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# Developing New Package Tour in Croatia & Bosnia and Herzegovina: War History and Cultural Heritage

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## Developing New Package Tour in Croatia & Bosnia and Herzegovina: War History and Cultural Heritage

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The purpose of this Bachelor's thesis was to develop a functional package tour to Croatia & Bosnia and Herzegovina for the commissioner, a Finnish tour operator. The Theme of the tour is war history and cultural heritage, according to the commissioner's existing products. The research concentrated on studying relevant tourism forms, the destination countries and tourism product development in general. All of the theoretical research was conducted to support and aid the author's aim to develop useful tourism product. The results of this thesis are not openly published, as requested by the commissioner.

The thesis contains a theoretical part and an empirical result part. The theoretical part was constructed by throughout research to the topics and analysis of quantitative data. Especially tourism statistics of the destination countries were analyzed, to learn essential information about the countries. Research into tourism products, new product development, package tours and tourism marketing was conducted by using reliable literature and online sources. As qualitative research method the author utilized her own experiences of studying, living and traveling in the Balkans, and observations that she gathered as a pre-research. A Theme interview with the commissioner's representatives was also used as a qualitative method, and it gave the author important information about the criteria and guidelines that the new tour should follow.

As a result a daily programme was designed, which includes activities and attractions related to the theme. Local guides were also recommended if they are needed during the tour, and accommodation options were proposed. The author also found out all the fees related to the activities included in the tour. The results section introduces the destinations and activities in more detail, for the commissioner to get a thorough picture of the proposed program. As mentioned previously the results are private, according to the commissioner's own wish.

Keywords: Dark Tourism, Cultural Tourism, New Product Development, Croatia, Bosnia and Herzegovina

Essi Valaja

**Uuden valmismatkan kehittäminen Kroatiaan ja Bosnia-Hertsegovinaan: Sotahistoria ja kulttuuriperintö**

Vuosi 2015

Sivumäärä 49

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Tämän opinnäytetyön tarkoituksena oli kehittää toimeksiantajalle, suomalaiselle matkanjärjestäjälle, toimiva kiertomatka Kroatiaan ja Bosnia-Hertsegovinaan. Kiertomatkan teemana ovat maiden sotahistoria ja kulttuuriperintö, jotta tuote sopii matkanjärjestäjän jo olemassa olevien tuotteiden joukkoon. Opinnäytetyön tutkimus painottui tutkimaan teemalle oleellisia matkailun muotoja, matkakohteita ja tuotekehittelyyn liittyviä käsitteitä yleisesti. Teoreettisen osuuden tutkimus tuki opinnäytetyön tavoitetta, eli toimivan matkailutuotteen kehittämistä. Opinnäytetyön tuloksia ei julkaista toimeksiantajan pyynnöstä.

Opinnäytetyö koostuu teoreettisesta osasta ja tuloksista. Teoreettinen osa on toteutettu tutkimalla aihealueita ja analysoimalla lukuisia tilastoja ja taulukoita. Erityisesti matkailuteollisuuden tilastot liittyen matkakohteisiin olivat hyödyllisiä kiertomatkan suunnitteluprosessin aikana. Matkailutuotteisiin, tuotekehittelyyn, valmismatkoihin ja markkinointiin liittyvä tutkimus suoritettiin käyttäen luotettavia lähteitä. Osana kvalitatiivista tutkimusta hyödyksi käytettiin omakohtaisia havaintoja opiskelusta, asumisesta ja matkailusta Balkanin maissa. Myös edustajan kanssa järjestetty teemahaastattelu toimi osana kvalitatiivista tutkimusta.

Opinnäytetyön tuloksena syntyi kiertomatkan päiväohjelma, joka rakennettiin toimeksiantajan toiveiden perusteella teeman mukaisesti. Opinnäytetyössä suositeltiin paikallisia oppaita, joita voidaan hyödyntää kiertomatalla, sekä ehdotettiin kiertomatalle sopivia majoitusvaihtoehtoja. Myös ohjelmaan kuuluvien aktiviteettien ja nähtävyyksien hinnat ja sisäänpääsymaksut selvitettiin. Matkakohteet ja aktiviteetit esiteltiin yksityiskohtaisemmin, jotta toimeksiantaja saisi paremman kuvan ohjelman kokonaisuudesta.

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## 1 Introduction

In this Bachelor's thesis the author develops new package tour for a Finnish tour operator, according to the commissioner's guidelines and criteria. The developed tour takes place in Croatia and Bosnia and Herzegovina, and the main themes are war history and cultural heritage. The purpose of this thesis is to study how package tours are developed, and the end result is a functional tour that the commissioner can offer for potential clients. The author is mainly responsible for planning the daily programme, but also suggests suitable accommodation options and local guides for the tour. The main question that this research aims to answer is how to develop useful package tour that creates satisfactory customer experiences"

The theoretical part of this thesis includes research into relevant tourism niche markets and into Croatia's and Bosnia and Herzegovina's characteristics as tourist destinations. Because of the war related theme of the tour, this paper also recounts significant events of the countries' war histories. What tourism product is and how new product development process generally works are also topics that are studied. New product development ensures growth and profitability in companies, and helps them to compete against tough competitors. The author goes also into detail on different elements of package tours and final part of the theoretical framework concentrates on tourism marketing, which is important part of developing new tourism products. Several literature sources are used to ensure the validity of the research, as well as reliable online sources of several tourism organizations and governments.

Idea for the thesis originated while the author studied, lived and traveled in the Balkans herself, in the spring of 2013. While living there she became interested in the history and culture of the area, and decided on including the Balkans somehow into her thesis work. She started pre-research and documentation while still living in the area, and continued the process after finding suitable topic and commissioner for the thesis. In addition to qualitative pre-research methods theme interview with the commissioner was organized and various materials were analyzed to make sure that the product is designed to fit the commissioner's needs.

The results section of the thesis contains the programme of the tour and enlightens other elements of the tour. The author also introduces the destinations and activities more in detail, to give the commissioner better idea of the whole tour. This part of the thesis will not be published openly, because of the commissioner's wishes.

## 2 Research into Elements of the Developed Tour

When developing a new product, it is important to research and study different elements and

topics that affect the product. In this case the author decided to study dark tourism and cultural tourism as well as find out about Croatia's and Bosnia and Herzegovina's tourism attributes and war history.

