ORIGINAL SCIENTIFIC PAPER
UDK: 338.48(497.11) ; 339.13(497.11)
Date of Receipt: February 14, 2013

Stipe Lovreta
University of Belgrade, Faculty of Economics, Department of Business Economics and Management

Goran Petković
University of Belgrade, Faculty of Economics, Department of Business Economics and Management

Renata Pindžo
Faculty of Economics, Finance and Administration (FEFA)

PRIORITIES IN COMMERCE AND TOURISM DEVELOPMENT POLICY

Prioriteti u politici razvoja trgovine i turizma

Abstract

The status and key operational challenges in Serbian commerce and tourism sector have been diagnosed in this paper. In last decade, these sectors have been the most resilient part of the whole economy, achieving above average performances. Their participation in the structure of GDP and total employment are constantly increasing. Both sectors, in principal, reflect the overall transition of Serbian economy and confirm the global tendency of strengthening the tertiary sector of the economy through its development. It is pointed out that a large part of the scientific and political circles have little or no understanding of the role of the commerce and tourism sectors and their importance to the overall economic and social development. In particular, the paper focuses on the argument that the positive development of two sectors has not threatened reindustrialization in Serbia. On the contrary, achieved development in these sectors had multiple positive effects on the industrial and agricultural development, as the important sectors of the economy. The analysis points out that the future positive effects of commerce and tourism will even more come out, especially after the elimination of apparent structural problems in the functioning of these sectors. The causes of neglecting the industrial and agricultural sectors should be sought in the wanderings among the many mistakes that were made in the privatization process as well as in the industrial and agricultural policies. At the end of this paper, the key proposals for the further dynamic development of commerce and tourism are given, with the conviction that they will have a positive influence on the overall economic and social development.

Key words: *economic sectors, service sector, commerce, retailing, tourism, hotel industry, market, competition, trade policy*

Sažetak

U radu se dijagnosticira stanje i ključni problemi u funkcionisanju trgovinskog i turističkog sektora privrede Republike Srbije. Naglašava se da su u poslednjoj deceniji posmatrani sektori bili najvitalniji deo ukupne privrede i da su ostvarene iznadprosečne performanse. Njihova učešća u strukturi bruto domaćeg proizvoda i u ukupnoj zaposlenosti stalno su u porastu. Posmatrani sektori u velikoj meri odslikavaju i ukupne procese tranzicije privrede Srbije i u velikoj meri potvrđuju zakonitosti u njihovom razvoju u sklopu jačanja tercijarnog sektora privrede. Ističe se i veliko nerazumevanje u određenom delu naučne, a posebno političke, javnosti po pitanju uloge i značaja trgovinskog i turističkog sektora u ukupnom privrednom i socijalnom razvoju. Posebno se apostrofira teza da pozitivan razvoj navedena dva sektora nije ugrožavao reindustrijalizaciju u Republici Srbiji. Naprotiv, ostvareni razvoj navedena dva sektora imao je višestruke pozitivne efekte na razvoj industrijskog i poljoprivrednog sektora privrede. Ističe se da će u narednom periodu dati efekti u još većoj meri dolaziti do izražaja, a naročito nakon otklanjanja izloženih strukturnih problema u njihovom funkcionisanju. Uzroke zapostavljenosti industrijskog i poljoprivrednog sektora privrede treba tražiti u lutanjima i brojnim greškama koje su učinjene u procesu privatizacije i vođenju industrijske i poljoprivredne politike. Na kraju se daju ključni predlozi za dalji intenzivniji razvoj trgovinskog i turističkog sektora, što treba da ima multiplikativne efekte na ukupan privredni i socijalni razvoj.

Ključne reči: *ekonomski sektori, uslužni sektor, trgovina, maloprodaja, turizam, hotelijerstvo, tržište, konkurencija, trgovinska politika*

DIAGNOSIS AND PROPOSALS FOR THE FURTHER DEVELOPMENT OF SERBIAN COMMERCE SECTOR

Among the most challenging problems in Serbian economy transition, the development of modern market economy stands out. We are witnesses that even the authorities of the European Union are preoccupied with the constant search of how to improve further market functioning and how to provide a clear vision of achieving a higher level of competitiveness and hence, higher economic growth and new jobs. Therefore, it is very important to make an accurate diagnosis of the current situation in Serbian economy and point out the basic guidelines for future development of the commercial sector in a process of building a modern market economy.

Approaching to the analysis, it is important to emphasize that commerce in total, and retailing in particular, have a key role in the development of market economy. Problems of commerce are at the same time problems of market functioning, and vice versa. Unfortunately, this thesis is not fully recognized in the current stage of transition. Having in mind the given concept, in this part of the paper we outline the following key statements:

- Commerce, and hence retailing, is treated by the politicians and public audience unfavourably, and wrongly in general;
- Commercial sector fully reflects numerous problems of Serbian economy and market; and
- Clear vision and guidelines, outlined in the "Strategy of the commerce development of the Republic of Serbia", adopted by the Government of the Republic Serbia, have not been followed [11].

Given the presented evaluation, we can assert that plenty of room for debate and a radical change in approach to the commerce sector in Serbian economy are opening.

The need for quite different approach to the commerce sector in Serbian economy

Misunderstanding of the new role of commerce (especially retailing) in the overall economic and social development

We have witnessed extremely negative attitude towards commerce and the commercial sector of the economy for a long time. Commerce, especially retailing, is treated as the main culprit for all the troubles in the economy and society. Any increase in prices of food or other products has been automatically attributed to retail. There is no objective analysis of this sector as it has been approached mainly from the pseudo-scientific and socio-demagogic points of view. The function of commerce and retailing in modern market economies is treated in a wrong way. Thus, it is essential to reveal the new role of commerce in modern economy from the scientific standpoint, and of course, to develop objective criticism of this sector.

Authors of this paper had opportunity to point out the new role of commerce in several other situations.[1] It has permanently been highlighted that a kind of commerce revolution is taking a place, changing completely the functions and position of commerce in the entire economic and market system. Unfortunately, this new approach has been received with reluctance in Serbian scientific and political circles. Furthermore, we have witnessed entirely non-scientific and non-professional approach to commerce, while new networked economy has been developing worldwide. This is particularly the case with the retail sector, which is changing significantly, taking over some vital marketing functions.

Retail actors on contemporary market are facing the big challenges that have emerged just recently. Internet appeared, generating different modalities of electronic commerce aligned with the globalization of retail activities, emerging new technologies and, particularly, ICT, transforming completely all phases of the market process. The fact that, for example, retail trade is the second employer in the USA, convincingly confirms its importance [4, p. 3]. Official acts of EU Commission stress that "the retail sector is driver for growth, competitiveness and jobs in Europe and plays a key role in reaching the goals of the EU 2020 strategy" [3, p. 17]. Further, it is stated: "the retail sector is a pillar of the European economy" [3, p. 12]. It is of a particular importance that "retail services act as a link between a multitude of upstream

1 Readers are advised to see new publications: [10], [12], [13] and [14].

and downstream markets, making it a key player in the European economy" [5, p. 3].

Therefore, it is certain that contemporary market asks for an entirely new role of commerce in economic and social development. In addition to traditional intermediary functions, commerce and retail in particular, are taking over a vast number of service and even manufacturing functions. The most important of these functions include financing, risk taking, sorting and product development, manufacturing standards improvement, marking products, marketing data collection and analysis.

Numerous factors of market development and functioning have contributed to strengthening role of retail in marketing channels. Taking into account its importance, however, the following factors stand out: "average retailer growth and consequently, increase of theirs buying power, intensive development and implementation of sophisticated advanced technologies, and, development and implementation of new marketing strategies" [18, p. 62]. It is to be emphasized that the commerce (especially retailing) is a driving force of market economy, so that blocking this sector inevitably leads to the collapse of the economy. Modern approach to retailing points out its role in enhancing customer value proposition. In that respect, modern retailing is defined as "set of business activities that add value to the products and services sold to the customers for their personal or use in their households" [9, p. 3].

