The Regional Development Agency Zlatibor Užice

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INTER-MUNICIPAL COOPERATION REGIONAL VALUE CHAIN

LOCAL PRODUCTS

a key for improving regional tourism value chain

PARTNERSTVO

Čajetina Nova Varoš Prijepolje Priboj Užice

The Regional Development Agency Zlatibor Užice

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Čajetina Nova Varoš Prijepolje Priboj Užice

Content

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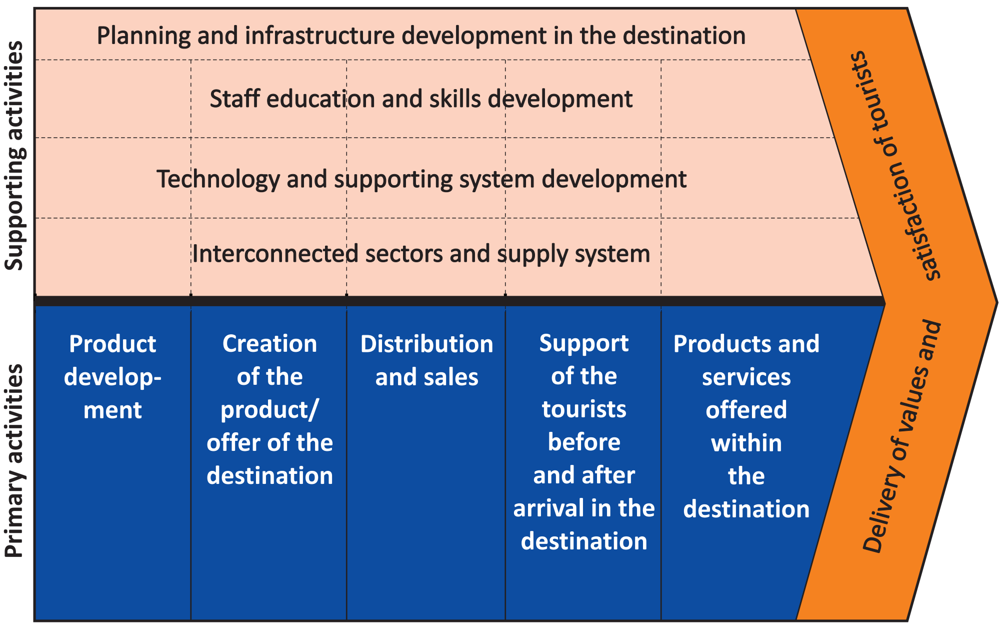
1. INTRODUCTION

1.1. Background of the project

Regional Development Agency Zlatibor, financially supported by **USAID Sustainable Local Development Project**, on September 1, 2013 started implementation **of Inter Municipal Cooperation Užice Regional Value Chain** Project. The aim of the Project is analysis of opportunites for establishment of local products supply chain for tourism sector on Zlatibor, Zlatar and Tara according needs of tourist and consumers. The Project covered territory of 5 local selfgovernments - Užice, Čajetina, Nova Varoš, Prijepolje i Priboj, which are memebers of inter-municipal cooperation formed within USAID Sustainable Local Development Project.

Tourism and travel is an important economy branch in the most of the countries around the world including Serbia as well. In addition to its direct economic impact, the tourism industry has significant indirect and induced impacts. Tourism is focused on delivering the highest quality experience for tourists and visitors, taking into account interests of local community and environment. In order to be successful and competitive on tourism market, tourism destinations have to deliver unique experience and premium values to the users of their services/customers. A great part of offered tourism experience within the destination depends not only of tourism industry actors but of other supporting activities. Considering that destination value model has to be designed according expectations and activities of the tourists.

