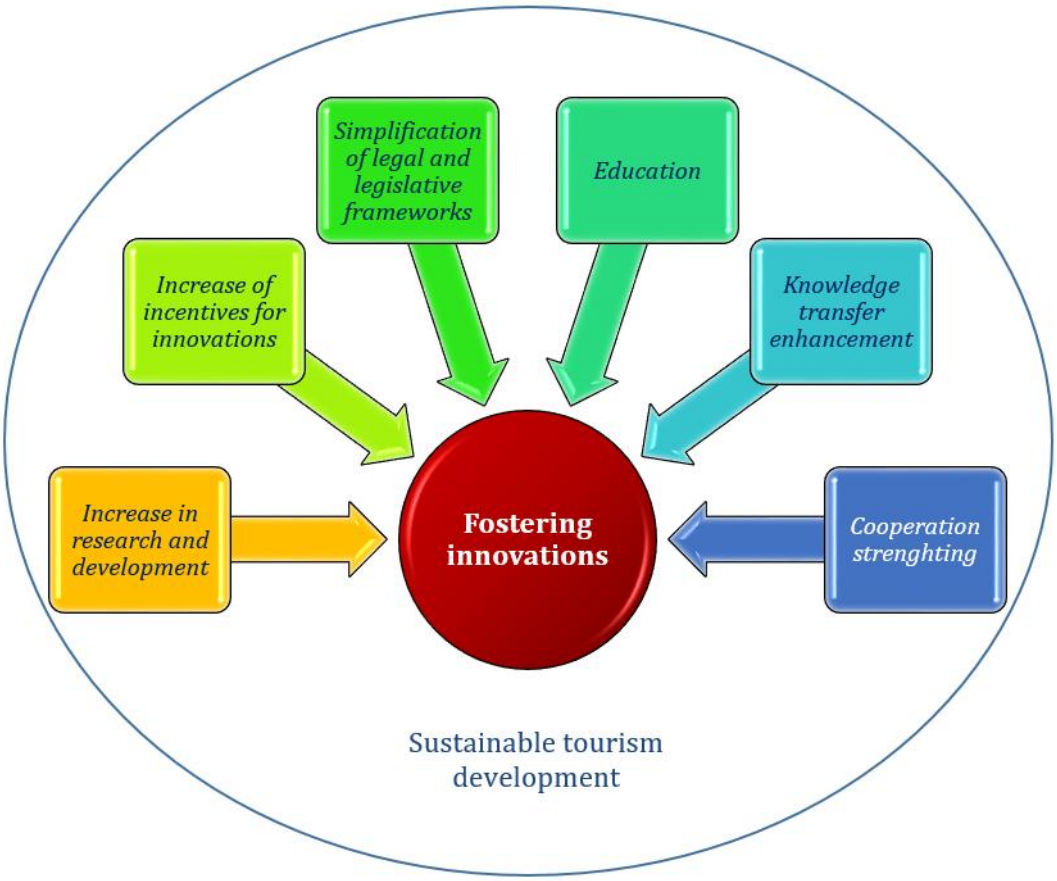
Tourism throughout the year – given the seasonality issues, some actions need to be taken to assist the tourism development in the off-season as well. This could be done by stimulating the development of internationally competitive special interest tourism that does not depend on the sun and sea (i.e. rural tourism, culture, art and heritage tourism, health, adventure and sport tourism, ecotourism, gastronomy tourism, MICE, city breaks, etc.).

Authenticity, creativity, and quality – for Adriatic-Ionian tourism to be competitive, it has to develop its tourism experiences based on its unique natural and socio-cultural authenticity. Moreover, being sustainable and competitive in the long run requires creativity and innovations in the development of products, destination positioning, and marketing. Additionally, the focus has to be on the high-quality tourism products, which requires continuous improvement of the quality level.

Innovations – future tourism development of the Adriatic-Ionian region should be based on innovative solutions that need to be supported for the region's tourism to be more competitive and sustainable.

Following reflection on all the previous information, it is possible to reflect on the future, desirable scenario of the Adriatic-Ionian region's tourism development. Given the fact that all countries in the region have developed their strategic tourism plans, the main focus of this strategy is innovations and sustainable tourism development. Innovations, in general, create job opportunities, increase competitiveness, improve the quality of life and contribute to more sustainable economic growth. Hence, within the paradigm of sustainable tourism development, introducing innovations that will better take into account the preservation of the natural, cultural, and social environments should be fostered. Having in mind the previously mentioned, the strategic goals in the function of fostering innovations in sustainable tourism in the Adriatic-Ionian region are summarised in the following figure 33.

Figure 33: Strategic goals in the function of fostering innovations in sustainable tourism in the Adriatic-Ionian region

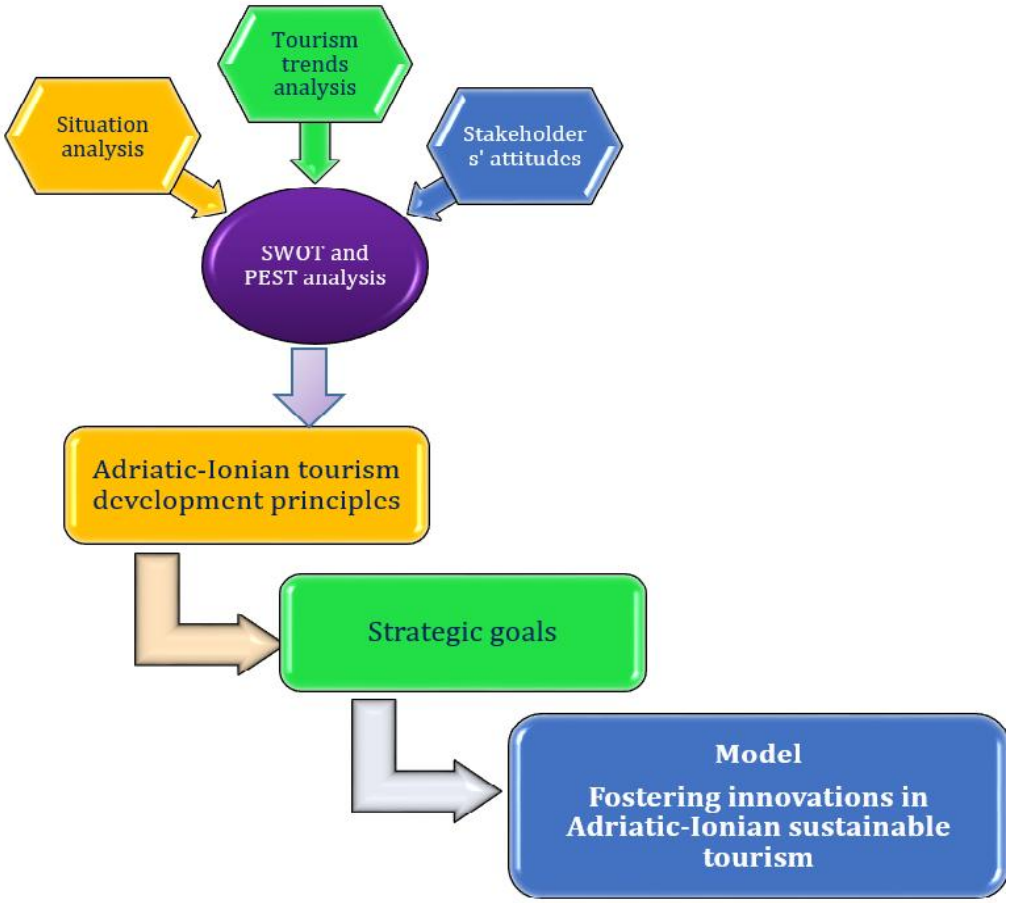


Source: (Authors' findings)

Research and development (R&D) as a driver of change needs to be recognised and encouraged in the private and public sectors, not concentrated only within R&D-intensive sectors (high-tech, science-based, knowledge-intensive sectors) but also in sectors that are less R&D intensive. Incentives for innovations are essential in order to foster innovation solutions in all industries and sectors and, therefore, in tourism as well. An innovative tourist company is the one that stands up to competition and successfully adapts to changing market conditions for a longer period. Therefore, legal and legislative frameworks require simplification, i.e. changes that would create a stimulating environment for entrepreneurs and innovators. A large number of statutes and regulations relevant to the tourism indicate an over-burdening legal formality and inefficient legal framework. The legislative framework should provide innovation incentives for all sectors, providing a system that will enhance the research and development as well as the building of human potential. Successful entrepreneurship is characterised as constantly innovating to

maintain and increase competitiveness, in order to open additional niche markets and achieve greater profits. All of this requires systems of formal and life-long education adjustment to the needs of the tourism and the system of tourist organisations. Therefore, education in the function of human resources development in tourism needs to be structured. Furthermore, to foster innovations in sustainable tourism in the Adriatic-Ionian area, it is necessary to establish networking structures and to increase knowledge transfer between business, users, academia, and institutional stakeholders in the region. In addition to the education and knowledge transfer related to sustainable tourism and innovations, special attention should also be placed on developing marketing skills since tourism entrepreneurs and destination managers very frequently lack specific skills. To improve the knowledge about tourists and, as such, to be able to adapt the product and the rest of the marketing mix variables to their need is a must for tourism enterprises as well as destinations as a whole (Figure 34).