## 2.1 Dark Tourism

The Institute for Dark Tourism Research defines dark tourism as “act of travel to sites, attractions and exhibitions of death, disaster or the seemingly macabre” (The Institute for Dark Tourism Research 2015). This niche of tourism isn't as new phenomenon as some might think; Thomas Cook, who can be said to be the founder of mass tourism, arranged trips for tourists to see hangings in Cornwall as early as in the 1700's and 1800's. Since that as a result of general tourism growth, also dark tourism has become more diverse and widespread. There are also increasing number of tour operators who are trying to profit from organizing trips to destinations of disasters. (Kamin 2014; Sharpley & Stone 2009, 5.)

Tourists' interest and desire to take part in dark tourism has also increased in recent years. For example after the 9/11 attacks, Ground Zero of World Trade Center attracted almost double the number of visitors when compared to the visitor numbers prior to the terror attacks. Motivations behind taking part in dark tourism have been studied. Previous studies have found many motivation factors associated in dark tourism, curiosity being one of them. Tourists want to know and learn something or basically just visit dark places out of their own interest. Some tourists are novelty seekers who want to experience something new and unusual. In some cases reasons to visit dark attractions can be educational, for example when tourists are seeking answers to questions and want to understand what happened. Media is also motivating and creating interest in dark attractions by reporting live action coverage from disaster sites and events. (Sharpley & Stone 2009, 5; Gaya 2013, 10-16.)

There are many ethical issues and questions concerning dark tourism. Local residence and victims of disasters may not look kindly that tour operators are trying to profit from their losses and that they are bringing tourists to witness their misery. However sometimes dark tourism can have positive impact on local community, for example in India there are tour operators which organize tours in local slum areas and give part of the profits to the people living in the slums. As previously mentioned one of the biggest motivation factors of visiting historical dark attractions like Auschwitz in Poland are educational, but many people perceive visiting these attractions as glorifying death and disrespectful. General code of conduct at sacred places should be kept in mind to make sure that no one gets offended by tourists' behavior. The most important ethical consideration for tourists visiting dark attractions is to respect the locals and learn about the history and events in advance. (Stokes 2013.)

It is important for the author to learn about dark tourism before planning new war related tour to Croatia and Bosnia and Herzegovina. These two countries have complicated and joint history related to wars and disasters, which makes them interesting destinations to visit. The tour leader needs to make sure that the participants in the tour respect the local history and people while visiting the dark attractions.

## 2.2 Cultural Tourism

Countries like Croatia and Bosnia and Herzegovina have history and cultural heritage that is worth preserving and sharing. It is inevitable to learn and feel the cultural aspects of the destinations during a tour which theme is war history. That is the reason why while planning war history related tour cultural tourism needs to also be taken into consideration.

The World Tourism Organization (UNWTO) declares that cultural tourism “represents movements of people motivated by cultural intents such as study tours, performing arts, festivals, cultural events, visits to sites and monuments, as well as travel for pilgrimages. Cultural tourism is also about immersion in and enjoyment of the lifestyle of the local people, the local area and what constitutes its identity and character.” In many countries cultural tourism has become economic support for traditional activities and local creativity and can be viewed as preserving world heritage and supporting national identity. (The World Tourism Organization 2004; Richards 2007, 1.)

During communist era countries like Croatia and Bosnia and Herzegovina were mainly visited by tourists from other communist countries, but after emerging from this period they started to target western European tourism markets. These countries were seen as “new destinations” because they were isolated and closed before, which attracted mass flows of tourists. To these countries cultural tourism has had significant importance in creating positive image to potential tourists. They used cultural tourism as platform to promote their national identity and demonstrate their openness and eagerness to have wider European identity. (Hughes & Allen, 2003, 173-176.)

Howard Hughes and Danielle Allen from Manchester Metropolitan University conducted a study to discover the views of four national tourist board representatives about cultural tourism, and one of these countries was Croatia. They found out that after the conflict in the region was over Croatia wanted to position themselves as not only beach destination, but destination that offered both beach and culture. For example Dubrovnik, the most popular tourist destination in Croatia, was promoted as cultural old city and the beach aspect came secondary. Another cultural asset of Croatia was believed to be the cultural diversity. Inland and northern parts of Croatia, like the capital Zagreb, have cultural identity closer to Central Europe



whereas southern parts of the country have more Mediterranean culture. (Hughes & Allen, 2003, 177-180.)

While living and traveling in the Balkans it was clearly noticeable that the people are proud of their cultural heritage. The former Yugoslavian countries want to separate themselves from each other, by celebrating their own cultural identities. There are numerous festivals and events arranged that allow local people celebrate their own heritage and tourists to learn about it. These events are important in the tourism point of view, because they attract many visitors to the destinations.

### 2.3 Croatia as a Tourist Destination

Croatia is a former Yugoslav republic country of over 4.4 million inhabitants, which lies on the Adriatic Sea. It declared its independence in 1991, which resulted to the Croatian War of Independence that lasted until year 1995. After the war Croatia has worked on to stabilize their country and grow their economy. Nowadays they are parliamentary democracy that joined NATO in 2009 and the European Union in 2013. (Infoplease 2015.)

Croatia consists of 21 different counties and over 1000 islands. It has a total coastline of over 6000 kilometers, mainland coastline measuring at almost 2000 kilometers. Coast counties of Istria, Primorje - Gorski Kotar, Split-Dalmatia and Dubrovnik - Neretva had most tourist arrivals in 2013 and islands of Krk and Pag were most popular amongst tourists. In addition to its beautiful coastline, Croatia has number of UNESCO cultural and natural heritage sites that attract tourists to the country. These include for example the Old City of Dubrovnik, Diocletian's Palace in Split and Stari Grad plain on the island of Hvar. Croatia is also known for its beautiful nature and National Park called Plitvice Lakes. It is located approximately 2 hour drive away from the coast, and had almost 1,2 million visitors in 2013. Capital Zagreb, which is well accessible from other Europe with great railway connections, attracted 200 000 visitors more in 2013 than year 2012. (Croatian National Tourist Board 2014.)

