



# AMAN SVETI STEFAN RESORT: A CHALLENGE FOR DESTINATION MANAGEMENT

Silvana Đurašević\*

Mediterranean University, MTS – Montenegro Tourism School, Podgorica, Montenegro

## Abstract:

Cooperation between all parties involved in tourism product, both for their own benefit and the benefit of the destination, represents the basis of tourism destination competitiveness in the global market. Branded hotels play an important role, as they link multiple stakeholders with their cohesive power and contribute with their image to the overall destination competitiveness.

The main aim of this paper is to highlight the necessity of establishing an integrated management structure by destination management organisations at the micro locality of a unique destination – the island of Sveti Stefan in Montenegro. The arrival of investors to the Sveti Stefan hotel has brought about numerous changes. Apart from the need to provide economic benefit to investors, the benefits also need to be secured for the local population, as well as the overall prosperity of the destination. The paper presents the views of respondents from among the local population regarding the role of this hotel in building the destination's image, as a basis for achieving greater competitiveness. The negative attitudes of this group indicate that the hotel has not been fully integrated at the destination, and that the hosts have not yet embraced the newcomers. These findings suggest that the destination competitiveness can only be achieved through a clearly defined managerial structure by destination management organisations.

Besides bibliographic research, relevant data was obtained by surveying the local population, in addition to the personal knowledge of the author, who has been involved in the tourism industry in this region for many years.

## Key words:

new investors,  
branded hotel,  
tourism destination,  
value chain,  
destination management  
organizations.

## 1. INTRODUCTION

The analysis of stakeholders doing business at this authentic tourism site, of existing institutions in tourism, of local government bodies and of the local population – which is highly monocultural, having lived from tourism for more than fifty years – served as a catalyst for us to use this unique destination to examine the need to introduce tourism destination management. As many destinations have matured, the influencing forces in their external and internal environments have become more complex, which has been the impetus for the rise of the modern-day tourism destination management model (Đurašević, 2015). Thus *Bornhorst* presents the tourism destination as a highly complex system which can be defined as a geographical region, a territorial/administrative region or as an important attraction, which seeks to offer its visitors experiences ranging from those acceptable to those unforgettable (*Bornhorst et al.*, 2009). Such way of thinking enabled us to gain necessary information for considering the unique site of Sveti Stefan as a microdestination of particular value, with its “important attraction”, Aman Sveti Stefan resort, which can be considered a fully-developed attraction in its own right.

The natural surroundings of the remarkable island of Sveti Stefan connect the villages of Šumet and Pržno with their pearly beaches, as a key development resource. The beach to the left and right of the isthmus, running along the coastal part of the village of Šumet, continuing unbroken along the long Miločer Beach which inland blends into the Miločer Park with its exclusive Miločer Hotel. Further on is the most beautiful beach, Kraljičina Plaža (the Queen's Beach), with a number of villas set back from it, to the beach in the village of Pržno, once an authentic fishing village with its distinctive Maestral Hotel. Such opulent diversity demands that this micro-locality be considered in the context of the natural environment it belongs to. There are four religious buildings on the island, which is protected as a monument of culture. Along with the adapted summer residence of Queen Marija in the Miločer Park, this wealth of unique local, centuries-old natural and cultural heritage and authentic beauty demands that the community respects the criteria of sustainable development and integrated destination management. Or as *Poon* suggests to the main principals at the destination, to be competitive requires a strongly sustainable environment which makes tourism the leading sector and strengthens the distribution channels in the market and builds a dynamic private sector (*Poon*, 1993).

\* silvanadj@t-com.me



## 2. THE ANALYSIS OF PRESENT CONDITIONS AND KEY TRAITS OF TOURISM DEVELOPMENT

The need for introducing destination management and improving competitiveness of Sveti Stefan as a tourism destination should be considered in its geographical, historical, socio-cultural, demographic and economic context, as part of the overall tourism product of Montenegro. It is unique as it comprises elements that cannot be found at competing destinations. The achievement of management objectives of this unique tourism destination depends on the capacity of the destination to meet the needs and desires of tourists. *Richie* considers the relationship between stakeholders at the destination and the ways in which they can come together to better manage the consumer's experience (*Richie & Crouch 2003*). This requires fundamental knowledge of the market, good organisation and coordination of all activities and all stakeholders influencing the value chain at the destination. According to *Buhalis*, the main objectives in tourism destination management are: meeting the needs of consumers, maximising profitability of local companies, securing long-term prospects for the local population and optimising the existing resources through sustainable development (*Buhalis, 2000*).