Figure 34: Model development process



Source: (Authors' findings)

To provide valuable contributions in exchanges of cooperation opportunities and best practices, this networking structure has to become a knowledge base and information hub for different actors, including SMEs, universities and research centres, relevant tourism authorities, regional authorities, and others.

According to the results derived from the situation analysis' and conducted surveys, it can be concluded that, at this moment, in the Adriatic-Ionian region there is a lack of innovative solutions for tourism. Following the current trends in tourism, it is more than necessary for all countries in this region to change their perspectives regarding incentives for innovation in tourism. Therefore, the main focus of this strategy is seen in how innovations will contribute to the tourism development of the Adriatic-Ionian region. The strategy model follows the tourism strategies of the countries in the region as well as the UNTWO's sustainable tourism principles.

CHAPTER 5

5 Model development – incentives for innovation in tourism

Tourism is a complex and diverse system consisting of different sectors with myriad activities. The high differentiation of stakeholders makes their mutual recognition and connectivity more difficult, which in turn lowers their possible synergy effects. Additionally, as a system whose 'parts' mainly belong to the service sector, tourism is characterised by low levels of innovativeness (see Chapter 3). These two facts indicate the need to use networks and networking as a way of increasing the innovation capacities and capabilities, the number of innovative solutions, and the effects of innovation on tourism and its sustainability.

Many researchers argue that enterprises can advance their innovation by interacting with different stakeholders (primarily including suppliers, customers, competitors, and research organisations). Networks are used for providing necessary resources, information, advice, support, encouragement and access to new opportunities, and they represent a good basis for creating a culture of innovation and development of open innovation models.

5.1 Common regional issues and problems related to tourism and innovations

Based on the results of the thorough analysis in the previous chapters, an array of issues (problems) emerge as inherent for the whole AI region. These issues should be considered from two aspects: the sustainability of tourism and the innovations for sustainable tourism. The identified issues are grouped around seven themes.

1st Group: *state level, public administration*

- there is no analysis of the innovation capacity of the public and private sectors
- the legal framework for innovations practically does not exist, especially for tourism
- innovation incentives are insufficient, they lack systematic approaches and goals, and users of public resources are not clearly identified
- the system of public administration (local, regional, national level) is slow and overly bureaucratic
- the effects of deployed incentives are not measurable, i.e. are not subject to measurement; there is a potential interest among public bodies for measuring the effectiveness of their resources that have been allocated for the purpose of stimulating innovations

- insufficient tax reliefs and incentives for innovations

2nd Group: *wider understanding*

- lack of understanding of the real meaning of the term and the concept of innovation
- connecting the concept of innovation as a rule only with technological innovation and patents

3rd Group: *issues inherent to tourism and its complexity/diversity*

- tourism is a multifaceted system incorporating a wide variety of stakeholders; this makes communication and networking more difficult
- insufficient cooperation between SMEs and large enterprises
- insufficient cooperation between HEIs, support organisations, public administration, enterprises, NPOs
- lack of promotion of strategic alliances by public administration

4th Group: *HR and education*

- unfavourable (poor) educational structure in tourism, lack of highly educated employees
- lack of education for innovation and Innovation Management
- lack of LLL programmes (e.g. for private accommodation renters/owners)
- migration of the domestic population towards developed countries offering better working conditions and higher salaries
- insufficient use of digital technologies

5th Group: issues within enterprises

- lack of employee innovation reward systems within enterprises
- general absence of systematic approach to innovation management; who is 'in charge' of innovations, who (or what organisational unit) should be dealing with innovations

6th Group: AI tourism, regional issues

- the AI region is not sufficiently recognised as an integrated destination by either the Member States or by tourists
- seasonality of tourism, overtourism in some parts of the region/destination
- existing resources (natural, cultural, social, etc.) are not sufficiently valued
- economic migrations of the domestic population endanger autochthonous and authentic tourism products

- uneven (misbalanced) development, e.g. between rural and coastal areas of the region
- in reflections and management of sustainable development and tourism, there is too much emphasis on the economic and ecological component of sustainability, while the social component is neglected

7th Group: innovations and/for sustainability

- innovations should be in the function of the sustainability of development and tourism
- lack of innovation indicators reflecting the characteristics of tourism systems – the necessity of such systems derives from the very nature of tourism as a system; there is no metric that would enable monitoring, management and fostering of innovations
- there is no comprehensive and accessible knowledge base of existing good practices.

Based on the above defined and addressed issues, a model for fostering innovation is proposed that addresses the identified problems and encourages the strong development and deployment of innovation capacities within sustainable tourism in the Adriatic Ionian region.

5.2 FOST INNO tourism innovation centre – the cornerstone of a regional tourism innovation system

According to the situation analysis and analysis of the results obtained through empirical research (online questionnaires, interviews, workshops), individual organisations are left alone to deal with and develop innovations. There is no or little support provided by the environment (local, regional, or national levels). The results also indicate that there are no systematic innovation incentives and monitoring, especially when tourism is concerned. The system in which the stakeholders in the Adriatic-Ionian region currently operate does not function in the sense of promoting, encouraging, or rewarding innovation. In addition, the results also indicate that co-operation among stakeholders is unsatisfactory at all levels, including the regional level. This situation calls for a mediator to improve and enhance communication and co-operation between stakeholders. This mediator is recognised as one possible solution for the current non-innovative climate in the Adriatic-Ionian region's tourism.

A framework to conceptualise the development of the FOST INNO model is proposed (Figure 35).

Figure 35: FOST INNO conceptual model

Source: (Authors' findings)

The proposed hypothetical conceptual framework includes all stakeholders that need to work together in order to be part of the value network integration process in practice. The main assumption of this model is that being a part of it will improve co-operation and communication between networked organisations and enterprises. Organisations and enterprises usually have their own information technology solutions and data interchange but, with involving in the presented network, it should be possible to additionally improve business in order to become more competitive. Above all, the success in changing defeatist beliefs and general judgment in the direction of attitude that it is worthwhile to invest in a proper network can surely affect the communication and the transfer of values between future business partners.

The strategic purpose of model development is the initial building of a stronger and more connected Adriatic-Ionian region, which will help entrepreneurs, creative individuals, and

organisations to transform their ideas into reality. For the future inclusion of various actors, the proposed supranational network should provide:

- *the benefits for the different types of stakeholders from their integration into coherent value networks*
- *organisation, creation, capturing or distribution of value, and ensuring its availability for future users within countries*
- *the transfer of tangible and intellectual property, expertise, learning and skills between countries*
- *assistance for all stakeholders to become fully integrated international business partners.*

For the effective adaptation to the changing environment, actors and their roles in the future activities need more clarification. Furthermore, a more refined definition of co-operation, support, and the preferences of organisations and enterprises who share the same interest are presented. In the following subchapters, both the private and public stakeholders are analysed. The proposed hypothetical model has one core organisation (Adriatic-Ionian Tourism Innovation Centre), which has a central role in the network as a mediator. A central role means that the core organisation tackles the creation and development of the strategic network with a special effort on relationship maintenance. The primary role of this innovation centre is to improve and enhance communication and cooperation and, in this way, facilitate the innovations within the context of tourism industries. The innovation centre is a new 'player' whose aim is to transfer knowledge about the role of innovations in sustainable tourism development.