When Croatia was still part of Yugoslavia it accounted for 80% of Yugoslavia's foreign tourist revenues. After the independence declaration in 1991 tourist numbers declined for the first time in decades, because of the onset of war. After the war, from years 1996-2002, both number of tourists and tourism spending increased approximately 12% annually and the growth has continued since, as seen in the figure below:

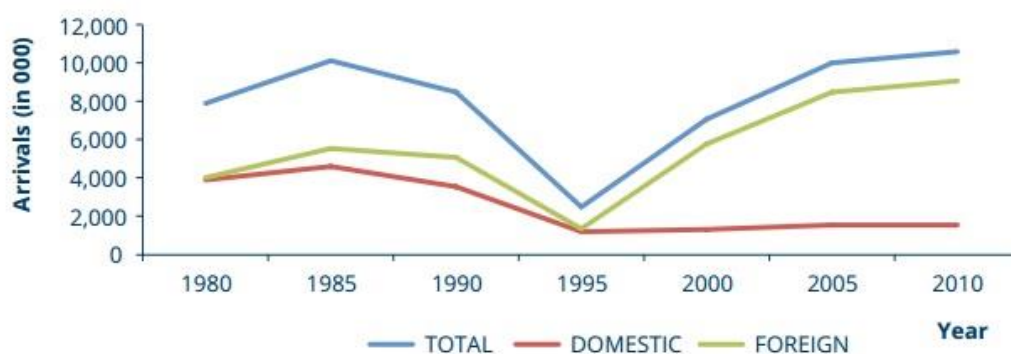


Figure 1: Croatia Tourist Arrivals 1980-2010. (Croatian National Tourist Board 2014)

As the figure 1 above illustrates the Croatian War of Independence had clear negative effects to the tourist arrival numbers at the time of the war, which resulted to loss of GDP (Gross Domestic Product) and other negative economic impacts. However after the war Croatia has steadily ensured its position as one of the most popular tourist destinations in Europe. It has to compete against other Mediterranean countries like Turkey, Greece and Spain, as well as emerging markets in Africa. As the figure below illustrates, both domestic and foreign tourist arrival numbers have continued to grow between years 2012 and 2013:

Tourist arrivals (in 000)						
	Individual		Organized		Total	
	2012	2013	2012	2013	2012	2013
Domestic	934	954	532	532	1,466	1,486
Foreign	6,423	6,794	3,946	4,161	10,369	10,955
<b>TOTAL</b>	<b>7,356</b>	<b>7,748</b>	<b>4,478</b>	<b>4,693</b>	<b>11,835</b>	<b>12,441</b>

Figure 2: Croatia Tourist Arrivals 2012-2013. (Croatian National Tourist Board 2014)

As the figure 2 shows there were over 600 000 more total tourist arrivals in 2013 than year 2012, which is over 5% increase. The data also shows that individual trips to Croatia are more popular than organized trips. Also tourist overnights increased over 3% between 2012 and 2013. In 2014 the growth continued with 12,9 million visitor arrivals. (Currie, Skare & Loncar 2004; Croatian National Tourist Board 2014; Croatia Week 2014.)

In 2013 August was the most popular month for visiting Croatia with over 3,3 million tourist arrivals, followed by July with 2,9 million arrivals. June and September months attracted over 1 million less tourists than July. January and February were the quietest months with only slightly over 100 000 tourist arrivals. In 2013 over 10 million tourists, out of total of 12,4 million, stayed on the sea coast. Almost 800 000 stayed in the capital Zagreb, 320 000 on the mountains and 118 000 in health resorts. These numbers indicate that the sea coast is the most important and popular destination in Croatia. In the same year most popular accommo-

modation type was private rooms, followed by hotels and apartment hotels. Worth mentioning is that staying in camps was almost as popular as staying in hotels and apartment hotels. In 2013 out of European countries Croatia was visited most by Germans, Italians and Slovenians. Outside of Europe Croatia got most visitors from USA, Japan and Australia. In 2013 54 000 Finnish tourists visited Croatia, which is 15 000 visitors more than in 2012. These numbers show that Croatia has gained popularity amongst Finnish travelers in recent years. (Croatian National Tourist Board 2014.)

The impact of travel and tourism to Croatia's economy is great. Travel and tourism's direct contribution of GDP reflects the spending of non-residents and residents on travel & tourism within a country. In 2014 Croatia's direct contribution of Travel & Tourism to GDP was 12,5% of total GDP and it is forecasted to rise to 16,8% in 2025. Also in 2014 Travel & Tourism industry supported 139 500 jobs, which is 13,6% of total employment. This percentage is predicted to rise to 16,3% in 2025. Visitor exports, which is spending within a country by international tourists for leisure and business trips, were 43,7% of total exports in 2014 and are predicted to rise to 48,3% of total in 2025. These numbers tell that Croatia needs to continue to invest on Travel & Tourism to gain economic growth. (World Travel & Tourism Council 2015.)

Croatia's ministry of tourism has established development strategy until year 2020. By following this strategy they want to ensure the future of tourism management, encourage investors to implement their plans and fast track tourism development. Their vision for Croatian tourism by 2020 is Croatia to be globally recognized destination and competitive and attractive to investments, as well as being destination that offers its visitors hospitality, safety authentic experiences all year around. Their main goal of development is Croatia to be ranked amongst top 20 tourist destinations in the world in terms of competitiveness. Their plan to execute this goal is to invest on marketing, offer more diversified products to cut down seasonality, fulfill investment strategy and develop their human resources by offering more educational courses and trainings for tourism professionals. By fulfilling this strategy they are expected to get 7 billion Euros of new investments, more beds in commercial accommodation, new employees in tourism and increase total tourist consumption and overnight stays. This strategy will be essential for Croatia's economic growth and stability. (Ministry of Tourism Republic of Croatia 2013.)

It is clearly visible that Croatia and the local people working in the tourism industry have understood the importance of attracting tourists. Lot of effort has been put into promoting different destinations, attractions and events in the country. There are several tourist information centers available for tourists to get information and advice, and the employees can speak always at least English. Also in the restaurants and attractions the employees are al-

ways friendly and ready to communicate with tourists in English. Croatia's hospitality makes tourists comfortable and eager to visit the country again.

#### 2.4 Bosnia and Herzegovina as a Tourist Destination

Bosnia and Herzegovina is located in the heart of the Balkan countries, having borders with Serbia, Montenegro and Croatia. The country of almost 4 million inhabitants has complicated history being ruled by various empires and being part of former Yugoslavia. In 1992 referendum was held where Bosniak and Croat citizens declared their wish of independence from Yugoslavia. Referendum was followed by inter-ethnic war that lasted until the 1995 Dayton peace agreement that left the country divided into two political entities that are still in place; the Federation of Bosnia and Herzegovina and Republika Srpska. Approximately 40% of the inhabitants are Muslims, 30% are part of Orthodox Church and 15% are Roman Catholics. (World Info Zone 2015; Balkan Insight 2013.)