Tourism value chain



As illustrated above, one of the key supporting activities to delivery of values within tourism destination is supply system from interconnected economic sectors. Manufacturing and processing of foodstuff and other so called *'local products'* represent one of the most important interconnected sectors. Tourism has potential to stimulate regional supply chain and become engine for growth and development of SMEs and farmers dealing within wider area of the tourism destination. Additionally, agricultural production as the main income source in rural areas can achieve double synergy effects of linkage with tourism industry:

- Directly, by offering local products to tourists
- And indirectly, through the offer of other service providers in the destination

In the context of this market assessment, following local (traditional) products were considered:

- Agricultural and foodstuff products made of authentic plants and animals (corns, vegetables, fruits, meat and processed meat products, eggs, dairy products, medical and spice herbs etc.)
- Products protected with geographical indications (registered or with potential to be protected and registered)
- Organic products
- Forest fruits and other natural products
- Traditional handcrafts products and souvenirs.

Having in mind importance of local products for tourism, previous projects and experience gained in the field work, as well as limited Project implementation period (September 1, 2013 till January 31, 2014), the Project team decided to focus on agricultural and foodstuff products including traditional handcraft products.

In addition to the economic effects in the tourism value chain of the destination, importance of local products has much more significant aspects referring to exploitation of local products in creating unique selling propositions of tourism destination, market recognition and identity of the tourism destination. ***Strategic and Operational Marketing Plan of Tourism Destination Zlatibor-Zlatar*** (SOMP) points to the importance of gastronomy as a tourism product that adds value to stay in the destination and in a certain way "color" the entire travel experience in the Western Serbia tourism region. For that reason, agricultural and foodstuff products are of crucial importance for creation of authetic gastronomic offer. These and handcraft products form the base for creating souvenirs of the entire tourism region, including micro destinations within the region. Limited Project implementation period is the second factor that determined assessment frame, since predicted research dynamic enabled adequate assessment of other interconnected sectors - e.g. wood processing and textile industry, since they are mostly export-oriented and do not represent significant items in the tourism value chain of the destination.

Within the region there were identified key stakeholders in the HoReCa sector – 120 restaurants and 26 hotels. One of the hypotheses on which this research is based says that this sector is forced to buy standardized industrial products and that the small producers and processors of local (authentic) products are *de facto* excluded from the market. Additional assumption is that distribution channels for micro and small producers (14.000

registered agricultural households within inter-municipal area) are inaccessible and that they place their products through informal economy channels (grey economy).

The key highlighted challenge is lack of supply chain from local producers for the tourism industry, which implies following dimensions:

- The offer is not based on tourists needs and expactations
- Low level of integration and networking of local service providers
- Lack of synergy effects of gastronomy, tourism, traditional crafts, events and other services within destination
- Lack of knowledge and skills of small and medium enterprises related to the improvement of quality and quantity of products and services.

The key issue is also an objective of the project - to identify and boost development of the supply chain providing small producers to become a part of supply system of hotels and restaurants.

The first step in achieving the objective has been a field research. The purpose of the research and analysis was the identification of key sectors of production and the key barriers for entry of local products on tourism market and creation of an action plan for the implementation of three priority recommendations.

Considering that, research objectives were as follows:

a) To collect qualitative and quantitative data on the tourism sector demand for local products, i.e. to identify local products which are in the line with demand
b) To collect reliable and actual data on the use of local products (type and quantity, turnover, seasonality, sources and methods of supply, promotion of local products) offered by hotels, restaurants and other catering facilities
c) To collect reliable and actual data on production of local products and their placement on the local, regional and international markets, and distribution channels, with a special focus on HoReCa channel (type and size of producers, equipment and machinery, hygiene, quantity, standardization of products, channels distribution, sales and average realized prices per distribution channel).

The survey was conducted on the territory of mountains Zlatibor, Zlatar and Tara, but supply research included companies dealing in the entire Zlatibor District, i.e. in addition to municipalities within established inter-municipal cooperation (Užice, Čajetina, Nova Varoš, Prijepolje, and Priboj) companies dealing in Bajina Bašta, Arilje, Požega and Kosjerić were also included.

Research of industry tourism demand for local products included survey of 300 tourist and visitors and 100 tourism industry entities, and assessed demand for local products on the basis of pre-defined questionnaire. Additionally, after the survey, interviews with 50 hotel and restaurants were conducted. Research of supply (i.e. total sales, production capacities, pieces and distribution channels) was conducted through survey of 100 private companies (small and medium size enterprises and wholesales) and 200 farmers (agricultural households), what was improved through 50 interviews with 50 private companies.