Adriatic-Ionian Tourism Innovation Centre

At the heart of the FOST INNO conceptual model is the Adriatic-Ionian Tourism Innovation Centre (AITIC) established as a network of six contact points located in Albania, Bosnia and Herzegovina, Croatia, Italy, Montenegro, and Slovenia. The aim of the future multidisciplinary centre is to facilitate knowledge of the role of innovations and assist in the co-designing of sustainable tourism development including researchers and practitioners from the humanities, social sciences, natural sciences, and engineering. The sharing of knowledge and learning from the experience of others with focused, objective-seeking communication between individuals, groups, or organisations is a prerequisite for the sustainable operating of the centre.

The role of the centre is to promote close and long-term partnering. Furthermore, its role is also seen in assistance in contacting partner stakeholders and arranging introductory meetings. Moreover, in the model of networked organisations and enterprises, the centre's obligation is to aid in clarifying or reframing communications for better and quicker adoption. In developed dissemination plans, multidisciplinary knowledge should be transferred through publications about research results along with various events and networking. Another role of the centre is the accurate identification of the latest innovation trends together with collecting examples of good business practices of innovative enterprises. It is crucial to perceive the barriers to innovation activity in the AI region and promptly react towards policymakers.

In broad terms, future activities of the AITIC include:

- *transfer and exchange of know-how about sustainable tourism development and innovations*
- *fostering innovations in tourism*
- *promotion of innovations as a driver of sustainable tourism development*
- *inclusion of stakeholders in the activities of the centre*
- *educational activities*
- *creation of ICT solutions as a knowledge base in the form of web applications*

Enterprises, including SMEs

Large enterprises can be highly important in stimulating SME growth. Large counterparts can help SMEs enter business markets, and, on the other side, SMEs can be a cost-effective approach for them in terms of the realisation of specific requirements. In line with this, large enterprises have the resources for developing innovations while SMEs, often starting businesses based on innovative ideas, have the required creativity and flexibility. Tackling the idea of fostering and strengthening business relations between SMEs and larger enterprises, first within the countries and then between the countries in the AI region, is a major step for sustainable development. The overarching objective is to analyse how SMEs can successfully interact with the larger counterparts on the market. One future objective of the Adriatic-Ionian Tourism Innovation Centre is to examine how SMEs and large enterprises can successfully share innovation projects and move beyond an initially asymmetric relationship. However, before relationship management, there is an obvious need to conduct research studies on the innovation activity of large and small enterprises, especially the types of relationships that SMEs have with larger enterprises inside and outside the supply chain.

Another question is linked to the effectiveness of SMEs' strategies for engagement with the larger counterparts, in particular, to what extent strategies shape the behaviour,

experience, and performance of small enterprises. Conclusively, indicators of the extent to which some sectors are effectively controlled by a small number of large enterprises and deeper understanding of the innovative contractual and collaborative relationships between small and large enterprises will benefit policymakers and business support organisations in future policies and activities. Future activities of all model stakeholders should strive for:

- *increasing enterprises' innovation capacity by developing, validating, and integrating new ideas, products, and services*
- *rapidly scaling-up offers, first to the AI region and then global markets*
- *strengthening business relations between SMEs and larger enterprises*
- *making innovation processes more effective by partnering with other stakeholders (e.g. innovative SMEs-suppliers)*

Business support organisation

There are many organisations that support the ongoing growth of entrepreneurs and businesses in different ways. Some are good, while others provide little to no value. Under the term 'Business support organisation' primarily considered are Chambers of Commerce and Chambers of Crafts, followed by various types of incubators, accelerators, hubs, technology and science parks, development agencies, etc. It is imperative to move from the traditional approaches, to analyse current work and to attempt to change perspectives and definitely to present to entrepreneurs the value that can be gained from being a part of the right association. The transformation of non-effective business models can lead to new relationships and connections, partnerships, business ideas, and even new clients and customers.

Business support organisations should work with a focus on helping local entrepreneurs and businesses in the area to develop and grow through co-operation. For example, Chambers of Commerce and Chambers of Crafts have to strengthen the community through connections and assists the local business community by helping enterprises to improve business and foster a business-friendly environment.
Beyond management and legal consultancy, training, and assistance in foreign trade, business support organisations should consider:

- *determining what information is needed for business valuation*
- *finding the lacking resources that affect business*
- *tracking the innovation outcomes*
- *knowledge sharing and collaboration between research units, institutions and enterprises*
- *setting-up and implementation of the standards and criteria for innovative individuals and enterprises*

- *transfer of organisational knowledge from one entity to another within/between organisations*

Education and research

Fundamental transition processes must take place in the systems of education and innovation research. Local and regional top talents are attracted by successful and innovative universities, research centres, and other academic institutions. Knowledge must be transferred through publications of research results , and definitely through events and networking. When students graduate and join the labour market, they bring with them new knowledge. and they are effectively helping to rejuvenate and revitalise the industry. The temporary placement of students/graduates/other individuals in enterprises or in civil society or non-profit organisation can be a more direct way of exchanging knowledge.

Along with publicly funded projects, collaborative research, consultancies, and training courses, bringing research results to market through the establishment of a new business, e.g. university *spin-off* enterprises or graduate *start-ups,* is a form of commercial exploitation of research results obtained at the universities. Using the intellectual capital and infrastructure of the university in its activities, spin-off enterprises and graduate start-ups can stimulate growth in overall AI region employment, turnover and investment, particularly when the application of innovation represents a new market and value network and possibly disrupts the current market or sector. Competitive strategies of education and research should include:

- *identifying the diversity of market needs and strengthening collaboration with stakeholders*
- *recognising and understanding of the new global and regional contexts relevant to research and innovation in education*
- *employment of highly trained experts who have the management and leadership skills to deal with the changing environment*
- *designing study programmes that support and enhance sustainable employability*
- *building metrics for recognising and rewarding innovative quality learning and teaching (for students and professors)*
- *developing and promoting open data, open source, and open innovation initiatives*
- *education for innovation management*

Local/Regional/National public authorities

Local, regional, and national public authorities have to recognise and respond in strategic and often in transformational ways to cyclical and structural changes that can potentially

be harmful to the economic viability and sustainability of sectors, businesses, employees, and communities. The recognition of the role of innovation, digitalisation and, most of all, innovation culture is a prerequisite for sustainable development and sustainable tourism. As never before, growing digital information networks have the potential to connect various stakeholders, i.e. individuals, organisations, and nations.

The full scope of tourism encompasses the products and services of many industries, and sometimes legislators and employees in public administration at the local and regional levels lack an in-depth understanding of tourism needs. The challenge for all levels of public authority is to bring together leading research and business to tackle the big tourism issues of today. The positive impact of innovation in tourism presented by tourism professionals should provide the necessary inputs for policymakers to set up new measures, i.e. incentives, grants, and tax reliefs.

Local, regional and national development leaders need to recognise that ideas, talent, capital, and a culture of openness are vital for the creation of *start-ups* and small business. Moreover, authorities should give innovators a possibility of bypassing obstacles and hierarchies that often hinder creativity. A collaborative spirit can help cities and regions to form stronger communities. Authorities should also enhance key innovation infrastructure through various opportunities, e.g. technology incubators, start-up accelerators and co-working facilities, providing easy access to investment capital (*business angels* and other private and public investors). However, it is crucial for national, regional and local authorities to bear in mind that they can also receive high returns by investing necessary resources in creating a more conducive environment for existing businesses.

Balance and synergies between public and private stakeholders should be stimulated by:

- *promotion of strategic alliances between education and research, private and public partners, and the provision of smart services*
- *easy access to financial incentives*
- *the increase of business support which includes direct innovation grants and R&D credits*
- *optimisation of R&D tax reliefs*
- *the inclusion of non-economic innovation measures in the domain of social and environmental innovation*
- *collection and analysis of feedback information on organisation or enterprise performance and impact*
- *engagement of stakeholders in long-term partnerships*
- *future research agenda about linkages of all sizes of enterprises in innovation.*

Interest groups including NGOs

Interest groups and NGOs are vital stakeholders of a business ecosystem because they mainly represent the claims of civil society and the public. With such a huge influence on civil society, especially in democratic society, NGOs and interest groups need to enhance assessment and monitoring functions, measure impact, and teach citizens how to improve their innovation efforts and capability.

