

# INTERACTION AND CONDITIONALITY OF HOTEL BUSINESS AND MARITIME TOURISM, AS A SIGNIFICANT FACTOR IN INCREASING REVENUES IN TOURISM

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## ABSTRACT

The manner how to increase the revenues in tourism, is the question that can be answered on different ways. One of the ways that may contribute that is the interaction and conditionality of hotel business and maritime tourism. Destination and the region development are the main facts, so when the guest come by yacht or by ship, usually the first impression are the port facilities and a nearby of the hotel, as the receiving factor of the offer. It is very important and useful in development of maritime tourism. All the expenses can be improved, when the offer is wide and guests can spend a lot of money. The service in the hotel should be quite well and also the quality of the food and other facilities. Montenegro facilities are very wide and this region is very famous in maritime tourism at recent years. The connection between hotel business and maritime tourism can improve increasing revenues in tourism of this region.

### **Keywords:**

maritime tourism, marina, hotel, destination.

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## INTRODUCTION

Development trend of modern tourism leads to new ways of thinking about destination development and gives versatile approach to the interaction of all integrative components that are important for development of this field. This research article contains some basic postulates and guidelines that are important for understanding the link between hotel management and maritime tourism.

### 1. REVENUES IN MARITIME TOURISM

The specificity of maritime tourism is that it constitutes a set of relationships and phenomena that arise from the journeys via water ways with different vessels and the stay of tourists in certain places along the sailing ways.

„Maritime tourism is the movement of tourists in vessels by sea or rivers, including their landing in ports for maritime tourism and the necessary infrastructure for their reception and servicing“ (Brčić I., Orlandić R., 2010, page 20).

With regards to development of maritime tourism, it is significant to point out the following:

- Maritime tourism, as a form of contemporary activity, began to develop in the 19th century;
- The term “marina” was mentioned in 1928;
- Intensive construction of specialized ports for mooring of ships and yachts began in the 20th century;
- The annual production of vessels in the world is about 1 million vessels, out of which the greatest portion in Spain, Great Britain, France and Germany;
- The need for and interest in vessels construction has increased globally.

Maritime tourism is considered a selective form of tourism. The term “navigation” origins from the Greek word “NAUS”, which means a ship or a boat, and can be translated as a skill of sailing. In order to improve the tourist offer, this type of tourism is extremely important and offers multiple benefits, namely for the following:

- tourist-catering companies,
- ports and marinas - as service providers,
- shipbuilding companies, importers and renters of vessels, persons who perform their repair, overhaul and service.

#### 1.1. FEATURES OF MARITIME TOURISM

Maritime tourism as a form of touristic movement, it means a set of phenomena related to the movement, stay and consumption of goods outside the place of permanent residence, with the aim of satisfying cultural and recreational needs.

For the purpose of analysis of maritime tourism, it is necessary to have an insight into the acceptance facilities of maritime tourism. Depending on the needs of tourist sailors, the services are provided in one of the below listed reception facilities:

- marinas,
- ports and harbours,
- docks,
- berths (moorings),
- anchorages.

„Marina is a specialized tourist port with naturally or artificially secured water surfaces (sea, lakes, rivers and canals), equipped for reception, supplying and servicing of sailors, and for reception, supply, storage, maintenance and equipping of berthed vessels and the possibility of using the vessels in any moment“ (Rulebook on classification, minimum conditions and categorization of

nautical tourism facilities (1990).

Ports, harbours and berths are the facilities of maritime tourism, which are entirely or partially intended and adapted to satisfy the primary navigational needs of vessels in maritime tourism (reception, mooring and supply), as well as other basic accommodation and service needs of maritime tourists (inspection and minor repairs of the vessels)(Rulebook on the types of nautical tourism, minimum technical conditions and the categorization thereof, No. 9/2003).

Berths (moorings) are specially constructed coastal or coast-related areas for arranged reception and berth of vessels of maritime tourism, with direct pedestrian access to a vessel (ibid).

Anchorage is a naturally or artificially secured lake or river water area, which is arranged and equipped with a device for mooring of maritime tourism vessels, without the possibility of a pedestrian access to a vessel(ibidem).