After processing the collected data, noticed challenges and barriers in the local products supply were additionally tested through focus group meetings held on Zlatibor, Zlatar and Užice, attended by key producers and representatives of tourism industry and local authorities.

1.2. Structure and features of supply chain in HoReCa sector

HoReCa is a sector within food and beverage industry which comprise catering facilities preparing and serving food and beverage. The term HoReCa is derived from English words Hotel/Restaurant and Catering. In that sense, traditional consumers within HoReCa sector are following facilities: hotel, motel, camp, hostel, restaurants, resting-place, school, day-care centre, hospitals, catering etc.

Also, HoReCa sector represents sales channel, i.e. distribution channel, having its special characteristics and rules, and for that reason, this segment is given a special attention through establishment of separate department within large companies, whether producers or distribution companies. There are also specific characteristics within this channel, i.e. differences among hotels and restaurants and bars, catering companies and other HoReCa sector facilities (e.g. hotels are able to plan supply in advance according to estimated utilization of accommodation capacities and booked capacities, i.e. confirmed reservations, while restaurants have relatively small but frequent supplies, what shows the importance of distribution system). This example confirms that a sale, i.e. HoReCa supply, is very complex and demanding.

The second important feature of HoReCa sector supply is indirect impact on the final consumers through sales improvement system in hotels and other catering facilities (e.g. organization of product free testing, delivery of free samples etc.), as well as through direct impact on key buyers (owners of catering facilities, procurement managers, chefs etc.) and their employees.

Companies that sell and place their products in the HoReCa sector have to secure presence of their products on the selling points, i.e. consumption places, and to ensure continuous availability of their products in terms of quality and quantity.

For that reason this channel has its features and differs from retail trade. Some of the differences between retail trade and HoReCa sector are presented in the following table:

Retail	HoReCa
Final consumer – buyer makes a decision	Procurement manager or other person in charge of supply (owner, chef) makes decision in the name of consumers
Shelf as a selling point	Hotel/restaurant/bar as selling and consumption point
Procurement of goods does not guarantee sales	Procurement of goods in the most cases means sales of goods
Importance of the branded products	Brand is not of a crucial importance for sales/supply

Retail	HoReCa
Design and package have a great role	Design and package have less importance
High marketing costs (focus on the expensive media)	Low marketing costs (focus on sales improvement)

** It is possible to return certain quantity of unused goods (e.g. wine), but there are also 'must have brands' such as Coca Cola, Red bull and Jack Daniel's*

In the most cases, except when it is about high class luxury facilities, price is the most important factor in making decision on supply, but they also take care on quality, proper package (storage issue and presentation) and supply service (communication, delivery, payment terms etc.)

Key factors related to modern HoReCa sector sales/supply are as follows:

- Type and quality of products and services
- Labels
- Sales capacities (availability of information, communication, payment terms, invoicing)
- Promotional activities, i.e. sales improvement (includes promotion of the product about facility promotion as well)

This shows that sales within HoReCa sector is very complex and expensive, since it requires good planning and organization, engagement of team, distribution vehicles, marketing expenses etc. Small and medium producers who do not have large range of products and do not have larger turnovers usually are not able to organize own sales service, but place their products through specialized retail and wholesale distributing goods of various producers (such a specialized companies are achieving greater turnovers and are able to allocate funds for sales).

1.3. Local products and services in HoReCa sector supply chain

In recent years, large international companies and brands intensively accent tradition as an integral and very important element of their products and remind consumers about some basic values and sustainable and responsible production and organic content. Such a marketing strategy has been accepted by HoReCa sector as well, which also follows trends such as 'return to nature and everything that comes from nature', 'search for authentic experiences' weather it is about the culture, religious or growing, production and preparation of food.

Since the tourism is very important development sector of Western Serbia tourism region, with the great potential for generating new and increasing current demand (what automatically implies increase of offer and generating employment) weather it is about products or services, local products have a great importance in the destination offer and play significant role in creating image and recognition of the destination.