The main role of NGOs and interest groups is to influence and encourage public policy and public officials to apply innovative methods (particularly *social innovations*) that allow more open, collaborative, outcome-driven and adaptive approaches to innovation management in tourism. Moreover, they should be active and equal partners for knowledge-generating institutions in the whole AI region.

With constant challenges to balance interests, future strategies and activities should include:

- *use of the proposed conceptual model for long-term, substantive involvement of civil society in AI region policymaking processes*
- *initiative for the development of interest groups and NGO networks*
- *creation of a comprehensive database of innovative practices*
- *defining standards for civil society participation in tourism innovations*
- *analysis of the different cases of involvement of the public in the context of sustainable tourism.*

Adriatic-Ionian Tourism Innovation Centre strategic goals

The ultimate purpose of the model lies in its contribution to the development of an innovation culture that should lead to the development if sustainable tourism in the Adriatic-Ionian region. In this sense, the strategic goals of the AI Tourism Innovation Centre are defined and organised around six key topics: Legislation, Cooperation, Support, Transfer, Education, Research.

Specific strategic goals that will serve as a base for future activities are as follows:

- Development of an innovation taxonomy, as well as its popularisation and advocacy
- Lobbying (nationally) for the simplification and improvement of legislative acts dealing with innovations
- Education of stakeholders about innovations, sustainable tourism, and the importance of monitoring of innovations (innovation indicators)
- Lobbying nationally (promoting) for the necessity of introducing obligatory reporting on innovations

- Creating an Open Innovation Platform
- Promoting changes of the HEI curricula – introducing courses dealing with innovations and, specifically, innovations in tourism
- Development and support of cooperation and networking between crucial stakeholders, especially:
    - Enabling the transfer of knowledge and innovations from other sectors into tourism
    - Cooperation between SMEs and large enterprises (win-win)
    - Cooperation between HEIs and enterprises
- Development of research activities related to innovations and tourism.

Development of innovation taxonomy, its popularisation and advocacy

The results of research conducted for the purpose of this strategy development, as well as of many other studies, indicated a general misunderstanding and very different comprehension of the term and concept of innovation. Misunderstanding of the content and the scope of the concept is a major obstacle to the popularisation and implementation of innovation in practice. For this reason, the development, popularisation, and advocacy of a taxonomy of innovation have been imposed as the first and an inevitable strategic goal that needs to be achieved in order to stimulate the development of innovative society and innovative sustainable tourism, as well as the implementation of this strategy and its goals.

The realisation of this goal requires the engagement and contribution of the academic community. Their task refers not only to further taxonomy development and adjustment to economic needs and practices (particularly with regards tourism) but also to contribute to the transfer of knowledge on innovations and on raising awareness among all stakeholders that innovations are a prerequisite for any kind of development. This can be achieved through different activities, i.e. publishing articles, public appearances, lectures, advocacy with key stakeholders at all levels, and others.

Lobbying (nationally) for the simplification and improvement of legislative acts dealing with innovations

Identified tourism stakeholders in the AI region, according to the results of the conducted research and based on feedback gained on the workshops and local events, express dissatisfaction with the existing situation regarding the legal and legislative frameworks. Legislation does not cover key aspects of innovation, from labour law and rewards to taxation and incentives for innovation. Incentive legislation represents a key and starting point in the creation of an incentive environment for innovations of every kind. Therefore,

specific efforts should be placed on lobbying at the national level to create a stimulating environment for entrepreneurs and innovators. The legislative framework should provide a transparent system that will foster creativity, innovation, incentives for innovations, as well as cooperation among stakeholders in innovation processes.

Education of stakeholders about innovations, sustainable tourism, and the importance of monitoring of innovations (innovations indicators)

Education is identified as one of the key prerequisites for achieving sustainability and the main factor for enhancing and encouraging innovation development. The research results confirmed that educational structures in tourism in the AI region are unfavourable, at the moment and in addition to the lack of highly educated employees. Therefore, it is of great importance to provide wide-ranging as well as custom-made (on demand) education activities available to all stakeholders, since only well-educated individuals can ensure long-term destination sustainability. Additionally, it is necessary to increase and intensify knowledge transfer between businesses, users, academia, and institutional stakeholders in the region. In that sense, through education processes, the implementation of innovations would be enhanced, and a better understanding of the issues facing sustainable tourism development would be ensured. The importance and the advantages of reporting and monitoring of the innovations implemented in tourism should be promoted through educational activities. Additionally, it is necessary to emphasise the need for the development and application of specific and concrete innovation indicators. In that context, indicators must tackle and reflect the core of a specific(s) (local, regional) innovation-related issue(s). This means that it is possible that the indicators needed to manage innovations in one region can differ from the those in another region. The goals are the same, but the way to reach them (the indicators needed to follow the necessary activities) do not have to be the same.

Following the previously mentioned, it can be concluded that there is an obvious need to develop a clear and long-term methodology for collecting and monitoring innovation activities in tourism. The advantages of such a methodology should be promoted to all tourism stakeholders, since in that way they would be willing to exchange their data and experiences regarding innovations. By collecting and monitoring the innovation activities in tourism, the basis for a transparent innovation incentives system would be ensured. This system should also ensure that innovations are implemented in accordance with sustainable development principles and destination interests.

Lobbying nationally (promoting) for the necessity of introducing obligatory reporting on innovations

Considering the fact that there is a lack of innovation indicators that reflect the characteristics of the tourism system and, therefore, a lack of a metric that enables monitoring, management. and fostering innovations, it is necessary to introduce obligatory reporting on innovations in tourism. For that purpose, it is vital to promote (among key national players are ministries of tourism, national tourism board, chambers, etc.) the necessity and the advantages of reporting about innovations. This could be done in line with the existing Eurostat system - Community Innovation Survey (CIS). The CIS is a survey of innovation activity in enterprises but, at this point, its microdata sets do not cover all countries, and the provision of microdata is voluntary for tourism enterprises.

Hence, it would be a huge step forward if this kind of reporting would become obligatory for all enterprises in tourism in all Adriatic-Ionian countries.

Creating an Open Innovation Platform

An integrated, multi-sectoral and participatory approach should be the core of the tourism planning process, delivering innovative solutions from cultural, social and technological aspects resulting in multiple cultural and socio-economic benefits. The idea is to develop an Open Innovation Platform that will facilitate effective online discussions that may lead stakeholders to discuss, reach consensus, and engage with user-generated ideas. Additionally, in the process of fostering tourism innovations in the Adriatic-Ionian region, a valuable step is also seen in the creation of a comprehensive and accessible knowledge base of existing good practices related to the innovations in tourism, as a part of this platform. In this sense, a significant role will be placed on the Adriatic-Ionian Tourism Innovation Centre since it will enable collection and ensure the availability of basic information about already tested and successful ideas. This pool of inspiring ideas is expected to provide additional incentive for individuals and organisations who are in need of innovation of any kind or who are already in the process of developing their innovation ideas.

Promoting changes of HEI curricula – introducing courses dealing with innovations and innovations in tourism

In addition to other activities, achieving the main goal of this strategy – fostering innovations – also requires introducing new and improved university level courses dealing with innovations. The aim of curricula changes in HEIs is not only to enhance the awareness of the importance of innovation implementation in tourism, but also to create

and build new students' competencies concerning innovations and entrepreneurship. The introduction of courses that would focus on innovations and on the benefits that they could bring to companies in tourism, as well as on obstacles that may occur, would contribute to the growth of innovation in tourism in the long run. This also requires the intensive involvement of tourism practitioners in the educational process since they are a valuable source of knowledge, and thus, a critical force for strengthening innovation in tourism.

Development and support of cooperation and networking between crucial stakeholders

In order to achieve all the previous objectives and above all, to increase innovation capacities and capabilities, it is essential to enhance cooperation between all tourism stakeholders. They should be motivated to join the network proposed through the FOST INNO conceptual model. Quality connections and synergies between stakeholders should be enhanced to enable the transfer of knowledge and innovations. Working and collaborating together, and exchanging knowledge, information, experiences, and good practices will lead to a greater number of innovative solutions and consequently to sustainable tourism development in the Adriatic-Ionian region.