## 1.2. TYPES OF REVENUES IN MARITIME TOURISM

A ship was and remains an irreplaceable mean of transport for attractiveness and comfort of the tourist trips. Expansion of development of maritime tourism was especially pronounced in the 80s of the last century. In this regard, it is necessary to observe the ships market and the tourists market in particular. These trips depend on the structure and characteristics of the offer. The main characteristics of the offer are considered the following: the attractiveness of the natural characteristics of the sea and the coasts, the possibility of organizing excursions from certain ports, the attractiveness of cultural heritage and the proximity of an airport (this is especially important for the beginning, break or end of travel or cruising).

It is believed that European continental coasts and islands are connected through 130 ferry lines, and there is also a large number of ferryboat lines. In this wide range of ferry lines, Scandinavian countries, which transport more than 40% of passengers and some 30% of vehicles transported in Europe, France, Great Britain, Greece and Italy, are particularly distinguished. Characteristic of international liner traffic is it being carried out through ferryboats and ferries, and less by liner ships.

A tourist yacht is a vessel for a longer stay of maritime tourists, which is equipped with at least 2 beds and accompanying services. The main characteristic of the yacht is a great comfort during long-term journeys. It can be constructed with a motor drive or with a wind drive. In recent years, the expansion of the construction of modern and prestigious sophisticated yachts of modern design has been noted.

Marinas are needed for maritime tourism. The construction and equipping of the marina represents a complex and complete process. "In order to start constructing a marina for maritime tourism, it is necessary to implement comprehensive, scientifically founded, preparatory actions:

- spatial planning and selection of the location for construction of a marina,
- evaluation and optimization of the location for construction of the marina,
- programming,
- designing"(Brčić, Orlandić., op.cit. p.88-89)

Three basic principles are needed to be followed in the management of marinas: productivity, cost-effectiveness and profitability. Generating revenues in a marina is important in several aspects. Total revenue is considered to be the total value of products and services that a maritime company produced and sold during a certain period of time (ibid, p.104).

In addition to revenues in the business of a marina, costs (expenses) are also incurred. Costs are an important instrument of any company's business policy and profit is dependant thereon (ibid, p.105).

Those can be fixed (accrued depreciation, property tax, interest on loans, wages to employees, investment and current maintenance) and floating - changeable in line with the change in

employment rate in the short term in a manner that, by increasing the quantity of services in the marina by a certain percentage, the costs increase by the same portion.

“The multiplicative effects of maritime tourism arise from the heterogeneity of consumption that can be seen, to a great extent, through the need of this category of tourists for 2500-4000 different products, but also for different services, and other types and ways of meeting the needs. Part of these effects is reflected in the high consumption of maritime tourists through maintenance and safe keeping of maritime vessels“ (Pasinović M., 1998, page 93).

It is believed that this type of tourism has contributed to emergence of many cities (Portofino, Palm Beach, Antib et al.), as well as the revitalization of some old crafts such as repair of sailboats and wooden ships. Maritime tourism is characterized by participants mobility and recreation while traveling and staying in a harbour (swimming, yachting, surfing, etc.).

From an economic point of view, a maritime location benefits from harbour fees, costs paid for the organization of excursions, expenditures for smaller meals and souvenirs, as well as all cruise-related services (Tourism Development Strategy in Montenegro up to 2020 (2008), page 44).

**Table 1.** Revenues and expenses in a marina

Revenues	Expenses
Berth Lease	Depreciation
Winter storage of a vessel	Gross salaries of employees
Vessel service	Maintenance costs (tools, supplies)
Rental of a vessel	General costs (incurred in the production process i.e. direct costs and indirect costs)
Sale of catering services	
Sale of spare parts, paints, varnishes and alike.	

The table 1 lists the possible revenues and expenses within a marina, while a detailed elaboration requires entering parameters per types of vessels and services.

**Table 2.** Types of revenues in maritime tourism

Income from a berth	Income from fuel	Revenues from purchasing in the port	Income from excursion	Revenue from accommodation and catering services
Daily	One-off	Oil, consumable goods	Daily	Daily
Weekly	Several times	Wardrobe, shopping	Two-day	Weekly

Maritime tourism can also be considered in relation to types of revenues, therefore, the Table No. 2 shows the type of revenues at daily and weekly level.