New role of retailing in the integration of economy and inflation combating

It is well known that retailing directly integrates all marketing channels stakeholders from the manufacturing to final consumption. Retailers directly interact with final consumers. Retailers, depending on which functions they are performing, directly influence the quality of citizens' life. Retailers are taking an increasing responsibility for the final consumer's behaviour, becoming driving force of the economic development. In order to provide right "offer package", retailers maintain (inter)active relationships with a great number of stakeholders in global supply chains. Particularly, they maintain good relationships with the manufacturers, wholesalers and distributors, employees, real estate agencies, transport and logistic companies, banks and insurance companies, promotion and marketing agencies, security agencies, energy providers, etc.

Retailers and other marketing channel stakeholders create value for consumers through the exchange process that enables acquisition, spending and disposition of products and services. When it comes to consumer goods, the fact is that retailers act as a key player in marketing channels. The exchange paradigm is increasingly being replaced with the network paradigm. The theories of exchange that served marketing well for 40 years are giving a way to relational concepts [1].

Retail sector development has an automatic direct and indirect influence on other economic sectors and stakeholders. Modernization and growth of retail sector directly spill over to other sectors of an economy. Multifunctional and interactive nature of retail sector requires a complex approach to the development of policy and legal framework of retailing. This sector should not be considered only horizontally, but rather focusing on entire marketing channel and its participants.

Retail sector modernization and development encourage horizontal and vertical competition and directly contribute to combating inflation. Retailers in developed marketing environment are forced, but also motivated to provide better offer of goods and services to consumers at the lowest possible prices. In this way, retailers enable consumers to benefit from a kind of consumers' budget re-allocation and access to a wider choice of goods and services, which directly stimulates innovations and economic growth.

In the era of economic crisis and stagnation, retailers are implementing exposed policy and way of doing things in their operations. Hence, it is important to understand their need to permanently search for new opportunities to achieve economies of scale and economies of scope. The new business models, based on concentration and vertical integration and aimed at enhancing a negotiating power of retailers and introducing new retail formats and other innovations, are constantly emerging in the market environment. Research literature reveals that modernization of retailing sector contributes to the consolidation of manufacturing sector and of others stakeholders in the marketing chains, especially those in logistics and real estate sector. Productivity and efficiency improvement in vertically integrated chains achieved by retailers, developing new discount formats and own label, directly contribute to the inflation decrease and overcoming the economic crisis.

According to new modern model of retailing, it permeates the whole relationship between marketing channel members. Entirely new retail strategies are developed based on presented tendencies matching the increased channels complexity and phenomena such as inter-organization relationships, brand management, relationship marketing, CRM, etc. In this new model, an explosion of interest in relationship marketing is arising, becoming "core business activity directed towards setting up, improving, and maintaining successful relational exchanges with consumers, suppliers and even other businesses" [2, p. 585].

New retail business model, based on horizontal and vertical integrations and concentration, has doubtless positive effects on the entire economic and social growth. It, however, raises many questions in EU countries, but also in transitional countries, like Serbia, which are faced with the basic challenges of market economy development. New model of retailing business addresses new challenges from the local and regional development issues, to the position of consumers, small independent retailers, small and medium-sized farmers and agro-processors, employees and other stakeholders.

Diagnosis of the commerce sector in the Republic of Serbia

Vitality of the Serbian commerce sector

Serbian commerce sector is the most vital and resilient part of the economy. However, it is still in transition, like the other parts of Serbian economy. In last ten years, growth rates of the commerce sector were the highest, in comparison with other sectors. As a result, commerce share in GDP increased from 7% in 2002 to 11% in 2010.[2] The wholesale sector share in the structure of added value is the highest (42.3%), followed by retail sector (35.2%) and automotive sale and repair (22.6%). In this period, commerce increased its share in employment from 14.7% to 19.4%. Namely, each fifth employee in Serbia works in commerce.

Number of commerce enterprises that submitted annual reports for 2010 was 33,774. Namely, 43% of Serbian enterprises belong to the commerce sector. At the same time, 8,958 entrepreneurs in commerce were registered, accounting for 43.3% of the total number of entrepreneurs in Serbia. Participation of the entrepreneurs from the commerce sector in the total number of employees is lower and amounts to 34.4%.

Sale network in commerce consists of the 96,918 outlets, which is 7,000 outlets less than it was in 2008. Total retail space in 2009 was 4.4 million square meters, i.e. around 0.60 m^2 per capita. By comparison, in the EU it is over 1m^2 of selling space per capita. Modern retail formats like supermarkets, hypermarkets and cash and carry centres in Serbia achieve over 35% of the food products turnover, while in the EU countries it is over 80%.

The most intensive privatization tendencies were present in commerce, compared to other sectors of the economy (besides financial institutions). Foreign investors showed a great interest for commerce. The evidence of FDI in commerce has been confirmed by the fact that the biggest amount of foreign direct investment actually happened in the retail sector.

This vitality and attractiveness of the commerce sector are evident in the other East European countries that have finalized their privatization and the transitional processes and have already become EU members. The same tendencies characterise the retail sector in Serbia as well.

Lack of vision in the sector of commerce development

In recent period, there have been certain attitudes in Serbian academic and professional circles asserting that explosive growth of commerce sector tend to jeopardize the process of re-industrialization. This kind of speculation is wrong and as it hasn't been proven in research literature, nor in real evolution of developed markets. On the contrary, evolution of market indicators supports the thesis that modernization of the commerce sector has multiple

2 all data quoted from [15] and [23].

positive influences on the manufacturing and agricultural sectors. The answers to the question why manufacturing and agriculture sectors in Serbia have not been developed are to be found in the processes of privatization and sectors policies.

Intensive transformation and development of the commerce sector has been expected and has been foreseen in the Strategy of commerce development in Republic of Serbia [23]. Many suggestions that stem from the Strategy were embodied in the institutional framework that regulates market, trade and consumer protection. Unfortunately, full implementation failed in some stage, so that changes were made spontaneously and without clear vision and development policy. That led to the deepening of some structural problems in the commerce sector.

Under the influence of exposed quasi-scientific attitudes, supported by some political actors, many misunderstandings and controversies about the commerce sector manifested. These attitudes have absolutely nothing to do with the suggestions from the Strategy that emphasized commerce as an "engine" of manufacturing and agriculture development. Commerce was marked as the major culprit for economic and social problems. In order to avoid any confusion, authors of this paper do have list of critical remarks on the commerce performances and it will be elaborated in further analysis. But before that, it is important to reject traditional approach to economic and social development, which does not take into account market environment and active role that commerce has in it.

Experience shows that each attempt to replace command-based economy by market aligned with the suspension of middlemen freedom to act, could not resolve very complex problem of matching supply to individual personalized demand. Experience shows convincingly that state intervention cannot replace the market and that limitation of middlemen independence does not help to control market costs, i.e. efficiency of the channel between production and consumption. The practices such as adoption of regulation on fixing middlemen margins on food articles, without an adequate analysis, convincingly show the inefficiency of administrative measures in regulating market relationships. Arguments were clearly presented at the moment of regulation adoption, showing that fixing margins is an obsolete instrument in the market environment and that it will cause counter-effect harming market relationships.

Structural problems of Serbian commerce

Without a clear vision of development and vast number of ad hoc decisions, structural problems in the development and operations of the commerce sector are an inevitable output. It is possible to identify the following structural problems:

- Excessive number of commerce actors in all phases of marketing channel;
- Insufficient level of concentration, consolidation and integration of the wholesale and retail sectors of the economy;
- Overemphasized development of the wholesale sector compared to the retail sector. As an illustration, on one retail enterprise there are more than four wholesalers. In average market economy, this proportion is the opposite, usually in the range 1:3 in favour of retailers. However, this analysis does account for numerous retail entrepreneurs, but that fact does not put in question the above-mentioned deviation;
- Inadequate development of distributive and retail network space, bearing in mind macro and micro locations;
- Overemphasized number of small shops;
- Absence, in sufficient proportion, of cash and carry centres in wholesaling and discount outlets in retailing;
- Absence of small middlemen enterprises and entrepreneurs protection of any kind, so that they are left completely to the market; and
- Own-label and electronic commerce underdevelopment.