Development of research activities related to innovations and tourism

Changes in the tourism market are constant and happening very fast. This indicates that it is necessary to follow them on a regular basis to be able to promptly react, to be one step ahead, and to remain competitive. To do so, different research activities related to tourism trends and changes in the environment in which tourism in the Adriatic-Ionian region is developing should be conducted. High-quality research would lead to a deeper insight into the ongoing changes and the changes that might happen in the future. The results of such research would provide an advantage to the stakeholders and ensure them better opportunities while developing new and innovative solutions as a response to those changes.

Concluding remarks

The focus of this study is on developing an attractive and supportive environment that might enable any business to innovate. Changing the perspective and presenting entrepreneurs the value that can be gained from being a part of the right network/partnership can lead to new relationships and connections, partnerships,

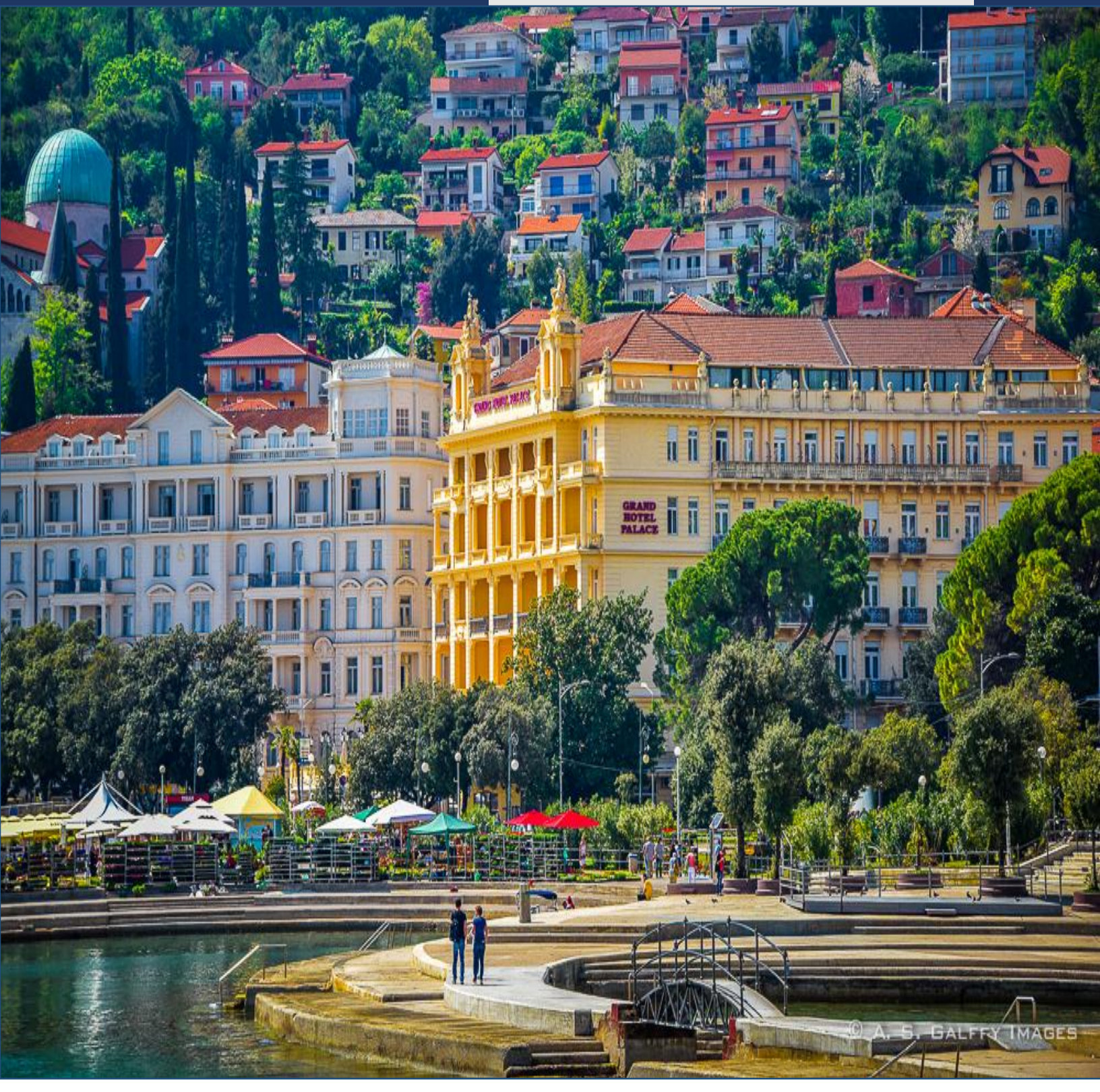
business ideas, and even new clients and customers. Even more, building trust between stakeholders can help to forge an innovation culture.

There is an obvious need in the fact that better innovation data and analysis of that data is a priority. All stakeholders in the FOST INNO conceptual model should work on this issue and bring some novel data sources to the Adriatic-Ionian economies. From a policy perspective, it is relatively easy to create a policy, but it is much harder to implement it in a meaningful manner, in particular along with a various group of stakeholders. Clear consensus about the definition of consistent indicators for the tourism industry along with the development of innovation metrics and proper implementation, analysis, and monitoring can support management, strategies and various decision- and policy-makers. The creation of a FOST INNO model reflects part of this issue and poses questions about the ways in which tourism innovation strategy can work. With refining the funding implications and intended outputs and setting timescales for the innovation in tourism, a huge step towards sustainability can be taken. Therewith, a proper set of guidelines, regulations, directives, and development objectives can directly affect long-term tourism growth and development. It should become a common practice to use an optimised indicator system for designing and implementing innovation tourism models that focus on the sustainability approach.

Through the development of a stronger innovation ecosystem, AI partners are directly:

- stimulating a more innovative, creative, and risk-taking culture
- promoting a more dynamic and competitive AI region
- facilitating the entry into the AI market of new, fast-growing players
- improving the quality and scope of the advisory services in the field of the innovation in tourism
- finding the right metrics to track tourism innovations.

EXAMPLES OF GOOD PRACTICE



6 Examples of good practice

There is a wide range of examples of innovative activities in both the public and private sectors in the AI region, encompassing product and service innovation, process innovation, marketing innovation, and organisational innovation. This section provides some examples of good practice. There are examples of organisations that have improved the way they support people and communities and operate in line with the principles of sustainable tourism. Some are new initiatives, and some have been running for many years.

1. PUBLIC CALL FOR CO-FINANCING THE DEVELOPMENT AND PROMOTION OF INTEGRAL PRODUCTS OF THE TOURIST ECONOMY

COUNTRY: Slovenia

LEVEL OF DEVELOPMENT: National level

NETWORK STAKEHOLDERS INVOLVED: National public authority; Enterprises including SMEs

The Ministry of Economic Development and Technology published a public call for co-financing the development and promotion of integral products of the tourist economy on 4 April 2017. The call is in line with the Strategy for the Sustainable Growth of Slovenian tourism for 2017-2021. The value of the offered funds is €8,087,84.89. The beneficiaries under this call are enterprises and private entrepreneurs from tourism (SMEs).

DESCRIPTION OF THE PRACTICE

The subject of the public call is co-financing the implementation of activities for the development and promotion of new integral tourist products of the tourist economy. The products have to be based on the principles of sustainable development and thereby strengthen competitiveness and quality in all areas and at all levels of Slovenian tourism. In the activities related to the placement of a tourist product on the market, the focus is on digital content.

According to this call, integrated tourism means a combination of several products and services designed to meet the tourist's needs when visiting a tourist destination.

A new integral tourist product is an integral tourist product, which the applicant has not offered its clients, and is contributing to the greater quality and variety of tourist offering of the destination. The integral tourist product that is the subject of the application must be part of the applicant's regular offering and is not just a one-time event.