Considering mentioned facts, the research was focused on identifying existing production and demand for local products, their presence in the HoReCa sector and barriers for increasing their presence, as well as on search for solutions for improving integration of local products in the tourism product of the destination, both in marketing and sales- Research findings and key barriers for improving HoReCa sector supply chain and inclusion of local products and services are elaborated in the following sections.

1.4. Focus on local foodstuff products and old handcrafts

In addition to the information provided in the introductory section, very important reasons for focusing on foodstuff local products with potential for further development and growth were following:

- Opportunity to achieve visible results in the short term (increase of income and growth of employment)
- The role of foodstuff products in satisfying existential need (local population and tourists as consumers) and food processing industry as an important industry branch in Serbia
- Position of foodstuff products and old handcrafts in the tourism offer (e.g. gastronomy and old handcrafts in the cultural and gastronomic events and everyday life of local population – life ventures – participation in cow milking and milk production, plum harvest and Rakia production etc; tourism attractions – roads of Rakia, degustation points); linkage of agriculture and tourism as 2 very important branches in the economy of this region
- The best practice examples of the international famous destinations and some regional destinations which created image and achieved significant results in utilization of local resources – e.g. Toscana in Italy (focus on black wines such as Chianti Classico, Brunello di Montalcino, extra virgin olive oil, Toscano salami, prosciutto, Toscano sheep cheese, terracotta); Provence in the France (lavender and products of lavender – essential oils, creams and other body care products; example of worldwide famous brand L'Occitane, perfume, black wines rich in vanilla flavour, cinnamon and red fruits, uttermost gastronomy with the accent on cheese and snails), Istria in Croatia (white wine Malvazija, olive oil, truffles, asparagus, noodles fuži, pljukanci etc.)
- Compatibility with Serbian tourism promotional campaign where food and beverage are presented as a basic marketing and branding tool (PROMOTIONAL MOVIE OF Tourism Organization of Serbia "Soul food" presents different parts of Serbia and their characteristic food and beverages)

2. QUALITY AND QUANTITY ANALYSIS OF DEMAND FOR LOCAL PRODUCTS

2.1. Introduction to demand segments: tourists, hotels and restaurants

Tourism has already been established as one of the most important economic activities in the territory of Zlatibor, Zlatar and Tara and represents an important source of prosperity for a large number of residents in this area. From the perspective of economics, inter-municipal partnership of the territories of Užice, Čajetina, Priboj, Prijepolje and Nova Varoš, records a significant growth of the tourism industry through the increase in the number of tourist arrivals and revenues (in the last three years, tourism growth was 19.2%, while the revenues increased three times, indicating very rapid growth of the tourism industry in this territory), but also indirectly through the increased turnover of other goods-producing and service-producing industries (hospitality, agriculture, trade, etc.). In 2012, 250,000 tourist arrivals and 950,000 overnight stays were achieved in the observed territory and it is estimated that over a million tourists visited different tourist attractions.

However, there is a high dependence on domestic tourists, who dominate (about 90% in the tourist structure by country of origin), and the problem is the pronounced seasonality (the most overnight stays were realized in summer months, in July and August, and during the winter holidays in January). On the other hand, this situation clearly indicates the possibility of market diversification, season extension and higher capacity utilization.

The seasonality and market dependence problems can be mitigated by diversification of supply and also by building brand recognition and more quality image of the destination that would attract new market segments (an emphasis on the high-spending tourists, special interests and foreign markets). In this context, one of the elements towards rich tourist offer are improvement and enrichment of the offer of local products in which tourists show the great interest, because those products represent a traditional and cultural values. In this way, tourism would stimulate the development of a regional supply chain and serve as a lever for growth and development of the various small and medium-sized enterprises and farmers. The increase in the number of tourists, or demand, creates the conditions favourable for improving the sales of local products in hotels, restaurants, souvenir shops, variety stores etc.

On the supply side, the territories of Zlatibor, Zlatar and Tara are famous for its traditional products and some of them have protected geographical indications (GIs). There are following famous products: 'Zlatiborski kaymak', 'Zlatarski' cheese, 'Sjenički' cheese, 'Užička' beef prosciutto, 'Užičkaa' pork prosciutto, 'Uzicka' bacon, 'Ariljska' raspberry, plum brandy, Sirogojno sweaters, honey and buckwheat, that became popular recently.