The country is mountainous with numerous rivers, lakes and forests. It also has small coast line on the Adriatic Sea that separates city of Dubrovnik from rest of Croatia. Lots of religious architecture of all Catholic, Orthodox and Islamic religions can be found around the country, as well as historic buildings like castles and old town fortifications. After end of the civil war there has been lot of reconstruction work done, for example the Old Bridge at Mostar has been rebuilt after it destroyed during the war. (World Info Zone 2015.)

Bosnia and Herzegovina has many elements that can ensure its tourism market growth. It is naturally beautiful country with good location and great bus-railroad network to other Europe. It also has great offering of heritage, history and gastronomy that attracts international tourists that are looking for authenticity and different experiences. According to the World Tourism Organization Bosnia and Herzegovina has potential of over 10% annual tourism market growth through year 2020. Only two countries in the world in addition to Bosnia and Herzegovina are predicted to have as high tourism market growth in the next few years. In the Travel and Tourism Competitiveness Report for 2013, published by World Economic Forum, Bosnia and Herzegovina was ranked eighth in Attitude of population toward foreign visitors and 29th in Safety and security Competitive Indexes out of 140 countries. These results are positive indicators that Bosnia and Herzegovina has potential to become popular tourist destination. (Foreign Investment Promotion Agency 2013.)

There are various tourism forms that are thought to be promising in the country. These include Ski and Mountain tourism, Ecotourism, Adventure tourism, Spa tourism, Cultural heritage & Religious tourism and Sea tourism. After the Olympic Games were organized in Sarajevo in 1984 winter tourism boomed and the country got reputation as one of the best and cheap-

est countries in Europe to ski. Various mountain centers have been developed to compete against other countries in the region. With the country's untouched nature and various national parks opportunities to develop eco-tourism products are huge. These same natural resources give tour operators opportunity to offer adventure trips and packages. In 2012 National Geography ranked Bosnia and Herzegovina amongst the top ten best adventure destinations, and entitled it to have the best mountain biking trails. As a cultural point of view Mediterranean, Byzantine, Ottoman and Central European influences make visiting Bosnia and Herzegovina unique experience. The country was a meeting point of different cultures, civilizations and religions what can still be seen in various old towns and attractions around the country. (Foreign Investment Promotion Agency 2013.)

Bosnia and Herzegovina's tourist arrival numbers have been growing steadily in recent years. In 2012 total tourist arrivals reached 496 000 arrivals which was over 13% increase from 2011. In 2013 tourist arrivals grew over 16% with 577 000 arrivals. However even these numbers look promising it is worth mentioning that the average amount of nights that tourists spent in Bosnia and Herzegovina in 2013 was only two nights, and this number has stayed the same since year 2009. This data indicates that even though tourist arrival numbers have grown, the country hasn't been able to attract tourists that would stay there more than couple of days in average. According to the data hotels and similar accommodations are clearly most popular type of accommodation, among both foreign and domestic tourists. In 2013 biggest arrivals by country were from nearby countries like Croatia, Italy, Poland and Turkey. By analyzing the visitor arrival countries it is clear that Bosnia and Herzegovina hasn't yet been able to attract tourists from central European countries as well as Croatia has. (Institute for Statistics of FB&H 2014.)

Direct contribution of Travel & Tourism to Bosnia and Herzegovina's GDP was 2,5% of total GDP in 2014 and is expected to be 3,0% of total in 2025. In 2014 direct contribution to employment was 3,0% of total employment and is forecasted to rise to 3,8% in 2025. Visitor export were 13% of total exports in 2014 and in 2025 the same figure is expected to be 13,2%. When these numbers are compared with Croatia's same figures conclusion can be drawn that Travel & Tourism is going to have bigger impact on Croatia's economic situation than to Bosnia and Herzegovina's. Yet in long term both of these countries need to invest on Travel & Tourism to achieve bigger economic growth. (World Travel & Tourism Council 2015.)

Analyzing previous travel and tourism data and future predictions is important phase of planning a tour. For example it is important to research monthly visitor numbers to find out which month is best suited for organizing the tour, and studying the popularity of different accommodation types can tell which of them are best organized in the destination country. Predict-

ing the future of tourism in the destination countries is important because tour organizers can modify their products according to the future changes and developments.

## 2.5 War History

Because of the war related theme of the tour being developed the author decided to study briefly the war history of both countries. By researching and understanding the history it is easier for the author to plan attractions and cities to visit during the tour. This research will also shed light on why Balkan countries and people still have complex relationship between each other and how that will affect tourists visiting these countries. When discussing and learning from different countries' history it is important to review statistics and information neutrally and understand that every person can see the past differently.

### 2.5.1 Croatia

As part of Yugoslavia Croats were part of battles that Yugoslavia fought, but the most important war for independent Croatia was the Croatian War of Independence in 1991-1995. After the fall of communism in 1990 nationalist sentiments were uprising in Yugoslav republics. There was already noticeable tension between the Croats and Serb ethnic groups because of centuries old prejudices, but when Croatia declared its independence from Yugoslavia the actual war began. Croats and Serbs started fighting, Yugoslav army backing up the Serbs. At the end of 1991 Serbs had gotten control over one-third of Croatia. In 1992 Bosnian war drew both Croat and Serb fighters from Croatia to Bosnia, and drew little of the attention away from Croatia. In 1995 Croatia began crucial invasion to gain back the areas that Serbs had taken into their control at the beginning of the war. This was possible because of estimated \$1 billion upgrades in their military in the previous year. These invasions ended the actual independence war in 1995, even though occasional violence towards Serbs in Croatia continued for few years. (Ito 1997.)

Dubrovnik, the most popular tourist destination in Croatia, has also its own history that has shaped the city to its present glory. Around the 7th century settlement was established to the area by the Slavs, who named it Dubrovnik. In the 13th century Dubrovnik was under the sovereignty of Venice and in the 14th century part of the Hungarian-Croatian Kingdom, as republican Free State. Earthquake in 1667 destroyed most of the buildings and the city was rebuilt. After First World War the city became part of Kingdom of Yugoslavia and after Second World War, as part of Croatia, remained in the republic of Yugoslavia. During the Croatian War of Independence there was a 7 month siege in Dubrovnik during 1991-1992, but the medieval fortifications held and Dubrovnik remained part of Croatia. (UNESCO 2015; Rough Guides 2015.)