Eligibility criteria:

- Sustainability of the business model of the applicant (credit rating of the applicant, sustainability of the business model in the aspect of the market, incomes and costs of business, sources for business (human resources, infrastructure, funds, partners, information, knowledge, equipment, brand, etc.), identifying opportunities for further development/growth)
- Quality of operation (leadership and organisation of operation performance, work style of the project group, quality and compliance of the integral tourist product, innovation of integral tourist product, alliance with cultural heritage, contribution to new employment positions, use of digital tools)
- Reality of operation performance (reality of expected results of the operation, reality of expected costs for operation and individual activity, proportion of applicant's incomes and value of operation).
- Opportunities for breakthrough on the foreign market (Connecting different actors to achieve a critical mass for the breakthrough on the foreign market (partnership), breakthrough on the foreign market).
- Regional criteria (problem areas, Triglav national Park).
- Contribution to social change (EU Environment sign, Contribution of operation to achieving the objectives of Slovenia's smart specialisation strategy, Connection to creative sectors) (Ministrstvo za gospodarski razvoj in tehnologijo (MGRT), 2017).

2. PUBLIC CALL FOR IMPLEMENTATION OF SUPPORT SERVICES OF THE INNOVATIVE ENVIRONMENT ENTITIES IN THE REPUBLIC OF SLOVENIA FROM 2018 TO 2019 'SIO 2018-2019'

COUNTRY: Slovenia

LEVEL OF DEVELOPMENT: National level

NETWORK ACTORS INVOLVED: National public authority; Business support organisation; Enterprises including SMEs; Higher education and research

The Public Agency for Entrepreneurship, Internationalisation, Foreign Investments and Technology published a public call for the implementation of support services of the

innovative environment entities in the Republic of Slovenia from 2018 to 2019 'SIO 2018-2019'.

DESCRIPTION OF THE PRACTICE

The public call aims at financing the implementation of the free services for target groups within entities of an innovative environment. The entities will implement the activities and contribute to balanced software support for start-ups, growth, and business development. Consequently, the number of new businesses will rise, the survival rate of new businesses will rise, and fast-growing businesses will more easily overcome obstacles. The public call is co-financed from European Regional Development Fund (ERDF). The funding is €6,600,000.00.

Target groups are innovative potential businesses (innovative individuals, scholars, students, pedagogical workers), new and already existing businesses with the potential for fast-growth (start-ups), fast-growth businesses with the potential for global growth (scale-up). The subject of the public call is financial support to the activities of innovative environment entities that are supporting the target groups. The support is promotion-motivation events, information and consulting, thematic workshops, mentorship, expert help, etc.

Eligibility criteria:

- Rating of quality and feasibility of operation,
- Contribution to improving the business environment,
- Broad social impact,
- Partnership,
- Contribution to stimulating the regional development (SPIRITSLOVENIA, 2018).

3. SEJALEC

COUNTRY: Slovenia

LEVEL OF DEVELOPMENT: National level

NETWORK ACTORS INVOLVED: National public authority; Regional public authority; Local public authority; Business support organisation; Higher education and research; Enterprises including SMEs; Interest groups including NGOs

The Ministry of Economic Development and the Technology and Tourism and Internationalisation Directorate are publishing the SEJALEC award for the recognition of creative and innovative accomplishments for new products, processes, and marketing

approaches in tourism. The accomplishments must contribute to the greater visibility of Slovenian tourism offerings.

DESCRIPTION OF THE PRACTICE

The subject of the call for SEJALEC are innovations in tourism that contribute to the greater visibility of the Slovenian tourist offering. For the call, innovation is defined as quality-designed and successfully implemented new or improved innovation in the field of new products, processes and/or marketing approaches that contain unusual elements, the applicant's originality, systematic business thinking and the promotion of Slovenian tourism.

Applicants must comply with the following conditions for applying:

1. Applicants can be enterprises, sole proprietors, organisations, institutions and economic interest associations, key partners of the STO, local tourist organisations, clusters, tourist societies and associations, other tourism-related societies, and their associations, regional, and other development agencies.
2. The registered innovation was introduced into the regular business of the enterprise or for the first time publicly offered on the market between 1 January 2016 and 31 December 2017.
3. The application is in accordance with the purpose of granting recognition.
4. The application is submitted in the prescribed content, form and deadlines.

Assessing starting points and criteria

The evaluation commission will base on the following four starting points:

- level of innovation in Slovenian touristic, geographic and cultural space,
- level of adaptation of innovation to Slovenian characteristics (especially if it is an innovation transferred from abroad),
- level of performance (of the product, process and/or marketing),
- level of excellence in the realisation and overall implementation of the announced innovation, based on the principles of sustainable development.

In addition, the expert commission will assess whether the innovation brings added value to economic, social and economic levels, cultural values and the contribution to sustainable development and whether the notified innovation was introduced into the regular operation of the applicant in the prescribed period.

Sejalec 2018 receives free participation on the stock market SIW 2019 (scheduled for June 2019), exposure on the home page www.slovenia.info, exposure on the website

www.slovenia.info (on the pages of innovative Slovenian tourism), free presentation in the magazine Turizem, involvement in STO promotional activities, usage of the official logo Sejalec 2018 in all communication activities (printed publications, websites, advertisements, etc.) two years after the award.

FINALISTS Sejalec 2018 receive free presentation in the magazine Turizem, involvement in STO promotional activities, usage of the official logo finalist Sejalec 2018 in all communication activities (printed publications, websites, advertisements, etc.) two years after the award.

All APPLICANTS on call receive free presentation on the website www.airth.global (Slovenia.info, n.d.).

4. SNOVALEC

COUNTRY: Slovenia

LEVEL OF DEVELOPMENT: National level

NETWORK ACTORS INVOLVED: National public authority; Regional public authority; Local public authority; Business support organisation; Higher education and research; Enterprises including SMEs; Interest groups including NGOs

The Slovenian Tourist Organisation and the Ministry for Economic Development and Technology (Tourism and Internationalisation Directorate) hold an annual competition, SNOVALEC, for recognition of the promotion and realisation of new ideas/inventions in tourism.

DESCRIPTION OF THE PRACTICE

The purpose of SNOVALEC is to promote creativity, inventiveness, and innovation at the corporate level, the destination level, associations of tourism products and providers or in the design and marketing of tourism products from Slovenia in domestic and foreign markets. The SNOVALEC award supports the design and implementation of development projects and the market introduction of tourism products that are in line with the basic and strategic documents of the STO, Slovenia, and Europe.

The subject of the call for award SNOVALEC is inventions in tourism, which will (once implemented and become innovations) contribute to greater recognition of the tourist offer of Slovenia. For the purposes of the call, an invention is defined as a quality planned-and-not-yet-realised innovation or improvement, which contains unusual elements of the

applicant's originality, systematic business thinking, and the promotion of Slovenian tourism.

The foreseen funds are €15,000 gross, which the expert commission will distribute among the three recipients who will realise their project in the year applying and thus significantly enrich the Slovenian tourist area.

Applicants can be enterprises, sole proprietors, organisations, institutions and economic interest associations, key partners of the WTO, local tourist organisations, clusters, tourist associations and associations and the rest with tourism-related societies and their associations and regional and other development agencies.

Last year, the award was given to four projects that realised their idea: active tourism for the physically disabled, a culinary journey with a museum train, climbing holidays on the Karst edge, and the legend of the dragon and tarragon (Slovenia.info, n.d.).

5. FINANCING OF TECHNOLOGICAL-DEVELOPMENT PROJECTS

COUNTRY: Slovenia

LEVEL OF DEVELOPMENT: National level

NETWORK ACTORS INVOLVED: National public authority; Enterprises including SMEs

SID Bank (Slovenska izvozna in razvojna banka, d. d., Ljubljana) is a promotional development and export bank 100% owned by the Republic of Slovenia. SID Bank promotes sustainable development and improving the competitiveness of the Slovene economy.

DESCRIPTION OF THE PRACTICE

A programme for the financing of technological-development projects is offering loan ranges between €100,000 and €15,000,000 with credit period from 6 to 12 years. The programme funds up to 85% of the total costs of the R & D project, or up to 75% of the eligible costs of the investment project.

Beneficiaries can be commercial enterprises of all sizes, established in the Republic of Slovenia or other EU Member States.

Subject of financing:

RESEARCH-DEVELOPMENT PROJECTS

- Acquiring new knowledge and skills, aimed at developing new or improved products, processes or services.
- Prototyping, presentations, pilot projects, testing new or improved products, processes or services.
- Research with the purpose of developing new or improved products, processes or services.