On the demand side, a large number of tourists recognize and appreciate local products, because prevailing domestic tourists stated that local products are one of the side motives to visit this destination and the above mentioned products are more or less present in the offer of local hotels and restaurants. Tourists marked dairy products as the best products and destination brand, but dry cured meat products are highly rated too.

2.2. Characteristics of tourism demand in destination

During the research of tourism demand in September and October 2013, according to the proposed methodology, 300 tourists staying on Zlatibor, Zlatar and Tara were surveyed based on the random sampling method. The overall results of the research, analyzed by certain categories of questions, are given in the following sections below.

2.2.1. General overview of the statistical sample

More than half of the interviewed sample is women (54%). Looking at the age structure, most of tourists belong to categories "under age of 30 and "between 30-40 years of age" (31% and 32%). Among the surveyed, 54% of the tourists are married or in common-law marriage and there is an equal proportion of women and men. The fact is that the group of elderly tourists, i.e. people older than 50, is dominated by women.

By analyzing the educational structure of the surveyed tourists, we can conclude that the educational level of tourists who visit destination is significantly higher than the average level in the Republic of Serbia. 58% of them have at least high school diploma and 36% have at least a college degree. On the other hand, only 3% of the respondents did not complete high school education and they are all older than 40 years of age.

Among the tourists visiting the destination are dominant those who live in households with children (38%), while there is an equal percentage of people living in multigenerational families and the individuals who live alone or with roommates (24%). There is a strong correlation between the household type and the age of respondents.

Tourists live in households with an average number of three members of whom 1.4 members are minors. The assumption that wealthy people go on holidays more often was confirmed once again, since there are two employed persons per household with an average of 1.6 members older than 18, which is far higher than the average employment rate in the Republic of Serbia. An average salary is RSD 43,000, which is also significantly more than the national average.

2.2.2. Costs of travel and stay

The average length of stay is 5.76 days. Although tourists said they usually stay between 6 and 10 days, their current stay does not correspond to that information (survey has been conducted in September and the first half of October, 2013). According to the collected data, 60% of tourists in destination decide to stay less than 5 days, while only 35% of them stay between 6 and 10 days. Tourists usually spend about RSD 25,000 per average length of stay. During the research, 80% of tourists reported that they spend RSD 30,000.

Tourists spend the most of money on food and drink in restaurants (approximately RSD 4,000) and the other major costs are: transportation to the destination, buying food and beverages in the stores and buying other goods in shops (about RSD 3,000 per each cost category listed above). They spend up to one thousand dinars on local transportation, medicines, events and activities. It is noticed that tourists who pays more money for tourist services than the average, also spend more in all categories.

2.2.3. Tourist behaviour

An average tourist goes on holiday in this destination (Zlatibor, Zlatar, Tara) several times a year, and nearly half of them more than three times a year.