### 2.5.2 Bosnia and Herzegovina

There are similarities between the independence of Croatia and Bosnia and Herzegovina. Following the lead from Croatia and Slovenia also Bosnia and Herzegovina declared their independence from Yugoslavia, which led to the Bosnian War. At that time Bosnia and Herzegovina was mostly Muslim country with Serb minority of 32% of the population. Serbs attacked the capital Sarajevo immediately as well as other cities targeting the Muslims. In 1994 mortar shell killed 68 persons in Sarajevo, which resulted in cease-fire in Sarajevo, thanks to NATO making military interventions. Despite Croats efforts to help the Muslims, Serbs continued to attack Bosnian Safe Havens. The mass murder in Safe Haven Srebrenica resulted in NATO bombing campaign, targeting Serbian artillery positions. At the same time Serbs were losing ground to Croat-Muslim troops, which forced Serb leader Milosevic to negotiate peace. These peace negotiations resulted in Bosnia and Herzegovina being divided into the Federation of Bosnia and Herzegovina (Muslim-Croats) and Republika Srpska (Serbs) in 1995. (The History Place 1999.)

Another historical event related to wars that took place in Bosnia and Herzegovina is the assassination of the Archduke Franz Ferdinand and his wife in 1914. Sarajevo was invaded by Austria-Hungary in 1908, and Serbia wasn't happy about that. In 28th of June 1914 Franz Ferdinand, the heir to the Austria-Hungary throne, and his wife arrived to Sarajevo to inspect the army. Seven Bosnian Serbs planned to assassinate him but the first attempt with bomb failed. Ferdinand wanted to leave Sarajevo immediately, but on his way back the car accidentally stopped in front of one of the conspirators named Gavrilo Princip. Princip had a gun that he used to shoot Franz Ferdinand, and during a brawl unintentionally shot Ferdinand's wife too. This assassination in Sarajevo led to events that eventually started World War One. (BBC 2014.)

As the research done to Croatia's and Bosnia and Herzegovina's war history shows these countries have joined history which makes visiting them during the tour even more interesting. The various ethnic groups still living in the former Yugoslavia area are still struggling to come in term with the past events, which needs to be taken into account when visiting these countries and meeting local people.

## 3 Tourism Product Development

In this chapter different aspects of tourism product development are studied. First tourism product is defined, and new product development process is explained. After that the author

concentrates on package tours and lastly researches tourism marketing. All of the research made will help the author to successfully develop new package tour for the commissioner.

### 3.1 Tourism Product

When discussing the development of new tourism product it is important to define what a product and a tourism product is. The word product doesn't only refer to tangible things; it can also be a place, a person, an event etc. Generic product is a commodity that is produced by some industry, for example food and fiber are generic products of agriculture. A generic product always satisfies some specific need of the consumer, and it is purchased because the buyer expects it to fulfill his expectations. (Roday, Biwal & Joshi 2009, 330-331; Smith 1994.)

In tourism generic product is the facilitation of travel and activities outside consumer's own place of residence. It can be either tangible item, for example, comfortable hotel room or the food served in a restaurant or intangible, for example, services provided at the destination or beautiful scenery. Usually a tourism product is a combination of both tangible and intangible components, which create the total travel experience and satisfaction for the consumer. Components like destination's natural beauty, history, climate, culture and people are used to formulate a tourism product. Other elements like functional infrastructure, water supply, transportation and electricity are also components of tourism product. Basically tourism product is numerous goods and services that are offered to tourists to satisfy their needs and expectations. (Roday & al. 2009, 331-332.)

Tourism product can be seen to consist of five different elements; Physical plant, Service, Hospitality, Freedom of choice and Involvement, as illustrated in Figure 3. Depending on the type of the product the importance of each element varies, and the success of the product depends on how well these five elements are designed and integrated together.



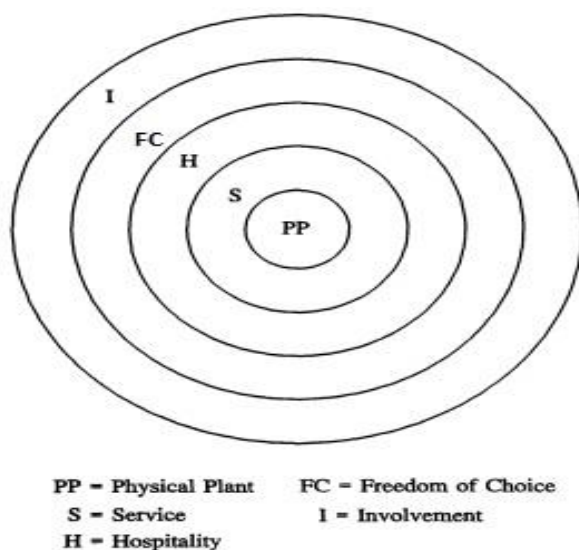


Figure 3: Tourism Product Elements. (Smith 1994)

The physical plant can refer to the accommodation, sites of activities and also to the conditions of the physical environment like weather, water quality and infrastructure. The physical plant requires services to make the product convenient for the tourists. These services can be offered by the hotels, airlines, restaurants etc. and they are essential part of success of the product. Hospitality and service can sometimes be hard to differentiate from each other; hospitality is seen as the attitude and style in which the service is provided for the tourists. Hospitality also refers to the style in which the locals welcome tourists to their own community. For the tourist experience to be satisfactory it is important that the product includes freedom of choice. This means that the consumers should have at least some freedom to do their own decisions. This freedom can be choosing their favorite airline, hotel, restaurant or activities during the trip. Involvement in tourism product means that the consumers focus and immerse themselves into the activities and physical plant to feel satisfied and secure in the destination. (Smith 2014.)

When examining the tourism product elements it is clear to say that the daily programme of the developed tour includes all of the elements discussed above. The author has taken into account the physical environment by researching available accommodations and the physical conditions in the destination countries. To ensure quality service and hospitality the airline and hotels are selected carefully. Even though the daily programme will have various activities included, there is fair amount of freedom of choice amongst it. The participants have freedom to choose their own lunch places, and have free-time in every city visited in the tour. Of course it is not compulsory to attend every activity in the tour, if so decided by the participant. The aspect of involvement is almost inevitable, because consumers who participate in package tours are already interested in the destinations and themes of the tour.

