

# Hotel matija gubec

Business, Management



In this chapter, the points of departure of the research, regions of interest, introduction to the Thermal Bath and Spa hospitality industry segment in northwest Croatia, the Company, Stubicke Toplice: Short history and present situation, research problem, purpose and objectives, and scope and limitations will be tackled extensively. Relevant research-related points will also be discussed.

1. 0 Points of Departure In this section, the reasons for choosing the topic and how to increase competitiveness of the Thermal Bath Stubicke Toplice & Hotel Matija Gubec by proper selection and implementation of competitive strategies, will be presented.

Also, the hospitality sector of spas and thermal bath establishments in northwest Croatia (Zagorska and Krapinska region) will be introduced as background to the case study of the company, Spa and Thermal Bath Stubicke Toplice & Hotel Matija Gubec. The research problem, purpose and limitations of the research in the thesis will be outlined.

1. 1 Regions of Interest The spas and thermal baths in the northwest Croatia are considered to be a driving force in the hospitality and tourism development for inland regions. (Benko, 2007; Milas, 2007; Petrovic, 2007; Sakic, 2007).

It should also be mentioned that the where the Spa and Thermal Bath Stubicke Toplice and Hotel Matija Gubec (henceforth called Stubicke Toplice) is considered a passive economic region (Hudoletnjak, 2007; Lasic, 2007 ). The region of Krapinska and Zagorska, although close to the Croatian capital of Zagreb, has been confronted with declining economic status. During the privatisation process of the 1990s, a large number of companies could not successfully negotiate the transition from a socialist company model to an open market company model.

This resulted in a high unemployment rate and migration of the population into the Zagreb metropolitan region and the city of Zagreb itself (Hudoletnjak, 2007; Lasic, 2007; Poljanec-Boric, 2000). Another problem emerging from this situation was the loss of qualified workers combined with the aging of the remaining population in the Zagorska and Krapinska region due to the departure of the majority of the working population between the ages of twenty and forty years (Hudoletnjak, 2007; Lasic, 2007; Poljanec-Boric, 2000).

Thus the interest in the Stubicke Toplice and Hotel Matija Gubec thermal baths and spas is founded on greater socio-economical elements (Ancic, 2007; Hudoletnjak, 2007; Lausic, 2007). The problem of keeping them open and successfully operating must be seen within this framework. 1. 2. Introduction to the Thermal Bath and Spa hospitality industry segment in northwest Croatia With Thermal Bath Stubicke Toplice and Hotel Matija Gubek thermal baths and spas located in northwest Croatia – the region offers a natural advantage for tourism.

Both spas are located not more than two hours by car away from the metropolitan region of Zagreb, the most economically developed part of Croatia, with a market of 1. 2 million potential customers (Hudoletnjak, 2007; Kasic, 2007; Milas, 2007; Petrovic, 2007; Sakic, 2007). While the main tourist season for the seaside remains relatively short (between June and September), the thermal baths and spas in Croatia are not limited by seasonal weather conditions. Well-managed thermal baths and spas in northwest Croatia report high occupancy throughout the year (Lausic, 2007; Milas, 2007; Sakic, 2007).

All the spas mentioned offer similar services without substantial differentiation in their main product (warm thermal water and spa), and it could not be claimed that one spa has a vast natural advantage over any other based on a higher market share due to natural resources (warm thermal water) or geographic location (the distance from the main market, Zagreb) (Lausic, 2007; Milas, 2007; Petrovic, 2007; Sakic, 2007; Segvic, 2005).

### 1. 3 The Company, Stubicke Toplice: Short history and present situation

Stubicke Toplice has proven a popular destination for short weekends and holiday breaks since 1811. It became the most popular weekend destination for customers from the metropolitan region of Zagreb in 1966 when the first 5 open pools were added to the premises. In fact, Stubicke Toplice had no serious competition in that market until the beginning of the war (1991 - 1995) (Lausic, 2007; Milas, 2007). After the privatisation period in 1997, while still a popular location, Stubicke Toplice has experienced a decline in the number of visitors and guests (Hudoletnjak, 2007).

The main shareholder (the owner) did not invest in updating the premises after 1997. Renovation work undertaken since 2005, enabled through a loan of 2.5 million Euros from the regional government to be paid back by 2012 (Hudoletnjak, 2007), includes the entire Hotel Matija Gubec (guest rooms, open guest region, kitchen, central heating, facade, windows, doors, roof, restaurants, bars, parking places, the surrounding park region, spa centre, fitness centre) and the pool region (open region – 10 pools, closed region – 2 pools) (Hudoletnjak, 2007).

The money is being lent by the local regional bank (Krapinska Banka) with guarantee given by the local government of the Krapinska and Zagorska government and the local city institutions of the City council of Zagreb (Hudoletnjak, 2007). Management and employees are holding a 75% ownership of the Stubicke Toplice as of 1 May 2007. The Krapinska and Zagorska local government will hold 25% of the shares (Hudoletnjak, 2007). 150 employees are working on the premises as permanent staff. During the main summer season another 50 seasonal workers are employed for 90 days (June, July and August).

