

MARKET FOCUS CROATIA



Country Background

Croatia, officially the Republic of Croatia, is a country at the crossroads of the Mediterranean, Central Europe, and the Balkans. The capital is Zagreb and the country borders Slovenia, Hungary, Serbia, Montenegro and Bosnia and Herzegovina (BiH). Its 3,566 mile (5,740 kilometer) Adriatic coastline is scattered with 1,185 islands, islets and reefs, of which only 47 are inhabited.

In 1991 Croatia declared independence from the Socialist Federal Republic of Yugoslavia (SFRY). A bitter and costly war broke out between the Croatian government and the Serb-led Yugoslav People's Army, Serbian paramilitary forces and rebel Serbs. Later Croatia became involved in the war in BiH. The war came to an end with signing of the Dayton Agreement in 1995. Croatia is a candidate for membership of the EU and NATO.

Almost 90 percent of Croatia's 4.5 million population is Croat. There are around 20 minorities, Serbs being the largest one (4.5 percent). The predominant religion is Catholicism (87.8 percent), with some Orthodox and Sunni Muslim minorities.

Croatia was one of the wealthiest of the Yugoslav republics, but its economy suffered badly during the conflict. However, since 1995 Croatia's economy has been growing steadily, led by tourism and credit-driven consumer spending. In 2007 the country's GDP was U.S. \$68 billion (based on purchasing power parity).

Marketing Environment in Croatia

The industrial sector is dominated by shipbuilding, followed by food processing and the chemical industry. Industry and agriculture make up 27 percent and 6 percent of Croatia's total economic output respectively. Tourism is a notable source of income during the summer. With over 10 million foreign tourists in 2006 generating a revenue of U.S. \$10 billion, Croatia is ranked as the 18th most popular tourist destination in the world.

Nearly two thirds of the economy has been privatized and the small and medium-sized enterprise sector has significantly expanded—of the 43 banks in Croatia, more than 90 percent are foreign owned.

The level of foreign direct investment is lower than other countries in the region; U.S. \$3.56 billion was invested in Croatia during 2006. The majority has been invested in the banking and insurance sectors, the chemical industry and food manufacturing.

Croatia is investing in its national infrastructure in the form of a new, modern highway connecting Zagreb with cities on the Adriatic coast. It is hoped this will transform the country into a key transit and economic hub for the region.

Barriers to development include the heavily backlogged judiciary system, corruption, an inefficient public administration and the slow implementation of reforms to land.



It is predicted that, after modest growth of around 4.5 percent so far, the Croatian economy is entering a period of faster and stronger economic prosperity.

Top Lifestyle Statements of Croatia

Statement	% people who definitely agree
I don't like to be in debt	61
I enjoy spending time with my family	43
I'm worried about crime and violence	41
I think that it is important to have a long relationship with your partner	39
I can't bear untidiness	37
I like to have a circle of close friends to support me in hard times	36
It is important to continue learning new things throughout your life	35
If at first you do not succeed you must keep trying	32
Everybody has a duty to recycle waste	32
I believe nothing in life is for free	30

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Unique Challenges for Marketers in Croatia

Due to the dispersal of ethnic groups among countries in the region, there are specific differences between the culture, religion, use of alphabets, dialect and purchasing power of people in Croatia, Bosnia and Herzegovina, Serbia and Montenegro. Companies need to be sensitive to these differences and design marketing strategies that specifically target Croatians. Using marketing campaigns that attempt to target the whole Balkan region may yield less than optimal results.

Media Environment in Croatia

	TV	Computer Ownership	Internet Access	Broad-band	Mobile Phone*
Penetration (millions)	3.2	2.0	1.5	0.1	3.8

*2006 data

Electronic media, national television in particular, is the most popular source of information. Hrvatska Radio Televizija (HRT) dominated up until 2001 when the first commercial TV stations began broadcasting. HRT broadcasts two shows over the Internet, HTV1 and the Satellite HRT.

There are many radio stations throughout Croatia; most of its larger towns have at least one radio station.

During President Tudjman's era, journalists were subject to phone bugging, threats and court prosecution if they did not adhere to media restrictions. Although four of the six daily newspapers are owned by the government or ruling party members, Croatia's constitution bans censorship and guarantees freedom of the press.