The aforementioned and similar structural problems cause many negative effects in everyday operations in commerce sector. The result is visible or invisible barriers to enter the market, insufficient competition among the market middlemen and low level of efficiency and profitability. It can be said that commerce (especially retailing) is still not capable of fully performing all the tasks in the process of connecting industry and consumers on the market and it is still far away from playing the major, "driving engine" role in the process of revitalization of Serbian economy.

Importance of cross-sector and multifunctional character of the commerce understanding

Commerce is diversified business sector that affects many points in economic and social structure. In order to develop a clear vision and define commerce development policy, it is necessary to identify differences in following segments of the commerce sector:

- *Urban and rural commerce.* The fact is that market cannot adequately regulate development and operations of commerce in rural and underdeveloped areas. Thus, it is necessary to support retailers that cover these areas. Simultaneously, in urban areas, on daily basis, specific issues emerge that request active state involvement in order to be solved;
- *Food and non-food retailing.* There are notable differences between two sectors, based on the consumer treatment of its core assortment. It is important to know that negative market deviation effects hurt food retailing more than the non-food sector;
- *Huge and small shops.* There is big difference in the potential for achieving economies of scale in big objects, in comparison with the small ones. These differences generate external effects, like different cost level and structure, benefits for the consumers, etc. Appearance of big shops can influence the competition, which might require intervention by regulators. On the other hand, small shops might need some conditions that are not necessary for the big ones;
- *Big and small commerce enterprises.* It is obvious that interests of big and small businesses are different. Large companies often seek the support for the investment activities (tax reduction on investments, in general or for special areas). Small enterprises usually need support for daily business (lower interest rates for the IT equipment, grants for the staff training); and
- *Local and foreign commerce enterprises.* In this area, key questions are concerning profit destination, relationships with the manufacturers (suppliers), local or foreign management, etc.

Cross-sector nature of commerce is also evident, particularly given that similar managerial methods are used in product and services commerce. Modern retailing offers more and more services, such as financial, tour-operating, (para) medical and others. Awareness that the commerce sector stretches across several sectors leads to understanding of the changes. Some subsectors are innovative in different ways, they show changes under different market conditions and so, lead to differentiated expression of a vast number of stakeholders' interest.

Proposal of the platform for key solutions

Starting point for the new key orientation is that state regulators should intervene only if it is in the public interest and when the consumer rights are threatened. The current crisis is obviously threatening the public interest. State intervention in the commerce sector should follow the next principles:

- To encourage new development of commerce that will not cause public expenses, i.e. to provide the mechanism for active management of the development of new commerce on new locations;
- To provide all groups of consumers with equal access to commerce (retail) services. In general, market complies with this requirement, but in some cases it is necessary to undertake intervention in order to protect some minority consumer groups;
- To limit appearance and misuse of dominant position in commerce (especially, retailing). It is well known that monopolistic position generates extra-profit at the expense of other actors;
- To limit inequalities in market power of certain actors in the supply chain, i.e. prevention of the situation in which some of the participants take advantage over the others in marketing channel; and
- To provide relatively harmonized and fair relationships among the market players, and particularly, relationships with consumers.

In order to implement the presented solutions, it is important to take into consideration the following:

- Experiences from the international theory and practice, and especially of EU countries and the countries that have successfully carried out the transformation of commerce as well as the process of transition of the entire economy;
- Clear orientation toward development of the modern market economy and modern commerce in the Republic of Serbia;
- Current level of the Serbian commerce development with its structural and operational problems;
- The need for an intensive modernization and structural transformation of Serbian commerce in accordance with the European Union model;
- The need for integration and harmonization of Serbian commerce and the whole economy with European and global trends;
- Incentivising foreign commerce enterprises to enter Serbian market; and
- Incentivising local chains to develop their formats over the national borders.

Key principle should be as high as possible level of liberalization in the commercial sector and as high as possible level of competition among trade partners. Intervention should be in favour and not against the market, except in the situation when spontaneous development departs from the above-mentioned key principles.

Key solutions proposals

Definition of a clear vision for the competitive development of the commerce sector

In this stage, it is necessary to have radical turnaround in respect to the commerce sector and its role in economic and social development. State administration needs to adopt the attitude that commerce, and retailing in particular, is the key driver of the economic growth and competitiveness on the local and international market. Commerce is an important factor in social problems resolving, and, particularly, it is a respectable employer in the labour market. The role of modern retailing is to provide efficient buying experience and diversified offer to consumers. Not only to consumers, but also to other stakeholders, including manufacturers and farmers, financial institutions, logistics providers, builders as well as the other business and non-business actors that are interested in the retailing development. The fact is that no other sector of the economy is so interconnected with the different stakeholders, as is the case with the retailing.

Key principle of all state institutions as well as the business actors should be to provide more efficient, more equal and fairer operations of retail market in the interest of consumers and all other stakeholders. Manufacturers and retailers clearly play a crucial role in enabling more efficient, transparent and balanced retail market.

State institutions should perform an entirely different and fully proactive role in the confirmation of the retailing mission in cross-sector economic development. Retail sector should have key enabling role in the Serbian market. On the other hand, state institutions should be more responsible for the retail sector. These institutions should be active in the process of institutional development in order to provide efficient, transparent and balanced market operations. General rules on the national market should provide free flow of goods and services on the entire market of the Republic of Serbia.

Mission and vision of the competitive commerce development is of the interest not only to state institutions in charge of commerce, but also to the state institutions in charge of manufacturing sector, agriculture, financial sector, and other business sectors. Also, this should be of interest to the state institutions accountable for ecology, social policy, etc. Relevant stakeholders also include local governments, retail and business associations, as well as the non-profit associations and institutions.

New solutions and incentives

Clear vision and national consensus should be a starting point for defining the key solution proposals for the new role and status of the retail sector in overall economic and social development. Proposals should take into account interests of all relevant stakeholders, and especially consumers and manufacturers. National rules should comprise wide institutional regulations on free flow of the goods and services, such as regulations on the quality and packaging of goods, obligations, financial services, electronic commerce, entrepreneurship and, above all, unethical activities. Using statistical tools and national information systems can help to ensure market transparency and provide consumers, traders, manufacturers, and other stakeholders with the possibility of comparing prices of goods and services. Based on the presented, following measures and solutions are proposed in order to achieve more competitive retail sector of the economy:

- Key measures should be directed towards removal of all barriers to free flow of goods and services on Serbian market. It means that free entrepreneurship, competition, and consumer protection should be supported;
- In transitional countries, the priorities must be given to stimulation of small enterprises development, urban regeneration, environment protection, small corner shops protection etc. A vast number of measures and solutions should be directed towards easy and free retail business development. Set of solutions and measures are to be undertaken in the area of small retail enterprises and entrepreneurs development. The measures are as follows:
    1. Support to easier establishment and development of new commerce businesses;
    2. Promoting changes in management of the existing small commerce companies in order to increase their profitability;
    3. Providing information on good business practice and benchmarking in commerce enabling comparison among companies;
    4. Provision of incentives for investment;
    5. Encouraging education and training programmes in order to increase creativity and capabilities of the employees in commerce;
    6. Provision of an adequate financial support to small enterprises in commerce along with the tax reliefs;
    7. Provision of the support in the area of retirement and health insurance for small retailers;
    8. Providing assistance to entrepreneurs, particularly in well-defined urban areas, in the process of obtaining credits for financing their key projects and locations. Here, giving some discounts on the full price of development space is important;
    9. Incentives for empowering creativity of entrepreneurs in order to develop e-business, and especially, e-commerce; and
    10. Provision of support in the area of integration or business cooperation of the small enterprises, and particularly support in development of the franchising. Research literature shows that firm cooperation and connections contribute on average 3% increase of profit margin for all participants in the integrated supply chains [9, p. 265].
- Spontaneous development very often does not provide optimal spatial distribution of the logistic and selling capacities. On the contrary, it can put some retailers into monopolistic position or jeopardise the equal rights of some consumers to enjoy retail services. As an illustration, it is enough to recall huge differences in the development of retail network in urban vs. rural and less-developed areas. There are obvious differences in retail formats, their size and location. Even in urban areas, older, or socially disabled individuals from central parts of the city not possessing a car, do not have access to big box retailers or shopping centres offering low prices and better services and assortment. In many situations, different interests of different segments can be identified in considering different retail formats. These arguments lead to the understanding that planned approach to the retail network spatial development is necessary. That is why it is suggested to local, regional or city authorities, to incorporate in planning documents modern solutions, well known in urban planning of the commercial capacities. By using this planning process to prevent monopolies and lack of competition in certain territories, it will be possible to enable full level of consumer service and diversification of the retail formats;
- New solutions and measures should stimulate electronic commerce development. This issue is very important for the development of competition and multiple marketing channels. Global statistics

show that in 2011 electronic commerce participated in turnover 13%, taking into account enterprises with 10 and more employees. Also, it is interesting to notice that the share of final consumers using Internet for the shopping increased from 20% to even 37% in European Union [16]. In Serbia, electronic commerce and the multiple marketing channels are at the very beginning stage of development;