Tourism products can be classified different ways. First classification is Natural, Human-made, and Symbiotic Tourism Products. Natural tourism products are destinations that are visited because of their natural beauty, whereas human-made products consist of festivals, cuisine, architecture, theme parks etc. Symbiotic tourism products are combination of natural attractions and human-built attractions, for example wildlife sanctuaries and marine parks. Tourism products can also be categorized to event-based and site-based tourism products. When the main element of the product is an event it can be categorized into event-based products, and when the actual site is the motivation for the tourists' visit the product is site-based. Products can also be categorized to activity-based, event-based, site-based, destination-based, packages and programmes and to tourism circuit products. (Roday & al. 2009, 338-341.)

### 3.2 New Product Development

The process of transforming business opportunities into products is called new product development. New products are developed to build competitive advantage and to grow businesses and their profitability. Nowadays it is almost impossible to be successful in any industry without some development to firms' products, because the life cycle of products is becoming shorter. Product development is complicated and long process, which needs to be analyzed from different perspectives inside the firm. For example the perspective of marketing department to a new product is totally different than the perspective of production management. When marketing department tries to meet the needs of a customer, production management examines how they could most effectively manufacture the product. (Trott 2012, 418-120.)

New products can be classified into four separate categories; New-to-the-world products, new product lines, line additions and improvements and revisions to existing products. Only small amount of new products are new-to-the-world products, which means that they are inventions that are first of their kind. They create a new market and are usually a result of a new discovery or development in technology. New product lines are products that have existing marketplace but they are new to the particular company, whereas line additions are products that are significantly different to company's existing products but not so different that they would create a new line of products. Last category refers to products that are developed after making improvements and revisions to company's already existing products. (Trott 2012, 429.)

The new product development process includes many important steps before and after the actual product development phase. The process starts with idea generation and idea screening. Idea generation is centered on the interrelationships between company, product and

consumer and is necessary because of the constant changes in these relationships and the environment. Innovation and freedom of creating new ideas is essential in this phase of the process. After idea generation the ideas need to be screened to preserve successful ideas and eliminate ideas that could be failures. There are many factors how ideas can be screened but the most important factor is that the idea must follow company's own business strategy. (Trott 2012, 433; Earle & Earle 2001.)

After idea screening concept testing can be performed, to find out what consumers expect and need from the product. There are several research methods that can be used, but consumer surveys and focus groups are recommended and effective. Concept testing is important to perform thoroughly to ensure that the product will be successful. Producing a business analysis of the new product is also vital. In the analysis company can estimate the product price, identify product's market potential, forecast sales volume, identify break-even point, regulate minimum sale price and analyze long term occurrences. (Trott 2012, 433; Earle & Earle 2001; Queensland Government 2015.)

After business analysis the actual product development takes place, and is followed by test marketing. The new product can be tested in a focus group that contains people from the target market to make necessary improvements and changes before commercialization. During commercialization phase the product is modified to make it ready to be launched onto the market. Marketing plan, production plan and finance plan should be produced, which create together overall operational plan. After these plans product should be ready for launching. After launch monitoring and evaluation is the last phase of the process. It is important to monitor and evaluate how the new product is performing in the market and if the goals set previously are met. This last phase continues for the whole life cycle of the product. (Trott 2012, 433; Earle & Earle 2001; Queensland Government 2015.)

Regardless of the industry, company and product this previously introduced new product development process can be utilized when launching new products. In the tourism industry innovation and developing new products are vital because of continuous rapid change of the industry. Consumers of tourism products are always looking for new experiences and destinations to visit, which puts pressure for tourism companies to offer new innovative products. New product development needs to be prioritized high in their business strategy to ensure profitability and growth.

New product development process was also utilized by the author when developing the new tour. Idea generation and screening was performed during theme interview with the commissioner and analyzing commissioner's existing products worked as minimal concept testing. Because of the resources business analysis was not performed, but the commissioner is free to

implement it, if necessary to them. Also test marketing is impossible because of the resources, but after the first tour is organized the commissioner can make improvements to the product according to the consumers' experiences and wishes. Monitoring and evaluation can be performed before and after the first tour is organized.

### 3.3 Package Tour as Tourism Product

Because of the topic of this paper the author decided to study package tours as tourism products. This research is essential because the actual result of this paper will be functional package tour to Croatia and Bosnia and Herzegovina for the commissioner.

Package tours are designed, organized, marketed and managed by tour operators. They are responsible for every aspect of the tour. Some tour operators are focused on certain destinations, and they can offer their services and products to both domestic and international markets. Inbound tour operators handle tourists coming into the country from abroad, and can offer services like airport transfers, sightseeing services or accommodation. Outbound tour operators organize tours to foreign countries. Domestic tour operators arrange tours inside their own operating country. Tour operators purchase elements of tourism experience from suppliers at great discounts by buying them at bulk, which ensures that they can offer competitive prices for their products. Contracts between tour operators and suppliers are usually done up to one year prior to the tour. Travel agencies don't arrange their own tours they only sell tour operators products to consumers. (Roday & al. 2009, 180-182; Page 2007, 235-236.)

Package tour is a complete tourism product that includes various components and services like accommodation, transport and activities. Package tour can be arranged for individual travelers or groups. It has a set price that is paid full before the tour, and it can include travel to single or multiple destinations. There are several types of package tours that tour operators can organize. Independent tours are tailor-made according to customer's needs and wants, and they are not part of tour operator's own tour brochure. Inclusive tours include everything in one package, and are sold to the tourists at an inclusive price. Because tour operators get group rates from the suppliers inclusive tours are cheaper than independent tours. Escorted tours refer to tours that include group leaders or tour escorts during the entire tour. Last types of package tours are business tours, which are specifically designed to cater the needs of business travelers. Conference tours include arranging of conferences which require special skills from the tour operator. Incentive tours are tours that companies offer for their employees as a present or motivational factor. (Roday & al. 2009, 182-186)

Itinerary planning is one of the most important steps of designing package tours. Researching competition and studying itineraries of similar tours is essential before beginning the process.