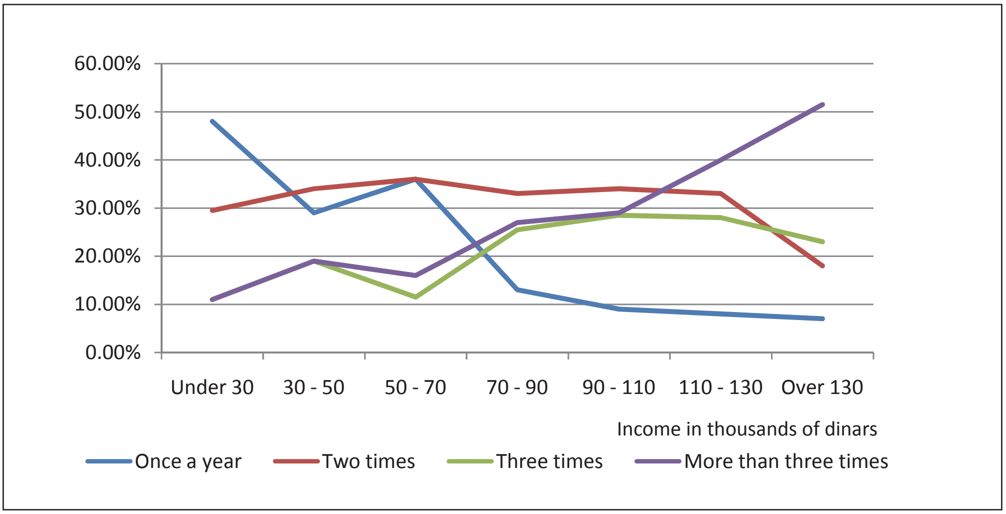


Chart 1. Income level and travel frequency

The analysis showed that the number of tourists' visits is directly related to the monthly household income. *Chart 1* show that the proportion of those who travel more than three times a year rises with the increase of average household income and vice versa and there is a correlation with the educational structure of the tourists, money spent on souvenirs and the frequency of visits to the destination.

Tourists get information about tourist destinations mostly from friends' recommendations (43%), on the internet (41.5%) and in travel agencies (11.5%). Only 1% of respondents are informed via other media and the remaining 4% of tourists combine the most common sources of information. It is noticeable that internet usage decreases with age of the respondents, while on the other hand, word-of-mouth recommendations become the dominant source of information and travel agencies services are used more often. Break-even point is a generation aged between 50 and 60 years, where it is observed that friends' recommendations become absolutely dominant source of information about the destination, while all other sources of information are practically neglected and very rare.

Tourists usually book their accommodation directly, without tourism mediators (58%). Three out of ten visitors use services of travel agencies and tour operators (28%), while the reservation service via the internet is used by 14% of the tourists. There are no significant relations to other factors.

2.2.4. Characteristics of holiday in the destination

Among the tourists surveyed during the summer months, almost 41% of them said they do never come at the mountains during the winter, while 45% said they were visiting mountain resorts throughout the year. One of the 41 respondents is in visit or on a business trip, while others travel for pleasure.

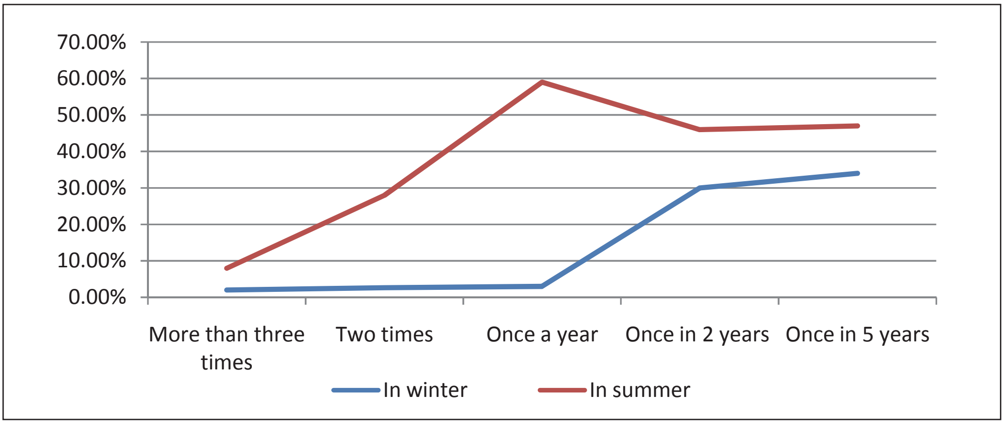


Chart 2. Seasonal distribution of tourist visits

The strongest link is recognized between the period in which tourists come to the mountain and the frequency of visits to the observed destination. It is noted that 90% of tourists come to mountain on vacation all year `round. The interesting thing is that tourists who come only in winter are not regular guest of this destination.

Approximately one third of visitors (32%) visit the destination more than once a year, almost one of three tourists comes once a year (29%) and the rest of the tourists visit destination less than once a year. There is no significant difference in the motives of people who come on vacation more often and those who travel rarely.