- Technology innovations in the process of retail sector modernization should be stimulated in the future. Modern IT and data exchange should be stimulated as a priority, including scanning, computerized stock management based on hand held devices, RFID technologies, smart phones and the other Internet based technologies[18, pp. 90-94];
- In order to successfully cope with the foreign competition, and in order to achieve better efficiency level in retail sector, it is necessary to stimulate horizontal and vertical integration in marketing channels. This process should enhance efficient and effective value creation and consumer needs satisfaction [20]. Retailers and their suppliers are becoming partners more and more, creating superior network for the value adding and delivering to the consumers in global market;
- It is important to stimulate a further internationalization of the retailing sector through different measures. The fact is that modern retailing is a global industry [9, p. 11]. Knowing that, it is good to encourage the entrance of global retailers in Serbian market, but also the development of national chains in other markets;
- It is important to stimulate own label development in order to create more competitive retail market. This strategy provides many rationalizations in distributive chain, enabling that products that are competitive in price and quality come to the market;
- All solutions and measures should be directed to encourage free and fair competition, freedom in making business contracts and business environment suitable for the implementation of these contracts. Commission for Protection of Competition should perform a critical role in this respect, providing the protection to smaller businesses against the unfair conditions imposed by big retailers or manufacturers;
- The last but most important proposal is directed to the Ministry that is in charge of the commerce. It should have proactive rather than passive observing policy in order to create a proper competitive structure of the market. Pre-condition for this role of the Ministry, but also for enabling proper functioning of the above-mentioned Commission for the Protection of Competition is developed information system as the resource necessary for decision making. This IT system should enable proper cost analysis, processes of value creation, turnover, prices, margins, etc. Only with this data, it is possible to run proactive and healthy policy for competition enhancement.

At the very end of this part, it is important to understand that process of modern market creation and fair competition among traders could be very lengthy. It is rather sensitive task to build a modern market, especially bearing in mind retailing and its role on the market. It is clear that retailing deserves new approach in government development policy and policy toward increase of national competitiveness. Annual conferences on retailing and marketing channels would be very helpful and almost necessary, especially when it comes to food retailing and agriculture. All key stakeholders should participate and discuss market problems, have access to publicly prepared and available data, as well as propose and discuss key development decisions.

NEW CYCLE OF TOURIST SECTOR DEVELOPMENT

Global tourism trends

Global trends in tourism development are positive and they are improving after a slight stagnancy due to the economic crisis in 2008 and 2009 [7]. The number of international tourists worldwide grew by 4% in 2012, compared to 2011, reaching 1.035 billion, according to the UNWTO World Tourist Barometer [29].

With an additional 39 million international tourists, up from 996 million in 2011, international tourist arrivals surpassed 1 billion for the first time in the history in 2012. "This growth is a very positive result in view of the global economic situation. We must remain cautious, however, as we have also observed some weaker months during the year, a trend that might return in the remainder of the year," said UNWTO Secretary General, *T. Rifai*. Despite the volatility of international economy, tourism sector managed to remain stable with the prospects for a modest rise in the future. This forecast is confirmed by the UNWTO Confidence Index, compiled poll of opinion among over 300 experts worldwide, which shows 124 points for the 2013, compared with 122 for the 2012.

UNWTO expects growth of 3% to 4% for the year as a whole, while forecasting a slight slowdown in demand for 2013 (+2% to 4%). However, it is necessary to notice that forecasts from UN WTO are always moderate and usually outreached later on. This statistics is, however, incomplete, since the system of UN WTO statistics does not present domestic tourism indicators. This lack of information is recognized and there are some activities in order to fill this gap.

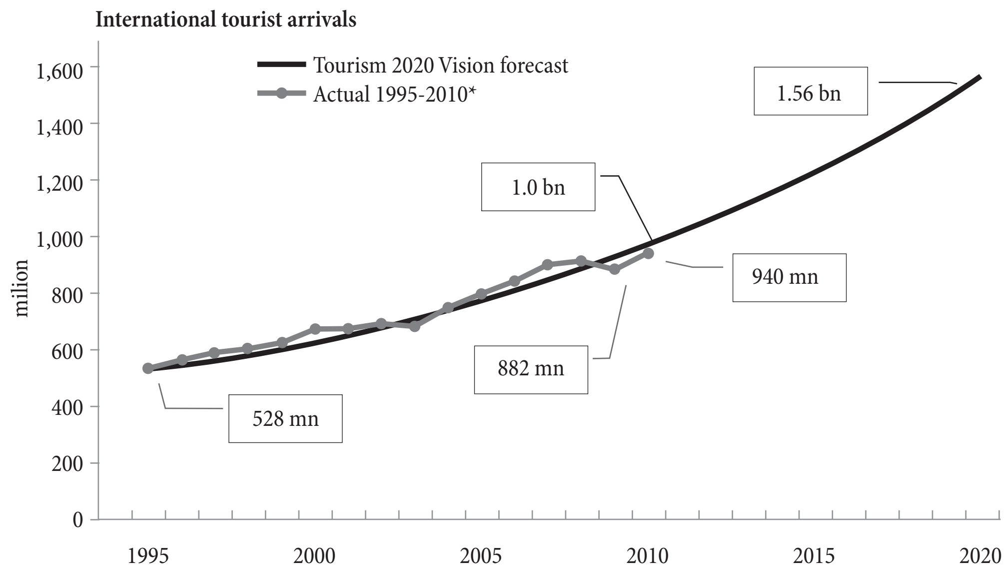
In 2011, receipts from international tourism, including international passenger transport, (exports from tourism) totalled US$ 1.2 trillion or on average, tourism generated 3.4 billion USD daily. With this turnover tourism sector, including traffic and accommodation receipts, generated close to 6% of the world's exports of goods and services, or 30% of the world's export of services. Tourism is globally ranking as the fourth export sector, only after fuel, chemical and food [28]. One of the twelve jobs, worldwide, is connected in some way with the tourism.

Among the major destinations with positive trend there are Hong Kong (China) (+16%), the USA (+10%), the UK (+6%) and Germany (+5%), with some new, emerging destinations, like Japan, South Africa, India, S. Korea and Sweden. Looking at the Europe, Mediterranean countries did not follow the positive trends and North and South East European countries made better results, in general. Top ten destinations, measured by arrivals, in 2011 were France, USA, China (which in 15 years outreached all the following in the list), Spain, Italy, Turkey (with significant increase in last 10 years), UK, Germany, Malaysia and Mexico. This is similar rank list having the receipts as the measure of result, with some differences where USA and Spain made better results and Malaysia weaker [27].