INVESTMENT PROJECTS

Investments in tangible and intangible assets:
- Establishment of a new business unit.
- Increasing diversity of production.
- Substantial changes in the production process (SID Banka, n. d.).

6. COMPUTERISATION OF THE S.C. 'SCHEDULED HOUSED'

COUNTRY: Italy

LEVEL OF DEVELOPMENT: National level

NETWORK ACTORS INVOLVED: National public authority; Enterprises including SMEs

Article 109 of the 'Consolidated text of public security laws' (TULPS) establishes that managers of hotels and other kinds of accommodation, including those providing accommodation in tents, caravans, as well as owners or managers of holiday homes, apartments and landlords, including managers of non-conventional reception facilities, with the exception of alpine shelters included in a special list established by the region or the autonomous province, must report daily to the public security authority the arrival of the people housed, by delivery of a copy of the card or communication, also by computer means, according to established procedures by decree of the Interior Ministry.

DESCRIPTION OF THE PRACTICE

To standardise the discipline on this field, the Legislative Decree of January 7th, 2013 of the Ministry of the Interior introduced the obligation to transmit the cards of the hosted by Internet to the police headquarters, which, in this way, will collect and have access to personal details of all the people hosted and the hosting structures directly by accessing the website online. Data must be transmitted within 24 hours of the arrival of the customers, and in the event that guests stay less than 24 hours, the cards must be sent immediately. In case that the rules are not complied with, and a guest registration is omitted, criminal penalties are applied with a corresponding complaint to the Public Prosecutor's Office. In this case, there is the risk of arrest for up to three months, a

monetary fine or the temporary revocation of the authorisation to carry out the business activities.
The obligation is addressed to all the managers of accommodation activities, which will have to provide accommodation services exclusively to persons with an identity document. The communication obligation also applies to extra-hotel facilities and minors.

INNOVATION INTRODUCED

- Data are sent directly from the hosting structure, avoiding the burden of direct delivery to the Police Headquarters.
- Data control by State Police personnel becomes faster and more effective in the detection and/ r repression of crimes, in order to protect public order and safety.
- Data control becomes faster and more effective also in order to prevent and avoid illegal rents by hosting structures and, in this way, to permit accommodation that has to pay taxes to be more competitive than the others.

7. MODEL OF 'DIFFUSED HOTEL'

COUNTRY: Italy

LEVEL OF DEVELOPMENT: This new model of hotel born at the regional level and then it has been widespread also at national level.

NETWORK ACTORS INVOLVED: National public authority; Regional public authority; Local public authority; Enterprises including SMEs

Business-friendly accommodation facilities housing tourists in a range of pre-existing accommodation

DESCRIPTION OF THE PRACTICE

A definition of 'diffused hotel' can be identified in the Guidelines of Region Lombardy (Resolution of the Regional Council n. IX / 1189 of 29th December 2010), according to which the 'diffused hotel' is a typology of recent diffusion in Italy and Europe, born from the idea of use for tourist purposes of the empty houses renovated with the funds of the post-earthquake of Friuli (1976). The 'diffused hotel' hospitality model was developed by Giancarlo Dall'Ara, a tourism marketing professor, and was formally recognised for the first time in Sardinia with specific legislation that dates back to 1998. The progressive and constant diffusion of the 'diffuse hotel' is mainly due to the attention of a part of tourist

demand to the contents of sustainability and respect for the environment proposed by some places of stay. It is in this context that the nature of this type of accommodation should be placed. Therefore, the natural location of the 'diffused hotel', referring to a broad and elastic model definable as 'hotel country', sees the privilege of the small historical centres and the villages and nuclei of ancient formation or the rural or mountain settlements, although not excluding the validity of solutions linked to single significant presences in different urbanised contexts.

Today. there is a regulation regarding this in almost all Italian Regions. In Umbria the Regional Law (12 July 2013, Article 17, paragraph 7) introduced 'Criteria for the realisation of the Diffused Hotels', and it defines these structures as hotel accommodation facilities located in the smaller historic centres, characterised by the centralisation in a single building of the common services and the dislocation of the housing units in one or more separate buildings. The units are equipped with furniture, equipment and homogeneous services.

On 15th June 2006, at the first 'National Meeting of Managers of the Diffused Hotel' held in Rimini, was born the National Association of Diffused Hotels.

INNOVATION INTRODUCED

- In this way, it is possible to recover and enhance old closed and unused buildings and to avoid solving the problem of tourist accommodation with the construction of new buildings.
- Respect for the cultural environment: the diffused hotel proposal moves directly towards the recovery of the artistic and cultural heritage of the smaller centres, pursued with tenacity by both community and national and local policies, and shows to have the potential to increase income and employment of small towns, to maintain or increase the population, without interfering with the culture, the environment, the identity of the places.
- Originality-New features: a largely original accommodation solution means greater visibility and offers many advantages in terms of positioning strategy in the tourism market (ALBERGHI DIFFUSI, n. d.).

8. U.M.B.R.E. NETWORK

COUNTRY: Italy

LEVEL OF DEVELOPMENT: Regional level

NETWORK ACTORS INVOLVED: Regional public authority; Local public authority; Enterprises including SMEs

A tourism network led by a team of five young female entrepreneurs from Umbria with different business backgrounds, who offer their know-how and tourist accommodation facilities for business management courses connected to the Made in Italy approach.

DESCRIPTION OF THE PRACTICE

U.M.B.R.E. (United Marketing for Business and Regional Experience) is a business network led by five young Umbrian women entrepreneurs, each from different industrial sectors but with one thing in common: they all own a hotel in Umbria. Six structures, spread across all of Umbria's geographical areas, will host an experiential training inspired by the key 'Made in Italy' themes: food and wine, management, innovation and fashion, enhancing the region's treasures through cultural tours and food tastings, in-depth analyses and enterprise visits, workshops and lessons hosted by professional lecturers. The experience comes with exclusive accommodation, where the surrounding environment, comfort and pleasure blend in perfect harmony with the territory's nature and history. At the end of the experience, participants of the Umbre excellence week will receive a certificate of participation from the University for Foreigners of Perugia and U.M.B.R.E.

INNOVATION INTRODUCED

- The objective of this innovative concept is to demonstrate that Umbria is not only an excellent region of art, culture and gastronomy but also of entrepreneurial skills and realities that are worth knowing and exploring.
- This experience permits going beyond traditional tourism and deepening knowledge about expert artisanal and entrepreneurial skills that represent true excellence recognised worldwide.
- The one-week experience allows tourists to learn about the Umbrian regions and become acquainted with strategies and production methods through meetings and workshops and, at the same time, to enjoy the landscape, as well as the artistic and cultural beauties of the territory (U.M.B.R.E., n. d.).

9. e Visitor

COUNTRY: Croatia

LEVEL OF DEVELOPMENT: National level

NETWORK ACTORS INVOLVED: National public authority; Regional public authority; Local public authority; Enterprises including SMEs

The Croatian National Tourism Board created eVisitor as a unique online information system that provides insight into tourist traffic and accommodation capacities (commercial and non-commercial) in Croatia. The eVisitor system was put into operation in January 2016 and has won the third place and the award of the World Tourism Organisation (UNWTO) for inventiveness in research and technology.

DESCRIPTION OF THE PRACTICE

The creation of the eVisitor system was based on the legal obligation and regulations for the registration and check-out of guests staying within the territory of Croatia. The system enables the automation and control of the collection of overnight tourist taxes, and it generates statistical reports and marketing indicators in real time (i.e. length of stay, location, gender, age, country of residence, type of facility, destination, etc.), which enables the more efficient monitoring of tourist traffic and revenues, allowing better control over the collection of accommodation fees, creating a synergistic effect of all Croatian tourism stakeholders and contributes to ensuring their competitiveness. It applies to all commercial and non-commercial tourist registration in the Republic of Croatia. It enables access via a graphic interface for 'small' users (apartment rentals and holiday homes), and an application interface for 'large' users (hotels and camps). The encrypted, anonymised, and safe eVisitor system is user-friendly, free, and accessible on all platforms through a web interface with access to the Internet.