With the pre-transition period behind us, when the leading role in development and operational management was taken by state-owned tourism companies, the task placed before tourism institutions in Montenegro at all levels, both the main "players" in the industry and numerous companies that are new to the sector, has been to establish new organisational and management forms at the destination level. Thus, the key question arising at this level of development refers to management structures to which destination management is entrusted at the most exclusive destination on the Montenegrin coast. In order to ensure management function for this destination, a suitable strategy needs to be adopted that will be implemented by management structure of the destination management organisation.

With the lease of the Sveti Stefan complex of hotels to the Singapore Aman Resorts brand in January 2007<sup>1</sup>, its subsequent takeover by investors Restis Group in 2009 and then the third takeover of the lease in 2013 by Greek businessman Petros Stathis, the most attractive portion of Montenegrin coast ceased to be of interest to the former lead organisation in the development of the destination, HTP Budvanske Rivijere, and contact between the current leaseholder and the local population has not been established, but remains in an ongoing state of latent tension. This can be seen in a number of issues: the use of beach resources and their management, access to the churches on the island, the use of paths through park areas and parking spaces and the loss of tennis courts that were previously used by guests of the hotels and tourist villages, as well as by the local population. In July 2015, an annex to the agreement signed with the company Adriatic Properties managing the complex of hotels in Sveti Stefan and Miločer, was approved, reducing the lease payments by 30% and extending the lease from 30 years to 42 years. An annex to the agreement for the Queen's Beach extended the lease from 30 to 90 years and envisaged the sale of 66 out of 126 apartments, with the rest remaining for use by the hotel. (RTCG, 2015.).

1 The price agreed then for the lease of the Sveti Stefan complex was 1.96 million euros. The tenant was to pay this in three installments annually. Of the agreed sum, 1.29 million euros is paid to the Budvanska Rivijera hotel group, and the remaining 670,000 euros to the government's company HTP Miločer for lease of the Kraljičina Plaža Hotel.

There is also certain understandable dissatisfaction among the local population that it took six years for the hotel to be brought into operation. During these years, the image of the destination, not to mention Montenegrin tourism as a whole, was negatively impacted. With the lease of Sveti Stefan, massive brand-centred value went with it, a unique trademark that made Montenegro worldwide famous and brought the world's jetset and political establishment to the island. The fact that the hotel was not working had a negative impact on the economy of the local population, which was based on tourism. No improvements could be observed in terms of living conditions, work on the infrastructure, the road network, garage space and promenades or any improvement to the town at all, and the location during that time was either a building site or the hotel was closed.

A destination cannot be given exclusivity by a single, grandiose hotel accommodating around a hundred tourists if the environment is not also made equally inviting, since the guest perceives the destination as a single whole. Another possible question refers to whether the Aman Sveti Stefan Resort, Miločer and other facilities are to be open-or closed-type. Will the uniqueness of natural and cultural resources herein presented serve to facilitate the expected interaction among the people who live together in the area, use the same roads, parks and beaches and breathe the same air? Is cohesion and adaptation on both sides – that of the locals and the foreign investors – possible by restructuring and changing the model at this locality?

As regards the workforce, it should be noted that entire families were once employed in one facility or other of the former Sveti Stefan Hotel. Most of them lost their jobs on various grounds. Today, there are just few local employees working in administrative jobs. The remainder are in support jobs or are employed on a seasonal basis. Considering that this is an exclusive hotel, demanding a competent workforce, it is understandable that key positions in the hotel are held by foreigners with experience in working at this type of resorts. However, for other positions, it is our opinion that priority should be given, under equal conditions, to local workforce. This would also be acceptable to the hotel considering the cost savings for various reasons. The analysis showed that the employment service in Budva records in its books 33 unemployed hospitality industry workers with vocational high-school qualifications, 9 qualified workers, 45 waiters, 21 cooks, 12 specialised waiters, 3 specialised cooks, 8 tourism economists, 9 hotel and tourism managers, 7 graduates of economics, 12 law graduates, as well as a range of other vocations available at one of the Aman Resorts facilities.