Globally, international tourism results have so far not been seriously affected by economic volatility, with growth continuing above average of 3.8% a year projected for the decade 2010-2020 according to UNWTO's long-term forecast Tourism Towards 2030. Some global trends, according to the quoted knowledge platform source, will influence further evolution of tourism sector:

- Demographic trends – population will increase from 6.9 bn (2009) to 8.3 bn (2030); at the same time,

Figure 1: Actual trend vs. tourism 2020 vision



Source: [7]

population is getting older, particularly in Europe where it is expected that segment of 65+ participate with 25% by 2015;

- Strong increase in travel – international arrivals are expected to reach 1.6 bn by 2020; travel is more and more considered as a given right;
- Global competition – new emerging destinations are competing for their market share, but also new tourist products, new ways of entertainment, relaxation etc. Top five destinations (USA, Canada, Italy, France, Switzerland) in 1950 accounted for 71% of global tourism turnover, in comparison with only 31% of top 5 in 2010 (France, USA, China, Spain, Italy).
- Sustainability – tourism sector recognizes its dependence on the environment; on the other hand, it strives to find the synergy between environmental issues and the development;
- Innovation and technological change – information are globally accessible, travellers are far better informed and the role of traditional actors in marketing channels is changing.

There are several predictions about further development of tourism sector and the actions that will be performed by the best actors, including countries, destinations or even corporate sector.

- Creativity – Spanish Prime Minister *M. Rajoy*, in his keynote opening speech at the Exceltour's Sixth Tourism Leadership Forum [17] stressed what is known in contemporary strategic management literature: strong competitions search for creative strategies. Even more, it is important when the representative of the administration recognizes this;
- Knowledge sharing – UNWTO experts predict this would be the basic requirement for a further success in tourism sector. Changes in consumer demand, travel opportunities, new technologies make this exchange of knowledge, acquired by different stakeholders to be precondition for further success;
- Political cooperation – as a rising proportion of the world population considers the travelling as the given right, it becomes more and more important for political leaders to find the way how to enable development of multilateral and bilateral relationships;
- Sustainability – all three pillars of sustainability appear to be equally important: environment as the pre-condition for the survival of mankind but even more focused, as the basic motive for the travelling; economic sustainability as the leverage for developing economies to find their role in global economy, and social sustainability enabling the members of many weak groups to enjoy travelling;
- Public-private cooperation – like in the many other sectors, cooperation between governments and private sector brings the mutual benefits. Private sector can contribute to the achievement of certain governmental goals such as regional development, new working places, and increased portion of value added services in GDP. Public sector can provide it, in return, with better business environment for more efficient investments, better infrastructure serving tourist sector as well as the public needs, etc.

These characteristics of the global tourism form the framework for the Serbian tourism sector development. However, this development is influenced by both global and local factors.

General business environment in Serbia

Since 2006 Serbia has implemented significant structural reforms in some parts of the economy. Facilitated by a reform process involving privatization and consolidation, the banking sector has revived and it is continuing to evolve. Although inflows have declined in past two years, significant level of foreign investment has been attracted over the decade and the economy is becoming considerably more integrated into the international system. However, it remains in transition from essentially a command-based to market system with the privatization programme including hotels and other tourism facilities still uncompleted. Notwithstanding the progress in enterprise restructuring and privatization, a high percentage of economic activity remains in the hands of the state.

In order to capitalise on these advantages, a National Investment Plan was adopted in 2010 which aimed to quadruple exports over ten years and investment in the basic infrastructure. To help finance this ambitious programme and fund an increasing budget deficit, Serbia agreed in September 2011 to a two year IMF $1.5 billion "Stand By" loan facility. However, the conditions of the loan constrained the use of stimulus to revive the economy, while concerns about inflation and demand for exchange rate stability precluded the use of an expansionary monetary approach. Accordingly, the options for direct intervention in tourism development have been limited. Delays in the implementation of reforms, change of Government, and an increasing public sector deficit have complicated the receipt of further IMF support.

Progress made towards EU membership has been considerable and important for tourism. Following the "Stabilization and Association Agreement" in 2008 and implementation of the Interim Trade Agreement in 2010, candidate status was approved in March 2012. Implementation of the radical structural reforms to ensure the country's long-term viability is now commencing; it has previously been largely stalled due to the onset of the global financial crisis.

Major challenges including high government expenditures, increasing budget deficits; and stagnant levels of foreign direct investment remain, and they have undermined the prospects for the private business sector. Since 2006 the socio-economic outlook has worsened and the environment for doing business has gradually become less attractive. Recent years have been characterised by contractions in population, employment, and incomes. The 2011 national census recorded a fall of 5% compared with 2002, and inter-census estimates indicate a continuation of the trend, with deaths exceeding births and increasing number of people availing of the abolition of visa requirement for EU travel to emigrate.

Table 1: Population and national income figures

Year	Population ('000)	GDP per person (€)	GNI (€ billion)
2002	7,498		
2007	7,382	3,857	27,866
2008	7,350	4,445	31,755
2009	7,321	3,955	28,502
2010	7,291	3,781	26,949
2011	7,121		

Source: [21]

An analysis of employment and vital statistics suggests that a large number of people are emigrating, adding to the estimated two to three million Serbs now living outside of the Balkans. Without the safety valve of emigration, unemployment would be significantly higher than current rates and could cause unsustainable social strains. However, emigration will continue to cause increasing problems if jobs are not created. With a well-educated and mainly articulate young workforce, the losses through emigration will continue and accelerate EU accession.

The extent of the employment can be seen from Table 2. Over a quarter of a million jobs have disappeared since 2007, including 100,000 in manufacturing and approximately 4,000 in accommodation and catering. Given the other information on rising number of new and renewed capacities, it seems like a rising number of workers are engaged as self-employed or in the grey area.

Inflation and currency depreciation continue to cause difficulties for business and particularly for businesses involved in international tourism. However, competition in the sector caused a slower increase of prices. In spite of the fact that the number of employees (registered) decreased, number of the completely new or refurbished outlets increased. This higher level of competition triggered better quality of service. However, limited local demand, due to the economic crisis, combined with the competition, caused the inability of the catering trade to match consumer price increases in this period.

Although administrative and procedural constraints continue to cause difficulties for entrepreneurs in

Table 2: Employment and unemployment rates

Year	Total ('000)	Manufacturing ('000)	Accommodation/ catering ('000)	Public Sector ('000)	Unemployment
2007	2,002	381	24.3	68.7	19%
2008	2,000	360	23.6	69.4	15%
2009	1,890	329	22.5	71.2	17%
2010	1,796	301	20.9	69.9	20%
2011	1,746	295	20.4	70.5	24%

Source: [21]

Table 3: Price changes

Year	Consumer Prices	Catering Trade
2006	100.0	100.0
2007	105.5	106.6
2008	121.2	116.4
2009	131.1	129.3
2010	136.1	135.9
2011	154.9	141.6

Source: [21]

establishing and operating businesses, the situation has improved. As measured in the annual WB/IMF Doing Business surveys, it is now easier to set up and register a business in terms of the numbers of days involved. In the case of registration, the reduction of 90% from 111 to 11 has been dramatic and indicates what can be achieved to bring "business freedom" up to EU levels.

Procedures for getting credit (as opposed to availability of credit) have always been positive and, to some extent, have further improved in recent years, as a small factor in countering the impacts of the international financial crisis drastically reducing credit activity. Otherwise, the WB/IMF surveys show a challenging position. In short, despite some progress in streamlining the process for launching a business, requirements remain time-consuming. In addition, a fully functioning modern labour market has not developed and the informal sector remains significant.

While the level of business taxation remains favourable, the procedure for payment was tortuous and not business-friendly particularly to small businesses. Ranking Serbia among the most bureaucratic countries in the world, the WB/IMF indicates that it takes 279 hours and 66 transactions to pay annual taxes. An area of significance for tourism development is the difficulty in obtaining building permissions. While the cost involved has been reduced, the time has increased; in 2009 it rose to 279 days. Some recent changes in taxation system improved position of micro enterprises, but still, there are opportunities to improve this area significantly.

The summary situation as measured by the World Bank for its 2012 Doing Business Survey is shown in Table 4 of rankings for 13 countries out of a total of 169 surveyed.

The annual surveys of the WB/IMF also identify in a comparative and detailed manner the constraints which are impacting adversely and frustrating private initiatives. While a number of issues might be regarded as subjective, the broad thrust of the criticisms must be regarded as accurate.