After that the tour should be named and decide on the duration and how often the tour is arranged. The main destinations and highlights should be identified and listed clearly to recognize the focal attractions. It is also important to plan what are the main points to comment about the attractions. These focus points can differ depending on the theme of the tour. Next step is to decide if the admission fees to certain attractions are included in the tour price or if they are additional to the price. Deciding on which meals will be included in the tour price is also part of itinerary planning as well as organizing those meals with restaurants or other food providers. If the tour is an overnight tour accommodation should be arranged well in advance. The last step is to design a schedule with specific times and stops in it. (Government of Western Australia Tourism Boost 2015.)

Because package tour has a set price, budgeting and calculating the costs accurately is essential. The cost of package tour usually consists of the accommodation, meals that are included, airline costs, transport during the tour, taxes and any additional services like local guides, entrance fees to attractions and entertainment. These costs are shared between the participants of the tour to determine the per person cost. The price needs to be competitive in the market but also profitable for the tour operator. The amount that is added to the tour costs to bring profit is called mark up and it is usually decided by the managers of the tour operator. Good relations and negotiation skills are crucial when designing a package tour, because getting discounts and special rates from hotels and airlines affect the profits gained. (Roday & al. 2009. 306-307.)

### 3.4 Tourism Marketing

Marketing goes hand in hand with new product development. Without good marketing even good products can be unsuccessful. In the tourism industry marketing has recognized to be the most important management activity. The industry is growing rapidly and the competition is hard in every tourism service sector. Marketing is not just about selling and promoting products, it is “sequential process in which management plans, researches, implements monitors and evaluates activities which have been designed for satisfying the needs and wants of tourists and fulfilling their own organizational objectives.” Main goal of marketing is customer satisfaction that leads to profit. (Roday & al. 2009, 344-346.)

There are five different concepts that marketing activities are based on, first being production concept. Production concept believes that focus should be on production and distribution channel to offer easily available and affordable products. Product concept relies on existing products and to their development, instead of developing entirely new products. Selling concept believes that high importance needs to be focused on large scale selling and promotion. Its emphasis is on getting maximum sales through advertising and discounts and not creating

satisfying product to customers. Marketing concept is more customer orientated concept, which focuses on determining needs and wants of the target market and delivering the service effectively and efficiently compared to competitors. Companies that use marketing concept make their profit by creating and maintaining customer satisfaction. Societal marketing concept is the latest of the five and it keeps the consumer and the society's needs wants and interests in mind. For example promoting no smoking floors or eco-friendly practices are part of societal marketing concept. (Pujari 2015; Roday & al. 2009, 347-348.)

Because of the big size of tourism industry market segmentation is necessary. Market segmentation is a process where consumers are divided into different groups based on various characteristics. Market segmentation helps companies to focus their marketing plan to the right segment of people which create their target market. For example there is no point for five-star hotels to promote their services to the whole market, when they can focus their marketing on customers that can actually afford their prices. There are many ways to segment the market but usually in tourism segmentation is based on geography or origin of the tourists, demographic characteristics, purpose of travel, psychographic characteristics, behavioral characteristics and income. Size of the target market should large enough and have long term potential. Product's position is another term related to market segmentation. Product's position means how consumer positions the product in his mind compared with competing products. Marketer's goal is to position the product to create maximum advantages in the selected target markets and design marketing mixes to create the wanted position. Below is illustrated the basis for strategic marketing:

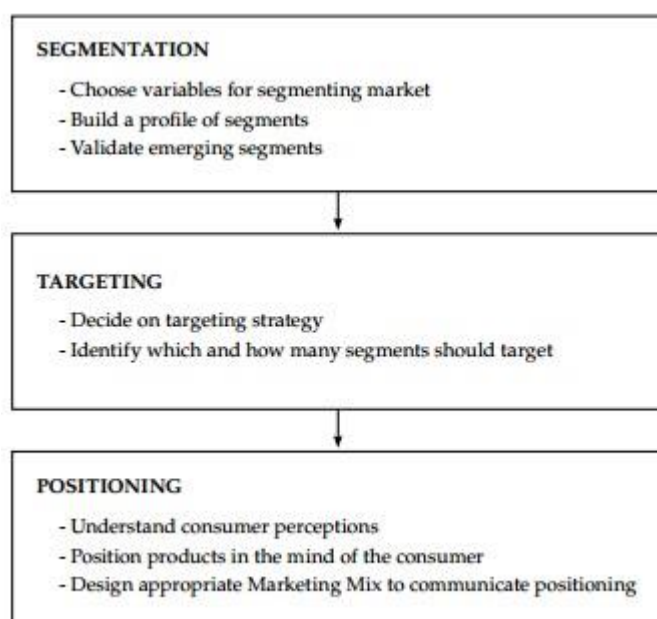


Figure 4: Segmentation, targeting & positioning. (Pesonen 2013)

Strategic marketing allows management to develop their offering and marketing opportunities to reach more potential customers to use their products and services. (Roday & al. 2009, 348-351; Pesonen 2013.)

The marketing mix consists of “4P’s”; product, price, place and promotion. These factors have to be mixed for company to achieve their marketing objectives. Product refers to anything tangible or intangible that can be offered for use or consumption for consumers. Price needs to be determined carefully to make it low enough for consumers to buy the product, but high enough for it to generate profit. Price in tourism can be the cost of a whole tour, air fare, accommodation, price of attractions etc. Place refers to the distribution channel that companies sell their products to convert potential clients into actual clients. In tourism this can be for example via internet or through intermediaries like travel agents. Place should be determined so that the product is easily reachable to company’s target markets. Promotion is important for tourism businesses because of the high level of competition inside the industry. Firstly companies need to get the attention of the customer, and create their interest, which can be done with intriguing advertising. After that potential customer’s desire needs to be aroused by, for example, offering discount or other benefits if the product is bought. Promotion also needs to include contacts how the customer can get more information and buy the product. (Purely Branded 2015; Roday & al. 2009, 354-360.)

In tourism industry and other service industries there are need for extra “3 P’s” which are: people, processes and physical evidence. People refer to the staff and service providers that the tourists encounter during their trip, and they are all connected to the overall success of the tourism product. Process is all procedures that are done to offer services to tourists, and also procedures that tourists need to do to take part in different activities. Physical evidence is the place where the service or product is offered to the consumer. Physical evidence gives tangibility to the usually more intangible tourism products. (Roday & al. 2009, 360-361.)