As regards the need for the Aman Resorts facilities to be accessible, it is necessary to remember that much-lauded Sveti Stefan, which was an embodiment once of Yugoslav, now of Montenegrin tourism, acquired its status partly because it was accessible to people – they could visit it, experience its charm and admire its mediaeval architecture. It was and has remained a matter of prestige to be seen on Sveti Stefan, even if just to take a photo or have a cup of coffee. The competitive advantage of Sveti Stefan must be built on a basis of natural resources, local culture, historical heritage and the range and quality of its products and services. These are the integral elements to the quality of this destination, which marketers should use to build their story and for visitors to get unforgettable experience. Satisfied guests create further demand and repeat custom, and thus value is created in the market, further creating this desirable brand. This analysis



raises the question of whether the future trademark of this fascinating site will be an identity centred on its unique local characteristics and features intrinsic to this destination. The question also arises as to the existence of any place in this story for the local population and their entrepreneurial ideas.

There are various approaches in transition times that can be taken towards further development. In the case of the Sveti Stefan complex, those in charge chose the long-term lease model as the most rational solution. Without entering into discussion about the effectiveness of the solution, we may ask the question concerning the destination management strategy the lease-holder has planned. It is also necessary to answer the question as to whether the revenues from the lease of the most attractive, naturally self-contained site on the Montenegrin coast, lying between the villages of Sveti Stefan and Pržno, in the period of development before us, will be reinvested in the development of this destination. Such an approach would partly justify the chosen transitional model, as an innovative and modern tourism product comes with prestigious hotels, which will encourage the local development of tourism and its integration into the process of progressive change in the international tourism market.

### 3. RESEARCH METHOD

Secondary research was based on the available bibliographic resources. For the primary research, surveys of the local population were used, which were processed using statistical analysis. The survey was carried out primarily using a structured questionnaire with closed-ended questions, for which the subjects were offered answer choices which were not suggestive and did not take a great deal of the subjects' time. A minority of questions analysed respondent attitudes, obtained using a semi-structured portion of the questionnaire with open-ended questions, where participants were asked to give detailed responses.

The emphasis was placed on the local population, who should be participants in further destination development and experience the benefits of doing so. The questions were directed at their level of involvement in work at the hotel, their satisfaction with the arrival of the Aman brand and the benefits, innovations but also negative effects of the investor's arrival. A sample of 105 respondents was analysed, aged between 20 and 55, with 64 women and 41 men, of employed (primarily in tourism) and unemployed status. The group was heterogenous in structure and encompassed all types that are of relevance for understanding the attitudes of the population towards the key destination development issues.

### 4. RESEARCH RESULTS AND DISCUSSION

The attitudes of the local population confirm that this destination is an attractive and prestigious tourism resource, primarily due to its environmental, cultural and historical value, natural characteristics of architecture and religious structures on the island itself. They emphasize poor accessibility of parks and paths, and use of beaches, which due to the pricing policy remain affordable only to high-paying clientele.<sup>2</sup> As regards the access to the Aman Sveti Stefan Resort, they note that the situation has improved this year as entry to the island has been allowed in two timeslots during the day, with a guide for

a group of up to 10 people.<sup>3</sup> "Demand in tourism takes special account of the expected benefits and what is actually received for the price – not just the quantity, primarily the quality of services. This is a critical success factor for a company in the tourism market, in particular international market" (Čačić, 2010). Parking fees also apply, which makes it difficult for the locals to come to the beach by car if they need to. The access to the Queen's Beach is not allowed, and 80% of respondents object to this as they would like to walk through the Miločer Park beside the sea outside the bathing season, as they once did. Moreover, 33% of those surveyed complained that they could not go to the church on the island. Access is only possible for services agreed between the hotel and the Church, most commonly for religious holidays, or weddings, baptising etc. The answers to questions concerning the number of family members employed in the hotel were rather unfavourable. Only 12% of those surveyed said that they or a member of their family was employed in the hotel. The respondents also showed great dissatisfaction (93%) regarding the attitude of the company towards the activities at the destination. In the absence of managers at the destination, and of the destination management organisation coordinating the activities of numerous companies and other participants at the destination, "in practice it is usual for an active attitude to be taken by the company towards activities at the destination. In other words, this is an opportunity for the company to assume the leading role in development of the destination as a whole" (Čačić, 2010). Lundberg gives the example of Sheraton Hotel in Colorado that took over the strategic development of the tourism destination. The town is a well-known ski centre, which was achieving good occupancy rates in the winter season, but needed to address the issue of the summer season. The hotel established contacts with the locals, accepting part of their culture and traditional way of life, and launched a product under the slogan *The Way it Was*, organising some 50 traditional activities the local population has been engaged in for decades, such as rafting, Indian games, cowboy-style camping, 'shoot-outs' in the street, shows of various kinds, horse riding and more. With the involvement of stakeholders from the value chain (airlines, local agencies and the local population), the hotel effectively single-handedly developed business at the destination, without waiting for regional organisations and other coordinators. Occupancy rate in summer months rose from an average of 8% to 58% during the summer season (Lundberg, 1990).