Tourism sector in Serbia

Tourism in Serbia until recent years was dominated by the domestic market. Proportion is changing in recent years. In 2010 domestic tourists accounted for 77% of arrivals in registered accommodation; in 2011 the percentage fell to 67% and figures for early months of 2012 point to a continuation of the downward trend. The evolution of Serbian tourism sector had several stages. The combination of tight control on travel abroad in the Yugoslav years, followed by years of strife cutting off the

Table 4: Relative strengths of Balkan Countries compared with leading source markets, in "Doing Business"

Country	Doing business	Starting business	Building permits	Property registration	Getting credit	Protecting investors	Paying taxes	Enforcing contacts	Resolving insolvencies
Germany	19	98	15	77	24	97	89	8	36
Macedonia	22	6	61	49	24	17	26	60	55
Switzerland	26	85	46	14	24	166	12	23	43
Slovenia	37	28	81	79	98	24	87	58	39
Slovakia	48	76	50	10	24	111	130	71	35
Hungary	51	39	55	43	48	122	117	19	66
Montenegro	56	47	173	108	8	29	108	133	52
Bulgaria	59	49	128	66	8	46	69	87	90
Czech	64	138	68	34	48	97	119	78	33
Romania	72	63	123	70	8	46	154	56	97
Croatia	80	67	143	102	48	133	32	48	94
Serbia	92	92	175	39	24	79	143	104	113
Bosnia/Herzeg.	125	162	163	100	67	97	110	125	80

Source: [25]

traditional Adriatic coastal resorts and onerous foreign visa requirements, supported the development of a home grown sector servicing a captive (domestic) market. Restricting competition and modernising influences from abroad resulted in standards falling. In the same period, the development of international tourism (apart from Belgrade for invention tourism) was neglected in favour of coastal areas and laterally, political turmoil scared off foreign tourists and investors. The implications of these events is that Serbian tourism in terms of its quality, the products it offers and its marketing needs to be brought up to levels characteristic of EU countries.

The process of European integration presents Serbian tourism with opportunities and challenges. In addition to the adverse effects of the extended financial and economic crisis, the introduction of visa-free EU travel for Serbs facilitated the pent-up demand for foreign travel and so further depressed domestic demand. Some tourist centres (including Kopaonik, Bukovička Banja and Stara Planina) adapted rapidly by improving services, competitive pricing, better marketing and introduction of new tourism products. The same happened in Belgrade, major centre, both for the business and city break tourist demand. Other centres improved gradually (Zlatibor, Palić, and Djerdap destination). Many of the important destinations missed this improvement initiative.

Notwithstanding some growth in recent years, international tourism in the country is still on the modest level compared to other European countries. In 2010 foreign arrivals of all categories including daily visitors, transit visitors and tourists coming for a variety of reasons, are "guest mated" at two million or higher. The comparable figure for Croatia and Hungary is over nine million, Bulgaria six million, Montenegro over million, Bosnia and Herzegovina 365.000 and Macedonia 262.000 [26]. Serbia in this table had 683.000, meaning that many visitors were either not retained to sleep in Serbia (daily and transit visitors) or were not registered while sleeping in some unregistered accommodation.

Tourism revenue and numbers

Inadequacies in measuring tourist numbers, categories and spending were identified when drafting the national tourism strategy, during 2006. The situation is still unchanged and constitutes a major difficulty in appraising tourism performance, planning and optimum use of resources.

According to the National Bank of Serbia foreign exchange earnings from tourism for 2011 is EUR 0.7 billion, a not inconsiderable sum to the total foreign earnings. However, identifying tourism spending in national accounts is always fraught. As can be seen in Table 5, a certain degree of estimation is involved; for the two years shown, "Other Spending" which is simply "estimated" amount approached 40% of the total.

Apart from broad indications from National Household Budget Surveys on spending on two categories, leisure and hotels/restaurants and stays in registered accommodation, no information is available on the incidence of holidays taken by Serbian residents. Nor is there information on foreign visitor arrivals (where from, where to, why they came). The squeeze on household incomes is visible in the data from National Survey on household spending [22]. When adjusted for CPI, incomes in 2011 were 6% lower

Table 5: Composition of foreign exchange inflows from tourism 2010 & 2011

Composition	2010 €(.000)	2011 €(.000)
Health care for tourists (Spas medical treatment)	25	29
Settlement of card payments	275	325
Repurchase of cheques from non residents	1	1
Repurchase of foreign cash from non-residents	24	24
Services of tourist agencies (remittances by travel agencies including advance payments, services provided by hotels, other accommodation agencies and restaurants.	33	41
Tourists – Sale of goods and other services to foreign persons – tourists, Sale of domestic currency abroad. Cover received for currency received cash withdrawals from savings accounts of non nationals, etc.	15	22
Other spending (Estimated)	232	268
Total	605	710

Source: National Bank of Serbia

on average than in 2007; the logical consumer reaction was to cut back on the three areas, transport, hotels and restaurants and finally, recreation and culture. Spending in real (2007) terms in these tourism related areas fell by 17% with an even greater fall probable for domestic holidays, compared with spending on visa free foreign trips.

Tourism development goals

Main objectives of Tourism strategy set by the document from 2006 [24], along with the comments on some achieved results are the following:

Stimulation of the economic growth, employment and life quality of the population – tourism has not, at least formally, contributed to this basic goal. Tourism sector recorded increase in total number of arrivals from 1.986 thousand in 2005 to 2.069 thousand by 2011 (although the number of foreign arrivals increased in the same period by 69%, the number of local visitors stagnated). Also, despite the rising investment in tourism capacities, the number of employees decreased by 20%, which is an apparent contradiction. Foreign exchange income increased from less than 300 ml in 2005 to 991 ml in 2011, despite the recommendation given at the beginning of this period that a special attention should be paid to tourism and transport [8]. In conclusion, overall goal is only partially achieved.

Development of the internationally positive country's image through tourism – this goal is also partially achieved. Some of the events in Serbia (Guča, Exit) have achieved very positive international image. Promotional efforts of Serbian stakeholders have been well received – Belgrade tourism Fair increased its scope gathering participants from 47 countries, "Soul Food" video spot won 7 international prizes. Still, the budget for this promotion is so small, so that overall positive impact is very limited.

Long term protection of natural and cultural resources – some of the destinations are positively influenced by tourism investment in visitor and interpreting centres (Emperor Palace – Sremska Mitrovica, Lepenski vir neolith archaeological site, etc.). Some interventions in signage and routes have been initiated in Zasavica, Kopaonik national park, Mokra gora reserve area. However, it seems that main efforts are to be undertaken;

Achievement of the international quality standards – new classification system in Serbian accommodation industry has been introduced in 2010 [19]. This rulebook has been developed in line with the good European practice, according to the HOTREC (Hotels, Restaurants, Cafés Association) standards. Process of the tourist agencies registration was displaced from the Ministry to specialized Agency for business registers, cutting the time of registration from over 30 to maximum 5 days.

Protection of the tourist consumers, in accordance with the best European practices – Law on Tourism and belonging law act on the travel guarantee type and condition are in line with the EU directives on consumer protection. However, this area is questionable worldwide and further improvements in Serbian regulations are under process.

Establishment of these goals was aimed at enhancing three types of expenditures (actually, three types of economic effects) [30]: a) direct expenditures, made by tourists on goods and services in hotels, restaurants, shops and other tourist facilities; b) indirect expenditures, made by hotel and restaurant purchases, investments in tourism facilities and government spending on "collective" marketing and tourism enhancement; c) induced expenditures, made by tourism workers purchases of goods and services. Statistical Office of Republic of Serbia still does not collect these data, so these indicators only can be estimated. Estimates by World Travel and Tourism Council said that the direct contribution of tourism sector to GDP was in 2011 around 1.7% (rank 157), and in total 6.0% (rank 133). It is relatively small impact, compared with the world average of 5.2% and 14% respectively. However, keeping in mind that for the same 2011 Serbia was ranked 50th by the level of Travel and Tourism Investment, with the growth of 7.2%, it is to be evaluated what impact these investments will have on the tourism sector development.