To successfully create marketing plan tourism managers need to do marketing research. Marketing research is closely related to developing effective marketing mix. Managers need to understand which markets to target, what products to sell, prices they can charge and which distribution channels and promotion techniques they should use. Both quantitative and qualitative research methods are suitable. Quantitative methods like analyzing numerical & statistical data as well as designing surveys to large samples are effective for managers to gather information. Qualitative methods like interviews and open ended questions in surveys provide more in depth information and are more personal. When marketing research is done thoroughly it minimizes risks and monitoring performance of the marketing plan after its implementation is possible. (Entrepreneur Media Inc. 2015.)

When developing and marketing tourism products forecasting future demand and possible changes in customer behavior is crucial. Managers can do assumptions based on competitor's strategies, past sales, customer's behavioral patterns and seasonal variations. Forecasting minimizes risk of customer dissatisfaction and maximizes profits. Some future trends that marketing managers need to consider are already visible. For example population that travels is aging and new products and services need to fulfill their needs. Research into cross-cultural differences of consumer behavior is needed, and in the future focus on immigrants and ethnic minorities would be beneficial to managers. Also advances in technology should be taken into consideration, for example space travel and virtual travel are examples of niche tourism markets that exist because of technological developments. (Roday & al. 2009, 367-368; Ratten & Tsotsou 2010.)

#### 4 Research Methods and Conduction

There are several research methods that can be used to collect and analyze data, which are usually divided into qualitative and quantitative methods. The methods used in certain researches are decided based on the research topic, subject area and guidelines given. It is also possible to use mix of qualitative and quantitative methods, instead of choosing only methods from one of these categories.

##### 4.1 Qualitative Methods and Analysis of the Data

Qualitative research methods are used to study people's experiences and behavior by using techniques like interviews, observation, focus-group discussions and content analysis. Qualitative researcher tries to answer his research question by identifying issues and understanding the study participants' experiences and behavior. Qualitative research methods usually answer to questions that start with why or how, and the data collected is textual. The study population is small and selected specifically according to the study's purpose. (Hennink, Hutter & Bailey. 2011. 16-17.)

In this study the author used various qualitative methods before and during the research process. Structured observation was used during pre-research, while the author was living and traveling in Croatia and the Balkans. While living in Croatia she learned about the Balkan culture, relationships between the Balkan people and about attitudes towards tourists in the area. The author acquired knowledge about practical issues that tourists might encounter while visiting these countries. These issues include, for example bad infrastructure, long waiting periods between the country borders and still occurring tension between populations. Documentation of the pre-research was made by taking photographs of the destinations and at-



tractions. All of the observations made during pre-research have been taken into account while developing the tour.

The author conducted a theme interview with three representatives of the tour operator that acts as the commissioner of this research. The theme interview was held to collect useful data in order to develop tour according to the commissioner's own criteria and preferences. The theme interview was highly beneficial for the author, as it gave clear guidelines of what they expected from the new tour. In addition to the interview the author has been in continuous contact with the commissioner, to ensure that the development process is going according to their criteria and liking. Below are presented the main topics of the theme interview:

- Destination options
- Time and duration of the tour
- Activities during the tour
- Accommodation and guides

After the theme interview the author was able to analyze the commissioner's current tour brochures and itineraries. These materials helped her to broaden her knowledge of the commissioner as a tour operator and get an idea of what kind of tours are to their liking. Analyzing the previous itineraries helped the author to plan functional and effective schedule for the new tour.

#### 4.2 Quantitative Methods and Analysis of the Data

Quantitative research methods are used when the purpose of the study is to measure, count or quantify something. If the researcher wants to know what people think of certain topics in statistical and numerical point of view quantitative methods are suitable for his study. Methods include simple surveys and questionnaires to large numbers of repliers, which results to data that is easily transformed to reliable conclusions. Analyzing previous numerical statistics and data is also one research method that can give useful information to quantitative researchers. (The British Library Board 2015.)

In this research quantitative methods were used in the phase of researching Croatia's and Bosnia and Herzegovina's tourism attributes. The author analyzed available tourism statistics to find out beneficial data for her research. This data includes visitor numbers, accommodation popularity, tourism's economic impact in the areas and future predictions. By analyzing these statistics she was able to get better idea of the destination countries.

According to the commissioner's own wishes next chapter of this thesis will be not published openly. This chapter contains the daily programme of the tour and introduction of the destinations and activities, which is why the commissioner wants to keep the results secret. Next chapter that will be publically available is the conclusion and reflection. Also three attachments that are part of this thesis are not publically available because of their contents.

## 5 Results: Developing New Product for the Commissioner

## 6 Conclusion and Reflection

Developing new tourism products is complex and long process that is necessary for tour operators nowadays. Tourists are looking for new experiences and destinations constantly, and the supply needs to meet the demand. Also the competition between tour operators is high, and in order to attract customers the products offered need to be innovating and up to date. It can be said that the most important development strategy for tour operators is to continue developing new products, while the tourism industry in whole is constantly changing and growing.

The whole theoretical research in this thesis was important, in order for the author to be able to develop new tourism product for the commissioner. Research into the destination countries, relevant niche markets and war histories gave the author essential knowledge about the elements of the tour and the area. Also research about new product development process, marketing and package tours in general created a framework that aided the author to see the tour's development process as a whole. Without this theoretical research it would have been impossible for the author to develop useful tour programme for the commissioner.

Because of limited resources the results of this thesis cannot be tested in advance. If the commissioner decides to include the developed Croatia & Bosnia-Herzegovina tour to their product category in 2016, the first tour participants will act as test group. After the first arranged tour the commissioner can ask for improvement suggestions from the participants, and modify the product according to the customers' recommendations. The tour leader should also observe and make notes during the tour, to notice any possible issues in the product.

Planning the programme for the tour was the most important part of this thesis. The author used her previous travel experiences in Croatia to plan the program, as well as mainly online sources to research the destinations. Scheduling the activities into fluent and effective daily programme was challenging, but the result turned out to be usable and effective. Thanks to informative theme interview and support from the commissioner the author was able to create functional tour programme, which the commissioner may utilize if wanted. In the view-

point of the author the programme is designed according to the criteria and guidelines given to her, and is suitable for the commissioner. The author is satisfied with the result of this thesis, and hopes that the commissioner will use it to develop new tour to Croatia and Bosnia and Herzegovina in the future.

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