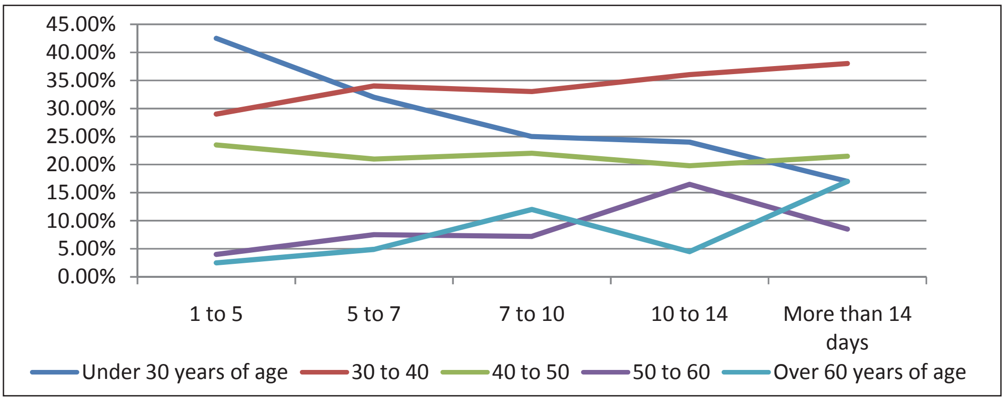


Chart 3. Distribution of the tourists during the summer season by the length of stay and by age

During the summer period, the most of tourists stay in destination between 6 and 10 days (62%), while the stay length of 36% of the respondents is between 7 and 10 days. A one fifth of tourists stay less than 6 or more than 10 days.

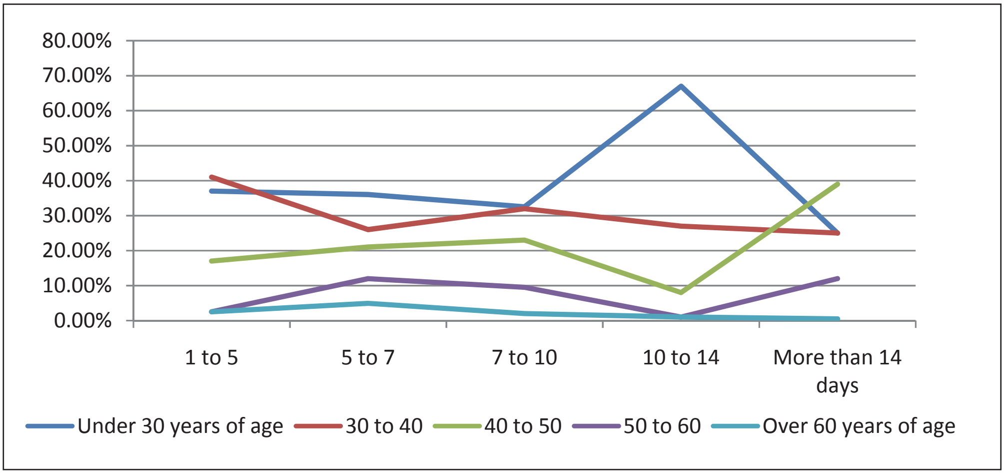


Chart 4. Distribution of the tourists during the winter season by the length of stay and by age

Tourists under 30 made more than 40% of all tourists who stay in destination up to 5 days during the summer period and their share is in steady decline as the number of overnight stays has increased. The opposite trend is noticed in a group of people older than 40 years (with minor exceptions). When we talk about winter period, there is no strong correlation with tourists' age.