By analysing the opinions of the local population, we can conclude that Sveti Stefan is still in the third phase of development as a tourism destination, the mass-tourism phase, which has the characteristics that "the interests of visitors, companies and the local community are still not sufficiently harmonised, and conflicts can arise in their relationships" (Laws, 1991). Those surveyed bemoaned the decline in the image of the destination as a result of the poor accessibility of the Aman Sveti Stefan Resort, both to visitors and the local population. They opposed to the idea of the creation of a "ghetto" in the midst of centuries of tradition and the heritage of the Paštrovići<sup>4</sup> region. They expect greater inclusion through employment and involvement in joint local development, cultural and entertainment projects, and emphasise the need to create parking space and accompanying infrastructure. The guests of Aman resort cannot reach the hotel without passing through the village, which itself does not reflect the exclusivity it should have

2 The price of daily rental of beach accessories for two people is 75 euros on the hotel beach in Sveti Stefan and Miločer.

3 Price of entry is 20 EUR per person.

4 Paštrovići – the traditional name of a Montenegrin coastal tribe





as an integral part of the destination. Car parks, pavements and other basic elements expected in a modern, developed urban environment are lacking. The guests of Aman, just as any guest accommodated in the village, will want to take a walk, see the town, get to know the people and customs and visit the local restaurants and cafés. Hence, it needs to be developed, with shared management.

In their responses, the subjects also placed particular emphasis on the lack of involvement of the local authorities in addressing the issues concerning the town. In local infrastructure plans, items related to construction of a sewage collector on the Sveti Stefan beach and *Lungo Mare* promenade were carried forward from year to year. In order to encourage development of this village, the need for interaction also needs to be met – the promenade is of vital importance to all tourists, guests of Aman and others. The promenade would go hand-in-hand with small traditional restaurants and bars which could breathe in new life and preserve the local identity and attract tourists. *Manente* says that a lack of destination management organisations and the need for them to come in and coordinate activities between different groups, leads to “suffering as a result of the consequences of conflict between political objectives and market demand” (*Manente & Minghetti, 2009*).

Table 1 shows the frequency of responses regarding the strengths of the tourism destination; Table 2 gives frequencies of responses concerning the weaknesses of the tourism destination of Sveti Stefan.

Table 1. Frequency of responses concerning the strengths of tourism destination

| Response offered                                | Frequency |
|---|-----------|
| Environment                                     | 96        |
| Attractiveness                                  | 99        |
| Cultural and historical resources               | 88        |
| Summer stage events                             | 35        |
| Possibility of entry to Aman Sveti Stefan hotel | 49        |
| Restaurants                                     | 56        |
| Amusement park for children                     | 79        |

Table 2. Frequency of responses concerning the weaknesses of tourism destination

| Response offered   | Frequency |
|--|-----------|
| Decline of destination image                               | 86        |
| Poor accessibility of beach                                | 91        |
| Poor accessibility of roads and paths through Miločer Park | 88        |
| Lack of parking space and fees payable                     | 92        |
| Poor employment of the local workforce                     | 99        |
| Lack of involvement of local authorities                   | 95        |
| Attitude of Aman towards activities at the destination     | 98        |
| Poor accessibility of religious sites                      | 35        |
| Unauthorised sale of souvenirs in front of entrance gate   | 56        |

Based on the responses and information provided by the author, it can be seen that respondents are least happy with the attitude of the leaseholder towards the village, along with the issue of employment of the locals, maintaining infrastructure and the interests and needs of the local population. They believe that it also damages the reputation of Sveti Stefan; the general opinion is that before the arrival of the Aman brand, the previous company Montenegro-turist took considerable care to ensure that the needs of the local population were met, as well as those of the village itself – developing beaches, maintaining olive groves, lawns and flowerbeds and preserving tradition by organising traditional events with the opportunity to try local specialities. In other words, it took on the leadership and management role, as was the case for Sheraton in Colorado.