Some, indirect effects of these investments can be seen in the accommodation capacities improvements. Accommodation sector in Serbia passed, from 1995 two stages of evolution. In the first stage, until 2004, great number of beds (5.500) disappeared from the market. Most of those beds were in private accommodation. Structure of beds in hotels was not favourable: 17% non categorized, 7% one star, 32% two stars, 33% three stars, 8% four stars

Table 6: Number of beds in private accommodation

01/01/2007	01/01/2008	01/01/2009	01/01/2010	01/01/2011	31/09/2011
16,185	20,338	25,529	29,403	29,780	30,701

Source: Internal evidence of Tourist inspection, Ministry of Finance and Economy

and only 3% beds in five stars hotels [6]. Opposite trends have been present from 2004. For example, according to the records of tourist inspection, number of beds in private accommodation rose strongly, being almost doubled in the period of less than six years.

Number of hotels and number of units (rooms) in these hotels also rose. At the same time, quality of the accommodation was also improved. In the first part of the second period, hotels with 5 and 4 stars started to open rapidly. However, with the market correction, rising number of the solid 3 star business hotels was opened. In the last period of development, number of new or refurbished 1 and 2 star hotels was opened, as well as the vast number of hostels (only in Belgrade around 70).

From the former table it is easy to understand that accommodation sector had strong rise in this period of evolution. With the certain time lag, it is reasonable to expect the rise of the business indicators, i.e. in turnover (arrivals and income).

Pitfalls and chances for the tourism sector

Tourism has several challenges that can turn out to become the pitfalls or open chances for the further development of this economic sector. These issues are:

Administrative barriers – like visa procedures and other restrictions of border crossings still remain one of the most influencing restrictions for the contemporary tourism. Political and economic differences, as well as the threat of terrorism enhance and maintain these administrative barriers. Having in mind possible consequences, many governments worldwide were (and some of them still are) rather restrictive in the opening their national borders to the citizens of certain countries. This issue is a frequent topic of the bilateral negotiations between governments, but also is discussed at the meetings of multilateral organizations, such as UN World Tourism Organization. General attitude is that nobody can be against security procedures and control of the undesired migrations. However, modern technology, communications and data bases can facilitate more efficient procedures. This efficiency is the only way to achieve two goals simultaneously – regular flow over the borders and high level of security. However, many countries lack one of the two things. The first is budget, necessary to improve custom and border procedures, to equip and train their staff and to implement new organization in their administration. The second is lack of readiness and ability to change bureaucratic habits and "well-known way of doing things", which is often hidden under the cover of the care for security. Removal of such barriers (pitfall) could give a strong impetus to the accelerated development of tourist turnover in certain areas (chance). This is the case with Serbia, as well. Particularly, it is the case with the potential visitors from China, Hong Kong, India, some Latin American destinations or, for example, Middle East countries. Additional issue that Serbia needs to resolve,

Table 7: Number of hotels in Serbia

	Number of hotels	%	Number of units (keys)	%	Number of beds	%
2005	212		-	-	-	-
2006	217	102.4%	13995	-	22143	-
2007	225	103.7%	14426	103.1%	24900	112.5%
2008	239	106.2%	14134	98.0%	27786	111.6%
2009	231	96.7%	14558	103.0%	23613	85.0%
2010	251	108.7%	15537	106.7%	24186	102.4%
2011	262	104.4%	16250	104.6%	26384	109.1%
2012	297	113.4%	16723	102.9%	28296	107.2%
Total increase for the period		140.1%		119.5%		127.8%

Source: Internal evidence of the Tourism sector, Ministry of Finance and Economy concerns its business and investment environment. Besides many incentives that improve investment climate, investors, including those in hospitality industry, are facing the complicated and ever changing procedures in the area of construction permit obtaining, but also in some other important areas of business operations.

Financial crisis – caused fall in tourism turnover during 2009 and to somewhat extent stagnation in 2010. However, indicators, as shown before, recovered quickly on the global level, with particularly strong rise in some parts of the world such as South East Asia (namely Japan, India, Hong Kong, etc.). Crisis did not hit all the parts of the world equally. Crisis in European market, followed by the political turbulences, caused significant stagnation or fall of the market in the Mediterranean basin, on both European (Greece, France) and African (Tunis, Egypt) coast. On the other hand, it opened window of opportunity to specific countries like Spain and Croatia to some extent, and particularly to Turkey. Financial crisis hit domestic tourism in Serbia. The number of domestic arrivals fell from 1,61 ml in 2007 to around 1.3 ml in 2011 and remained on the same level in 2012. Foreign arrivals compensated this fall partially, but still, economic turbulences influence in a negative manner total performances of Serbian tourism.

Environmental barriers – global warming, pollution and disappearance of species are some of the basic problems of civilization. Strong warning is necessary in order to correct many patterns of traditional behaviour. New technologies, like green and renewable energy solutions, energy and fresh water saving, waste management are positive outputs of this pressure focused on the business community. Sustainable development, based on balanced three pillars, environment, social aspect and economic development, is the right answer. However, it is challenged by two major forces: business motives to expand activities at the lowest possible costs and protectionist's motives to conserve and prevent any further activity. Conservation is dangerous, particularly aligned with low capacity to enforce it, causing many unplanned activities with the irreparable damages. Capacity building, in relationship with political attitude development, in local destinations, but also in country's administration, and even in big multilateral specialized agencies, which sometimes act within the very narrow focus, is necessary worldwide. Tourism is supposed to be contributor to the environmental issues problems, not to be the source of the problem. On one hand, tourism can provide economic resources for the environmental activities. On the other, natural attractions are one of the strongest motivators to travel, so there is natural interest of those who live from tourism to preserve these attractions in order to maintain and develop business in the future. Less-developed countries, like Serbia, are facing these confrontations even more than the countries that have passed more stages of social milieu evolution. There is, almost, no need to say that environmental pitfall can easily be converted into the opportunity to develop new businesses in renewable energy, water and solid waste management, new tourism product activities (photo safari, hiking, cycling …) but also into the opportunity to protect and maintain under the efficient control new areas that deserve special care and protection.

Consumer protection – during the short period of time, consumers were exposed to a great number of different happenings that changed their planned travel and stay: bird's flu (2007 and again 2012), swine flu (2009), eruptions on Iceland (2010), wars in Middle East area (2011), particularly in, Tunis, Egypt and Libya, political turbulences in Athens (2012), etc. In many cases, tourists were either pressed to leave the destination, breaking their unfinished holidays, or were trapped in, without mean to leave tourist destination. Enormous costs were caused on these occasions: trapped tourists (or somebody else, for their sake) needed to pay extra cost of accommodation and transport; hotels and tour operators covered part of these costs and also suffered loss of not receiving new visitors; airlines and airports lost significant part of their expected traffic, as well as all service and accommodation providers in tourist destinations. Visitors became reluctant to travel, insurers to cover the travelling risks and hoteliers and carriers to wait for postponed payments. UN World Tourism Organization, governments and business associations are discussing new ways of consumer (and business) protection. Serbia is no exception in this respect, having in three consecutive years, from 2010 to 2012, groups of tourists in Egypt and Greece, left out of the accommodation and transport services.

Mobility of different groups – elder, younger, handicapped people, mothers with the babies or people who travel with the pets. Mass movement of people causes that special needs of different segments became more and more visible. Understanding the possibility to travel as a right instead of the opportunity, opens many practical questions how this right to be exercised and not limited, even prevented. Many initiatives are converting this pitfall into the chance. Low cost carriers and hostels and budget hotels enable the young, financially weak segment of travellers to visit attractive destinations. Development of accessible tourism standards enables both wheelchairs as well as parents with baby carriages to enter hotels and restaurants, but also to places of interest. Expansion of these standards stimulates visits to the new destinations and encourages travelling of those that did not consider it at all. Serbian standards for hotel classification recognized some of these special requirements and further fine-tuning is to be done during evolution of this rulebook in 2013.