## 2. INTERACTION OF HOTEL MANAGEMENT AND MARITIME TOURISM

Development of maritime tourism has been evident globally for the last decade, which has led to construction and equipping of ports, as well as to development of complementary tourism-related activities. In Montenegro, the construction and equipping of Porto Montenegro marina has greatly enhanced the destination brand in this field, and at the same time positioning on the world map of maritime destinations. Hotel “Regent” in Porto Montenegro marina is an example of good practice and interaction of hotel management and maritime tourism.



### 2.1. A HOTEL AS A RECEPTIVE FACTOR OF THE OFFER AND DESIGN OF A MARINA DESTINATION PRODUCT

Adequate accommodation capacities are needed for servicing and reception of guests in a marina. Hotel, as a receptive factor of the offer, is necessary in designing a destination brand and for development of maritime tourism. What kind of hotel is needed and in which way to access this complex project, those are the issues to be analysed on a long-term basis.

Hotel business requires a preparation of a business plan that has macro and micro analysis: general and economic trends in the country, the population standard, the main characteristics of the city or the area in which the hotel will operate, i.e. complete and detailed market analysis:

- When it comes to marina of Budva - macro level would represent the Montenegrin coast, while the micro level would be the city of Budva;
- Another important element is the analysis of a potential clientele that is interested in services of the future hotel. It would be realistic to plan a five-star hotel that would be designed for stay of luxurious clients with high purchasing power, which would greatly contribute to the realization of significant economic effects that would be generated from this type of tourism.

**Table 3** Advantages and disadvantages of a hotel construction in the marina

Advantages	Disadvantages
Investment and development	Pressure on the coastal sector and the load
Attractiveness of the destination	/
Infrastructure Development	Risk
Increase in revenues	/

The table 3 shows that it is possible to realize a significant part of revenues from the construction and investment in a hotel capacity, which makes the factor of attractiveness of the marina, development of infrastructure and realization of economic effects, which significantly influences the formation of the destination brand.



Through the analysis, it can be determined the financial cost-effectiveness of the hotel via the following formula:

$$E = \frac{\text{Total revenues}}{\text{Total expenditures}}$$

Return Time = Capital Investment / Expected net cash flow in one year. (Krstić B., 2010, p.130)

For example. if realization of a hotel project requires EUR 100,000,000, and if net cash flow (annual) amounting to EUR 20,000,000 can be expected each year, the term of return of the investment in this project will be: 100 mil/20 million = 5 years.

Such an estimate shall be applied in a situation where the net cash flow is the same over the years. Cash flow is one of the tools of the company financial management, so it is designed on a concrete example of a hotel construction investment. The amount of funds in the amount of cash flow shows the amount of available funds for internal financing (financing only), as well as for the possibility of repayment of loans based on which the optimal debt limit is identified. Funds in the amount of cash flow can be used for new investments without disturbing the financial balance, which essentially refers to cash inflows, i.e. cash flow.

In addition to the aforementioned, it is necessary to prepare an economic-financial analysis of business performance, i.e. the projection of the balance sheet and income statement, as well as the estimate of operating expenses. From the analysis of these parameters, an estimate of the profitability of the hotel's business can be carried out in the marina.



The construction of the hotel would represent a significant and complex investment, and M. Zečević PhD (1973), believes that investments in tourism are, “all investments in re-arrangement, modernization, expansion, replacement and new construction of facilities in catering, transport, trade and investments in other facilities outside those activities that participate in the formation of tourist services, then investments in fixed working capital, are necessary for regular functioning of the tourist activity“( Zečević M., 1973).

## 2.2. HOTEL MANAGEMENT

A Hotel Manager is a person who organizes, instructs and ensures the execution of the task, while using the skills in communication and decision-making area. “Management is a process of decision-making aimed at achieving goals, and the managers use their decision-making skills with the goal to make an effect through communicating and lead to achievement of goals.” (Atkinson, Hill)

The hotel has a management structure with the “Hotel Manager” being at the very top, and, depending on the field of the activity or function it performs, it has the following: Human Resources Manager, Sales Manager, Food and Beverage Manager, Marketing Manager, Procurement Manager, Quality Manager, Accommodation Manager, etc.

Hotels and similar accommodation capacities usually generate the highest revenue per guest and per day, the longest season and create the most jobs per bed, which imposes the need for building a high-quality, high-profitable hotel sector, which was the main goal for a certain number of years of the Quality Development Strategy (Tourism Development Strategy in Montenegro up to 2020, op. cit, p.7).