## 5. POTENTIAL PROGRAMMES AND PARTICIPANTS IN DEVELOPMENT

If Sveti Stefan is considered a highly-rated holiday destination, then luxury hotels and private accommodation providers, together with small, traditional hospitality businesses and both natural attractions and those that are man-made – based on centuries-old culture, legends, the Paštrovići Court and the peace council and the Bankada, after which the island was named the “place of justice” – cultural programmes based on the four churches on the island, Paštrovići cuisine and much more, should comprise a single whole, provide a unified experience and build a shared, recognised image. An illustration of Sveti Stefan is given in Figure 1.



Figure 1. Sveti Stefan

Source: <http://photo-montenegro.com/>

The initiative for development of a new brand image for the most exclusive resort on the Mediterranean, as it is frequently acclaimed, should be sought amongst the specialists of Aman Resorts and other brands that may be observed in this area, to the benefit and satisfaction of both the investor and the local population, which would take the leading role in these activities. The leading tourism experts have for years been warning that one of the primary prerequisites for a destination to be competitive is for tourism development to be accepted by the locally resident population, to whom it brings increased quality of life and well-being, preservation of the local identity amidst the trend of globalisation and permeation of culture, where the overall attraction and tourism experience must be superior in relation to alternative destinations (*Richie & Crouch, 2003; Dwyer et al.,*



2001). The nucleus of a destination management organisation (DMO) must be found in private and public partnership to begin with, even in the most modest form. In this respect, potential participants in development of Sveti Stefan as a tourism destination need to include:

- ◆ leaders of existing initiatives (at the state and municipal levels)
- ◆ leaders of investment programmes (public and private)
- ◆ programmes open to capital investment
- ◆ potential participants in development (citizens, associations and cooperatives)
- ◆ scientific, professional, educational and non-governmental organisations

One category of potential partners in the DMO are local people interested in becoming involved in the tourism industry, whether by letting rooms or providing other services. Their involvement will depend on their ability to organise themselves cooperatively or create associations. Only if organised in this way, will the locals be able to become partners and take part in all phases of development processes by participating in the DMO on an equal footing.

Regardless of the level at which a new organisation operates, a DMO must have:

- ◆ full financial, administrative and political support from the local authority.
- ◆ influence on decisions and solutions of the relevant departments
- ◆ the authority to initiate change and gain support
- ◆ the full support of the private sector
- ◆ competent and professional staff (who for the most part have yet to be trained)

## CONCLUSION

As we continue into the third millennium, the issues faced by governments and the tourism industry will become much broader and will be difficult to resolve without some form of cooperation between the public and the private sector as complementary participants in tourism product creation (Đurašević, 2008). All countries in the region have become aware of the necessity to introduce changes in the way tourism is managed and organised using a destination management organisation (DMO). This is the way ahead for Montenegro too.

Further development in the hotel industry will require answers to at least the following two questions: what to build or modernise in order to provide new hotel or auxiliary facilities, and how to organise activities in companies and destinations and manage development (Čačić, 2008).

The analysis carried out on the example of Sveti Stefan points to the need for professional and effective development of the value chain at this exclusive location. This means establishing an institution that would be operationally responsible for the implementation of the Master Plan for the area. The institution must be professional and competent, comprising relevant representatives of desti-

nation development. The objectives of Aman Resorts and other “big players” at the destination must coincide with the wishes and needs of all stakeholders in order to be competitive and ensure prosperity over a sustainable time period.

The story of Sveti Stefan rings true universally. Most destinations have, or will soon have, a similar situation in their own backyards. That is why it is necessary to establish a model that can be applied in such situations. In this specific case, the destination must ensure that it has its own management through partnership between the key players at the destination: management, investors, lessors, local authorities, citizen’s associations and NGOs.

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