Stubicke Toplice remains the biggest employer in this region of Croatia (Hudoletnjak, 2007). The new management plans to improve the image and services offered so that the spa will again become most popular as a fitness and weekend destination for guests and day visitors from Zagreb (Hudoletnjak, 2007). This goal is viewed as short to medium range strategy, over the next five years (to 2012) when the company should be prepared for launching the new Stubicke Toplice Complex (Hudoletnjak, 2007; Kasic, 2007; Milas, 2007; Rados, 2007). The reasons for concentrating on the metro region of Zagreb:

- A large market with potential customers financially well off (Hudoletnjak 2007; Milas, 2007).
- The location is naturally advantageous (maximum one hour away from the city of Zagreb) (Hudoletnjak, 2007; Milas, 2007) – compared to other thermal baths in the central northwest Croatia that are further away (two to three hours) (Hudoletnjak, 2007; Milas, 2007). Despite the above mentioned natural advantages of the company, there are a

number of factors, discussed below, that are not working in favour of the management and employees plans (Hudoletnjak, 2007; Milas, 2007).

1. 4 Research Problem So far there has not been any serious attempt made in environmental scanning (PEST analysis) or internal analysis (SWOT analysis) of the Spas and thermal baths segment in northwest Croatia (Zagorska and Krapinska region). It is recognised that some are better managed (for example the Thermal Bath Tuhelj) thanks to choosing and implementing strategies resulting in business recovery and increased competitiveness (Hudoletnjak, 2007; Milas, 2007; Reid and Bojanic, 2006).

After completing the literature review (secondary data), the present investigator will conduct a SWOT, PEST and Porter Five Competitive Forces analysis on Stubicke Toplice in the belief that they will benefit the primary research results. Due to the dearth of published research in this special area of study, a number of recorded interviews with specialists presently working in the field are used throughout this dissertation. The findings and analysis of the present case study reveal which strategies can be successfully implemented within Stubicke Toplice to gain more encouraging business results (Hudoletnjak, 2007; Petrovic, 2007).

1. 5 Purpose and Objectives The purpose of this thesis is to develop a competitive strategy for Stubicke Toplice, helping to create a competitive advantage over competitors. The following objectives are indicated: 1. Describe parameters for improvement in strategic management and ideally provide guidelines based on findings in the Stubicke Toplice case study. 2. Determine the key elements in successful thermal baths and the competitive strategies implemented. 3.

Generalise successful strategic decisions of other thermal baths to increase competitiveness of Stubicke Toplice. These objectives will be achieved through: 1) Critical evaluation of existing literature covering the field of: • Strategic Directions: Strategic Decision Making, Corporate Strategies and Strategic Management of Organisation – with special emphasis on how it is applied in the hospitality industry, focusing on the thermal baths and spas sector • Research on thermal baths and spas: history, development, categorisation, future trends.

2) Critical evaluation of existing theories in the field of strategic management and strategic directions (PEST, Porter's Five Competitive Forces, SWOT) and implementation for strategic analysis and strategic management in the hospitality industry with special focus on the thermal baths and spas in the northwest part of Croatia and neighbouring international regions (Moravske Toplice in Slovenia and Zalakaros in Hungary). 1. 6 Scope and Limitations The industry sector examination will be represented by Stubicke Toplice with a focus on the creation of a strategic plan.

When deciding on the sample, other thermal baths and spas in northwest Croatia and the rest of inland Croatia (Daruvarske toplice, Topusko toplice, Varazdinske toplice, Olimia toplice, Krapinske toplice, Bizovacke toplice and Lipicke toplice – to name just a few) were not chosen due to limits of time and financial concerns. The basic similarity among the spas chosen for this research is the specific features of business based in natural warm water; the services they offer guests (hotel guest, day guest, repeated guests, etc. ) all rely on the presence of warm thermal water.

However, this is where the similarity ends (Segvic, 2005): - Some of the Thermal Baths are privately owned (a single owner of Sveti Martin holds 97% of the spa shares), some are mixed ownership (Stubicke Toplice is owned by the Region, the employees and the management (Hudoletnjak, 2007). - When addressing the segment of the market they are predominantly serving: some are specialised in Conference Tourism, where their clientele is business people who are repeated guests with short stay averaging two to three days (Toplice Jezercica) (Topolec, 2007).

- Moravske Toplice and Zalakaros Thermal Bath, as a part of the international competition analysis, are Spas and thermal baths striving to serve this newly emerging, well-paying sophisticated clientele, who are willing to pay for benefits offered, in addition to the health benefit of the warm thermal water, such as four / five star lodging and service level, different exotic spa treatments, golf, agro and gastro tourism, culture tourism and New Age alternative medical treatments (Aromatherapy, Ayurveda, Crystallo -Therapy, etc. ) (Maric, 2007; Zivkovic, 2007; Kamberovic, 2005).