### 3. INFLUENCE OF MARITIME TOURISM ON DESTINATION MANAGEMENT

Creation of destination management is a complex and long-term thematic challenge for tourism experts and tourism employees. „Tourism development implies a specific goal (physical volume of tourist traffic, creation of as favourable as possible conditions for reception and stay of tourists), which means inclusion of all subjects of the tourist offer. Therefore, the goal of tourism development has a multiplicative effect on all participants in implementing such a development“ (Pasinović M, op.cit. p.183).

Montenegro is recognized as a destination of maritime tourism, primarily the dominant receptive country, in which maritime tourism is positioned on the model of Croatia and Italy, as the leading country in this part of the Mediterranean.

Very complex issues of maritime tourism as an important segment of navy tourism imply the need to pay special attention to:

- the concept and meaning of maritime tourism,
- classification of ports and vessels of maritime tourism,
- type of maritime tourism,
- development of maritime tourism in the world,
- development of maritime tourism in our country,
- conditions of sustainable development of maritime tourism,
- maritime tourism and its impact on sea threatening,
- construction of maritime tourism ports and
- maritime tourism ports in our country. (Brčić I, 2009, page17).

Given that maritime tourism is considered selective form of tourism, it should meet four criteria as follows: market recognition, additional demand for sailors that distinguishes from the classic form of tourism and is realized through an additional offer, a cost position in the tourists-sailors costs structure, as well as the statistical coverage.

#### 3.1. INDICATORS OF MARITIME TOURISM DEVELOPMENT

According to data obtained from Monstat, in 2017, 4598 foreign vessels for entertainment, sports and recreation entered the territorial sea of Montenegro, which is by 4.9% more than in 2016. Out of the foregoing number, 3840 vessels sailed in via sea, and 758 were brought by land (Monstat, 2018, Announcement-No.48/02).

With regards to citizenship, the greatest number of persons who arrived with these vessels were from Great Britain (17.7%), Italy (5.5%), Croatia (3.3%), Germany (2.9%), France (2.8%), Austria (2.3%), USA (2.0%) and other countries (63.5%) (ibid).

Apart from the economic aspect, advertising has a great effect onto a maritime location. Kotor and Bar are Montenegrin ports that are attractive for luxury ships and cruises. As the receptive port of maritime tourism for cruisers, the greatest volume of traffic in maritime tourism is realized in Kotor, which is recognized because of its status in UNESCO, landscapes and cultural values. Based on passengers traffic data, Venice is still the most popular destination for cruisers in the Adriatic, followed by Dubrovnik, while Kotor holds the third position. In the reports of the MedCruis Association that gathers more than 100 ports for cruisers across Europe, Africa, Asia, the Black Sea and the European part of the Atlantic, Kotor is among the destinations with the highest traffic for passenger ships in the Mediterranean region.

Kotor has become a port in which the passengers from Montenegro and the countries of the region are increasingly starting or finishing their circular trips, so it is evident that in the last four years the number of cruisers has increased by as much as 42%, which was recorded according to MedCruise data. The important elements of the marina for the offer satisfaction of tourists-sailors are the following: (cleanliness, connections, berths, sanitation, water, vessels supplies, catering services, service, shops), road services and road infrastructure, sports and entertainment facilities and money value of the maritime offer. Social elements: the country image, a sense of security and hospitality, are also important in creating the image of the destination.

Based on the research conducted by the Institute for Tourism (Ministry of the Sea, Tourism, Transport and Development of the Republic of Croatia – “Tomas-nautika” 2004), it was noticed that the authenticity of the products will become significant, and that the tourists will return to destinations that offer a complete experience, which means that a better destination management will be required. Sources of information used by tourists are as follows:

- Media (the British, French, Poles)
- Agencies (the Poles, Czechs, Slovaks)
- Internet - French (46%), Poles (29%), British (38%)
- Sailor tourists often use fairs for the source of information, and slightly less internet and media.

In the world, an expansion of maritime tourism development was noted, and it is possible to perceive the maritime capacities of the most developed countries in this area, and in the countries of the environment it can be analysed on the example of Croatia.