References

1. Achrol, R., & Kotler, P. (2012). Frontiers of the marketing paradigm in the third millennium. *Journal of the Academy of Marketing Science, 40*(5), 35-52.
2. Alqahtani, A. (2011). Toward a clarification of the concept of relationship marketing. *International Journal of Management, 28*(2), 585-590.
3. Corazza Bildt, A. M. (2011, June). *Report on a more efficient and fairer retail market.* Brussels: European Parliament Committee on the Internal Market and Consumer Protection.
4. Diamond, J., & Litt, S. (2009). *Retailing in the twenty-first century.* New York: Fairchild Books.
5. European Commission. (2010, July). *Retail market monitoring report: Towards more efficient and fairer retail services in the internal market form 2020.* Report from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the committee of the Regions. Brussels: EC.
6. Horwath Consulting Zagreb & Ekonomski fakultet Beograd. (2005). *Strategija razvoja turizma Republike Srbije* (Prvi fazni izveštaj). Retrieved from http://www.dgt.uns.ac.rs/download/ektur04v.pdf
7. Jordan, P. (2011, September). *World tourism trends and the way ahead.* Presented at WYSETC Global Conference. Retrieved from http://www.slideshare.net/platmatourism/world-tourism-trends-and-the-way-ahead-wysetc-convention-2011-barcelona
8. Kovačević, R. (2006). Mogućnosti i ograničenja porasta izvoza kao faktor platnog bilansa Srbije. *Međunarodni problemi, 58*(4), 492-512.
9. Levy, M., & Weitz, B. (2012). *Retailing management*. New York: McGraw-Hill/Irwin
10. Lovreta, S. (2011). *Trgovinski menadžment.* Beograd: CID - Ekonomski fakultet.
11. Lovreta, S., & al. (2009). *Strategija razvoja trgovine Republike Srbije* (glavni redaktor S. Lovreta). Beograd: Vlada Republike Srbije i Ekonomski fakultet.
12. Lovreta, S., & Petković, G. (2011). *Trgovinski marketing.* Beograd: CID, Ekonomski fakultet.
13. Lovreta, S., Berman. B., Petković, G., Crnković, J., Bogetić, Z. & Veljković, S. (2010). *Customer Relationship Management,* Beograd: Čigoja print & Faculty of Economics.
14. Lovreta, S., Končar J., & Petković, G. (2013). *Kanali marketinga.* Beograd: CID, Ekonomski fakultet.
15. Ministarstvo trgovine i usluga i Republički zavod za statistiku. (2010). Informacioni sistem trgovine Republike Srbije (statistička aplikacija). Retrieved from http://www.informacionisistemtrgovineiusluga.gov.rs/mtu/Trgovina.aspx
16. Monti, M. (2010, May). *A new strategy for the single marke*t (Report to the President of the European Commission). Brussels: European Commission.
17. Rajoy, M. (2012, January). *Keynote address.* Speech presented at Exceltur's 6th Tourism Leadership Forum – Tourism driving growth and employment: Policies to stimulate competitiveness. Madrid.
18. Rosenbloom, B. (2013). *Marketing channels.* Mason, OH: South-Western, Cengage Learning.
19. Rulebook on requirements and manner of performing hospitality industry activity, manner of providing hospitality services, classification of technical requirements for hospitality facility development and equipment. *Official Gazette of the Republic of Serbia*, 41/10 and 48 /12.
20. Srivastava, V., & Singh, T. (2010). Value creation through relationship closeness. *Journal of Strategic Marketing*, 18(2), 3-17.
21. Statistical Office of the Republic of Serbia. (2011). *Statistical yearbook of the Republic of Serbia 2011*. Belgrade: SORS.
22. Statistical Office of the Republic of Serbia. (2012). *Household budget survey 2011.* Belgrade: SORS.
23. Strategija i politika razvoja trgovine Republike Srbije, Vlada Republike Srbije, Beograd, 2009
24. Tourism development Strategy for the period 2006-2015, *Official Gazette of the Republic of Serbia, 91/06.*
25. World Bank. (2011). *Doing business 2012.* Washington: WB.
26. World Bank. (2012). *International tourism, number of arrivals.* Retrieved from http://data.worldbank.org/indicator/ST.INT.ARVL
27. World Tourist Organisation. (2012). *UNWTO World tourism barometer, 10* (July).
28. World Tourist Organisation. (2012, May). *International tourism receipts surpass US$ 1 trillion in 2011* (PR 12027).
29. World Tourist Organisation. (2013, January). *International tourism to continue robust growth in 2013* (PR No 13006). Retrieved from http://www.e-tid.com/wp-content/uploads/2013/01/UNWTO-Press-Release.pdf
30. Zečević, B., Veljković, S., & Đorđević A. (2012). Development of tourism in Serbia during global economic crisis period. In S. Lovreta, M. Petković, & N. Janićijević (Eds.), *From the Global Crisis to Economic Growth* (Vol.2, pp.187-201). Belgrade: CID, Faculty of Economics.

Stipe Lovreta

is a full professor at the Faculty of Economics in Belgrade. His qualifications and main fields of interest relate to Economics of Commerce, Marketing Channel Management, Commercial management, Trade marketing, Sales management and Trade policies.

He was Vice Dean and Dean of the Faculty of Economics in Belgrade. He is full member of Serbian Association of Economists and member of the Board (since 1997). He is a member of the Presidency of the Serbian Association of Marketing. He was editor in chief of several scientific journals. He is a member of the National Council for the Economic Recovery of the Government of the Republic of Serbia.

He has published 15 textbooks and monographs, 250 papers in scientific journals, and 75 papers for national and international conferences. He was the project manager of more than 100 different projects, from management consulting to macroeconomic projects such as the Strategy of Trade Development of the Republic of Serbia and Tourism Strategy of the Republic of Serbia.

The most important textbooks and monographs include Modern Retailing, Commerce in Modern Market Condition – Comparative Analysis, Trade Marketing, Economics of Commerce, Commercial Management, Commerce – Theory and Practice, Sales and Sales Management, Marketing Channels and Customer Relationship Management.

Goran Petković

is State Secretary, in the Ministry of Finance and Economy in charge of tourism since 2007, and a full time professor at the Faculty of Economics, University of Belgrade. He graduated from the Faculty of Economics in Belgrade in 1986. At the same faculty he received master's degree in 1989, and in 1994. a PhD. As a consultant he worked on numerous projects of which the following stand out: "Tourism Development Strategy in Serbia," "Cost of Doing Business in Serbia", "The Competitiveness of Serbian Economy", "Strategy And Development Policy of Serbian Commerce". Also, in addition, he published as author or co-author "Retail positioning", "Marketing Channels", "Marketing in Commerce", "Sale and Sales Management", "Exploring Language Web Orientation in Emerging Markets: The Eastern European Case", "Microfinance in Serbia" in the publication: Confronting Microfinance: Undermining Sustainable Development, "Models of Monitoring The Competitiveness of National Economy." He also published numerous scientific papers in domestic and international publications.

Renata Pindžo

Since July 2013, Renata Pindžo has worked as Assistant Minister in Ministry of Finance and Economy. For four years, she was engaged as Assistant Minister in the Ministry of Economy and Regional Development, Sector for Tourism. Ms Pindžo attended the Faculty of Economics at Belgrade University, where she obtained BA and MA diploma. In May 2011, she obtained PhD diploma. Since September 2011, Renata Pindžo is engaged as Assistant Professor at the Faculty for Economy, Finance and Administration ("Investment Management" and "Investment Decision Process"), Singidunum University, Belgrade.

Ms Pindžo's experience includes more than 14 years in Management Consulting and Financial Advisory Services. She has gained knowledge by providing consulting services to many domestic and international companies, including financial institutions and local municipalities. As a member of Delotte team, where she was previously employed, she has privilege to work for leading companies from different industrial sectors: retail, agribusiness, food industry, pharmaceuticals, metal complex, public sector (municipalities, energy sector, water and vast water public companies), banking sector etc. She was also engaged as consultant by large international organization (USAID, DIFID, EAR) on the projects of restructuring of large Serbian enterprises and economy in general. Fields of interest: investment management, project management, project financing, public - private partnership, tourism. Author of several papers published in national and international publications.