INNOVATION INTRODUCED

- Centralised and highly automated system
- Data is accurate, up-to-date, and enables the analysis of existing and planned activities
- Data is segmented depending on the area of the institution's responsibilities and access rights
- Data is updated on a 24-hour basis
- Inclusion of all stakeholders in the process (accommodation providers, tourist boards, Croatian National Tourist Board and relevant government bodies)
- Collection of feedback from users and global user support

- Enables detailed statistics regarding tourist traffic and analytical information regarding overnight tax collection
- A source for official government statistics office, which in turn is the source of data for Eurostat - the statistical office of the European Union (eVISITOR, n. d.).

10. Istra Inspirit

COUNTRY: Croatia

LEVEL OF DEVELOPMENT: Regional level

NETWORK ACTORS INVOLVED: Regional public authority; Local public authority; Enterprises including SMEs; Business support organisation; Interest groups including NGOs; Higher education and research

Istra Inspirit is a multi-award-winning tourism project in Istria that enriches the cultural and tourist offerings of the peninsula with the revival of historical events on authentic locations, through staged Istrian legends and myths. The 100th session of the UNWTO Executive Council was held in Rovinj in May 2015 for whose members Istra Inspirit had the opportunity to present its experiences; after that, Istra Inspirit was listed in the hundred best tourism stories in the world in the renowned publication issued by the World Tourism Organization.

DESCRIPTION OF THE PRACTICE

The Administrative Department for Tourism of the Region of Istria has promoted the development of the Istra Inspirit project since 2012 in cooperation with the Istrian Tourism Development Agency, IRTA and Istria Tourist Board. Istra Inspirit is an example of best practice of creative and innovative tourism and underlines the value of existing unused resources of the cultural and historical heritage of the region and finds innovative ways of involving different stakeholders in the tourism industry in order to create tourist packages and new tourism products. It encompasses 7 clusters, 400 volunteers, and 50 artists. Quality, originality, innovation, and sustainability are the main characteristics that make this project distinctive and its 'know-how' recognisable, the aim of which is to be transferred to the stakeholders and create with them the story of the destination. Furthermore, the goal is to achieve the active networking of all the interested publics in the synergy of the creation of tourism destinations – family farm households, students, local communities, actors, artists and musicians, craftsmen and local tourist boards.

INNOVATION INTRODUCED

- Interest in selective forms of tourism - more than 'sun and sea'
- Searching for the authentic experience of the destination - explorer and adventurer
- Involving locals - hosts as the best promoters of the destination
- Additional tourist offerings for the hotels, tourist agencies, private accommodation owners
- Symbiosis of the academic, private, and public sectors
- Gourmet experience (ISTRAINSPIRIT, n. d.).

11. Juraj Dalmatinac Virtual Guide

COUNTRY: Croatia

LEVEL OF DEVELOPMENT: Local level

NETWORK ACTORS INVOLVED: Local public authority; Enterprises including SMEs

The project of the virtual guide entitled 'Juraj Dalmatinac' was presented in 2013 to Šibenik citizens and tourists in front of the St. Jakov cathedral. It is the project carried out by the Šibenik Tourist Board and the Department for Economy, Development and Entrepreneurship of the town of Šibenik which made Šibenik the first in Europe to have a 'virtual time machine'. The Ministry of Tourism awarded this innovative guide project with 80,000 kunas whilst the Tourist Board participated with a bit less than 20,000 kunas. Moreover, this project called '3D AR Visual Portal', from the DSP Studio & Momentum Studio, was nominated for the UNWTO Ulysses Award for Innovation in Research and Technology.

DESCRIPTION OF THE PRACTICE

By installing an AR application on a mobile phone or tablet, the user is given the option of directing the display of the virtual 3D model of Jurja Dalmatinac by directing the mobile phone camera or tablet camera to the AR location on the device display. The model is referring to the user and publishes details of the history of the construction of the Šibenik cathedral, the architect Juraj Dalmatinac himself, and UNESCO's inclusion of the cathedral on the list of world cultural heritage

As part of the project, the three-dimensional figure of Juraj Dalmatinac, which tells tourists stories about the cathedral, its history, construction and details, and through the actual image of an object or location on a mobile phone, other multimedia contents such as

educative films about the history of the Šibenik city core can be launched. For those who have not yet experienced the project, they will see it through stylised tags on the ground and with the help of the table of instructions on the wall not far from the monument to Juraj Dalmatinac.

The 3D AR Visual Portal project relies on the latest augmented reality technology, which was (at that time) the only application in tourism in the world. With the help of smartphones, augmented reality allows viewers to have a three-dimensional view of computer created real-image of an object or location. The application works in such a way that the mobile device is directed to the foot of the statue Juraj Dalmatinac, which then activates the device's screen and begins with the story of the cathedral and its construction and leads visitors throughout the location.

INNOVATION INTRODUCED

- Application of augmented reality in tourism
- Multimedia content
- Educative films about the history of the Šibenik city (MOMENTUM STUDIO, n. d.)

12. Zagreb Be There

COUNTRY: Croatia

LEVEL OF DEVELOPMENT: Local level

NETWORK ACTORS INVOLVED: Local public authority; Enterprises including SMEs

The Zagreb Tourist Board has launched a mobile application, Zagreb Be There, which provides smartphone users with suggestions for various themed sightseeing tours of the city. For the time being, the application offers five possible routes, each presenting Zagreb in a somewhat different way.

DESCRIPTION OF THE PRACTICE

This project of the Zagreb Tourist Board is created in cooperation with the agencies Bruketa & Žinić OM and Brlog, and the application for tourists enables sightseeing with smartphones. Apart from the classic tourist locations, the speciality of this application is specifically designed thematic routes on which tourists discover less-developed and equally interesting places in the city. The mobile application for tourists 'Zagreb Be There',

in the competition of 30 cities from 20 European countries, won the award for Best Digital Project of Tourism Promotion in Europe at the first European Tourism Promotion Festival Tourism & Strategy in Paris.

The app works on iPhone and Android mobile devices. It is based on a so-called gamification principle that maps the rules and ways of interaction from a video game to the real world. Tourists using 'Zagreb Be There' need to virtually log in at every location they visit; when they finish the route they are given a reward, such as discounts on tickets, etc.

INNOVATION INTRODUCED

- Sightseeing with smartphones
- Specially designed themed sightseeing tours of the city
- Educative films about the history of Zagreb
- Gourmet promotion (BE THERE ZAGREB, n. d.)

Conclusion

The strategy for fostering innovations in sustainable tourism for the Adriatic-Ionian region focuses on developing an innovation culture that will contribute to the development and competitiveness of sustainable tourism. According to the situation analysis and the results obtained through empirical research, individual organisations in this region are left alone to deal with and develop innovations. It was found that there is no or little support provided by the environment (local, regional, national levels), and that there are no systematic incentives and monitoring of innovation, especially when tourism is concerned. In addition to this, the results also indicate that co-operation among stakeholders is unsatisfactory at all levels. For this purpose, a conceptual framework (model) was proposed that includes different stakeholders (enterprises, SMEs, business support organisation, local, regional and national public authorities as well as interest groups including NGOs) that have to act together and integrate if the value network is to be put in place. In the model, the Adriatic-Ionian Tourism Innovation Centre is seen as a cornerstone of the regional tourism innovation system. The document defined and organised its strategic goals around six key topics: Legislation, Cooperation, Support, Transfer, Education, and Research. The goals that will serve as a base for future activities are identified as follows:

- *Development of innovation taxonomy, its popularisation and advocacy*
- *Lobbying (nationally) for the simplification and improvement of legislative acts dealing with innovations*
- *Education of stakeholders about innovations, sustainable tourism and about the importance of monitoring of innovations*
- *Lobbying nationally (promoting) for the necessity of introducing obligatory reporting on innovations*
- *Creating an Open Innovation Platform*
- *Promoting changes of HEI curricula – introducing courses dealing with innovations and innovations in tourism*
- *Development and support of cooperation and networking between crucial stakeholders*
- *Development of research activities related to innovations and tourism.*

It is essential to emphasise that this is a 'living' and, as such, a flexible document. The strategy is considered to be just a first step of the long-term process of developing innovation culture and fostering innovations in tourism in the Adriatic-Ionian region with the ultimate goal of the growth of prosperity and the enhancement of the quality of life in the reg

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