**Table 4.** Number of vessels in marinas according to the flag of the vessel

	NUMBER OF VESSELS		STRUCTURE (in %)	
	2016	2017	2016	2017
TOTAL	211.573	215.329	100,0	100,0
Croatia	94.250	96.759	44,5	44,9
Italy	32.570	30.484	15,4	14,2
Germany	25.992	26.943	12,3	12,5
Austria	18.411	16.456	8,7	7,6
Slovenia	7.828	8.077	3,7	3,8
United Kingdom	1.764	4.054	0,8	1,9
USA	3.634	1.551	1,7	0,7
France	3.476	4.663	1,6	2,2
Hungary	1.294	1.662	0,6	0,8
Netherlands	2.251	2.870	1,1	1,3
Czech Republic	2.139	2.630	1,0	1,2
Scandinavian countries	2.486	1.972	1,2	0,9
Poland	2.030	2.379	1,0	1,1
Slovakia	974	2.063	0,5	1,0
Switzerland	1.416	1.243	0,7	0,6
Belgium	1.976	1.614	0,9	0,7
Russia	329	279	0,2	0,1
Greece	246	511	0,1	0,2
Israel	70	224	0,0	0,1
Other countries	8.437	8.895	4,0	4,1

Source: Tourism in Figures 2017, 2018, page 35, Ministry of Tourism of the Republic of Croatia  
Croatia is the dominant receptive country in this area, but it is highly connected and generates significant revenue, which can be concluded from the data in Tables no. 4 and 5. The geographical position and the possibility of ferry connection with the countries of the region are important prerequisites for the development of this region, so it is recognized as a country with dredged coast and great opportunities for maritime tourism development.



**Table 5** Average daily consumption per person

	E	%
TOTAL	48,91	100
Accommodation	17,64	36,1
Food	15,29	31,3
Beverages	5,23	10,7
Purchasing	3,33	6,8
Culture and entertainment	2,58	5,3
Sport; excursions	4,24	8,7
Other	0,6	1,1

Source: Tomas-nautika,2004, Zagreb Ministry of the Sea, Tourism, Transport and Development

Given that Montenegro is a border country of Croatia and it has significant natural potentials, it can be expected that there will occur better connectivity and expansion of this type of tourism development. “Market orientation means that market development trends, target groups’ expectations and their financial capacity, as well as the range of competitive destinations offers are used as a benchmark and guidelines in the formation of a tourism product“(Tourism Development Strategy in Montenegro up to 2020, op. cit., p.71).

In 2016, 4384 foreign vessels for entertainment, sport and recreation entered the territorial sea of Montenegro, which is by 9.1% more than in 2015. Out of these 3,642 vessels sailed in by sea, and 742 were brought by land (Monstat, 2017, Announcement-No 43).

In 2017, 430 foreign ship trips were realized in Montenegro. According to the flag those ships were sailing under, the structure of the ships that sailed into the territorial sea of Montenegro in 2017 was as follows: Bahamas (29.3%), Malta (28.1), Panama (8.1%), Belgium (6, 7%), Bermuda (6.3%), Italy (4.2%), Greece (3.5%), Marshall Islands (3.3%) and others (<http://senat.me> [www.maritimeturism](http://www.maritimeturism.me) in Montenegro/26.10.2018).

In recent years, the number of cruise ship arrivals has been increased in Montenegro, but due to limited load capacities, it would be significant to attract more yachts and sailing boats, which would affect the increased volume of consumption and the less load on infrastructure and environment.

## CONCLUSION

Revenues generation in maritime tourism is connected to and conditioned by a number of complementary activities, while the quality hotel business is a significant link in this complex system. Bearing in mind that the hotel is a receptive supply factor, it greatly influences the design of the destination product.

The generation of revenues in tourism is also dependant on the way the tourist offer of a particular destination is presented. Maritime tourism revenues are generated from the rental of vessels berths, vessels safe keeping during the winter period, boat services, boat rental and chartering, accommodation capacities, catering services, shops, culture and entertainment, sports, excursions, etc.

Development of infrastructure, marina equipment and the enhancement of the quality of basic and complementary content are an improvement of the tourist offer and lead to development of maritime tourism. Marina is a special ambient unit and the possibility of its use is a multipurpose one. Montenegro's commitment to marina development will affect the increase in employment opportunities and achievement of economic benefits from tourism.

To what extent will maritime tourism influence the increase in tourist consumption depends on development of a particular destination and its image. The existence of a hotel in the marina provides the opportunity to generate profit and influence the development of the destination.

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