Top Media Outlets in Croatia

Television	Newspaper	Magazines	Web sites
HTV 1	24 Sata	Gloria	net.hr
HTV 2	Jutarnji List	Auto Klub	tportal.hr
RTL	VeDernji List	Story	sportnet.hr
Nova TV	Metro Express	Globus	poslovnih.hr
	Vjesnik	Extra	dnevnik.hr



Croatia's Top Advertisers

1. T-Mobile
2. VIPnet GSM
3. Procter & Gamble
4. Europapress holding
5. Reckitt Benckiser

Retailing in Croatia

The Croatian retail market is valued at U.S. \$8 billion and there is intense rivalry between domestic and foreign companies. It is dominated by an increasing number of foreign retail chains such as CBA, Coop Italia, Lidl & Schwarz, Mercator, Metro Group, Spar International and Billa so domestic retailers such as Konzum, Getro, Diona are faced with a reduced market share.

In contrast to other EU countries, Croatians spend the majority of their incomes on necessities. There is a strong correlation between an increase in disposable income and increased spend in retail. However, as incomes increase further, a bigger part of household income will be spent outside the retail sector in the future.

The introduction of foreign retailers to the domestic retail market has a positive influence on the retail structure development and consumer awareness in Croatia. However, without a competitive retail policy, the domestic retailers lack the ability to break into foreign markets, which will be crucial for Croatia in order to join

the EU. Therefore, the domestic and foreign retail structure in Croatia needs to be continually analyzed, including the level of retail prices, trading margins, forms of retail institutions and side services offered.

Tips for Advertisers

Advertisers in Croatia still prefer TV advertising but there is strong potential for growth in Internet advertising in the future. In recent years, direct mail and event sponsorship have emerged as very popular and successful marketing strategies.

The Croatian media is free from censorship and restriction. Any kind of advertising idea is acceptable, regardless of the potential offense it may cause; marketing analysts often refer to Croatia as advertising El Dorado.

Key Millward Brown Metrics

	Awareness Index	Persuasion	Enjoyment	Involvement
Croatia	5	2.44	3.44	4.77

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CROATIA

Fun Facts and Trivia

- Much of the marble used in the White House, Washington D.C., came from the island of Brac
- Croatian Skier Janica Kostelic set a world record when she won four medals for alpine skiing at the 2002 Winter Olympics
- Signed in 1214, the Statute of the island of Korcula was the first document in Europe to prohibit the slave trade
- Nikola Tesla invented the first system for generating and transmitting alternating current
- The Dalmatian dog takes its name from the Croatian province of Dalmatia, where it is supposed to have originated
- Marco Polo is said to have been born on the island of Korcula

Top Tips

- Croatia is rich in cultural and historic monuments from different periods. Over time it has been inhabited and influenced by many different people including the Byzantines, Romans, Greeks, Venetians and Ottomans. Croatia has many prehistoric sites, old towns, fortifications and castles from the Late Middle Ages, as well as cultural monuments and buildings from the Baroque period.
- During the months of July and August, Dubrovnik hosts its highly acclaimed summer festival. With music, theatre and dance, the festival attracts an all star line up of international performers.

Eating Out

- Croatian cuisine is very diverse. The ingredients and dishes vary between the coastal and inland regions. The continental cuisine, with its typical Proto Slavic roots, is influenced by Hungary, Vienna, and Turkey. The cuisine on the coast was first influenced by the Greeks, Romans, and Illyrians, and later by the Mediterranean cuisines of Italy and France

To Buy

- Maraschino is a famous Croatian liqueur made of cherries, which grow in the surroundings of Zadar. The karst landscape, red soil, sun and bura winds all contribute to the exceptional aroma of this liqueur, which was shipped from Zadar all over the world in the 17th and 18th centuries.
- Slavoljub Penkala, invented the first pen (penkala) in the world in 1906 and the following year invented the first fountain pen. A penkala is an authentic Croatian souvenir, which reflects the importance of Zagreb as an industrial, commercial and cultural center at the beginning of the 20th century.
- One of the souvenirs unique to Croatia is a traditional piece of jewelry from Rijeka known as "morcic". The jewelry features a Moorish figure wearing a white turban. The figure was believed to have protective powers and, according to legend, women wore it as a symbol of victory over the Turks in the 16th century. The figure became the symbol of Rijeka in 1991.
- Handmade silk cravats are among the best-known Croatian souvenirs. The cravat was originally a kerchief worn by Croatian soldiers in the 17th century. In the 18th century it became part of the traditional male national costume in the form of a broad, white scarf.
- The island of Pag is a lace making center. Take a walk through its narrow streets and view the beautiful lacework, trimmed with typical motifs inspired by the karst landscape. You can also watch the diligent and skilful lace makers at work.

Useful Links

- www.gotocroatia.com/
- www.about-croatia.com/