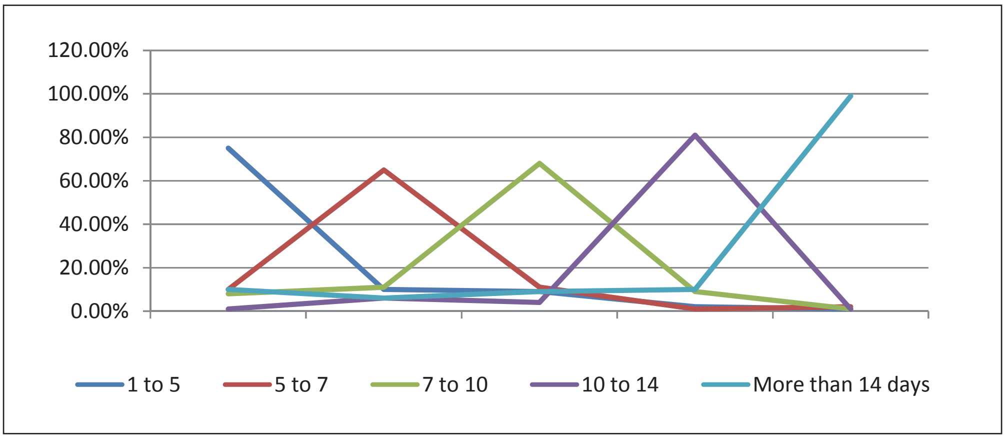


Chart 5. Distribution of tourists who visit destination both in summer and winter by the length of stay

The interesting thing is that tourists, who come in destination both in winter and summer time, have the same length of stay on vacations regardless of season. Tourists, who stay longer in winter, also stay more than two weeks during the summer. The percentage of other groups is slightly lower, but not less than 65%.

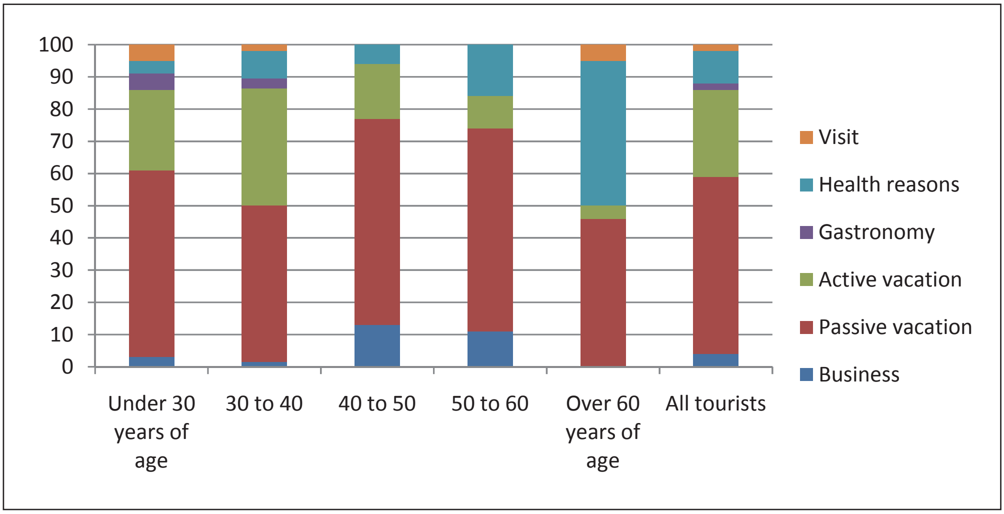


Chart 6. Structure of tourists by purpose of travel and by age

About half of the tourists come in this destination with their families. Travelling with friends is typical for younger people (under 30 years). The proportion of tourists who travel with friends is declining in 50-60 years age group, and that percentage is again in increase considering age after 60. There is an opposite situation for tourists who travel with family. The youngest tourists travel rarely with their family and their share is rising up to the 50-60 years when again start to decline.

People particularly come in the observed destination for passive vacation, almost 58%, while 63% of respondents indicated that, among others, this type of holiday is reason to visit this destination.

The second most important motivational factor for the visit is active tourism and 24% of tourists visit the destination because of this type of tourism. In addition, 8% of tourists come to destination for health reasons. A very few of them come mainly for gastronomy, usually respondents under 40 years of age.

The majority of tourists (97%) express intention to visit destination again, while the remaining 3% of tourists are still indecisive. The tourists who often come to the mountain are also sure they want to visit the destination again. Loyalty to this tourism destination is directly proportional to the number of arrivals in destination and tourists' age, and inversely proportional to the average length of stay in destination. All tourists who stay longer than seven days on average are one hundred percent loyal and assured that they will repeat the visit.

Characteristics of summer holiday in the destination

During the summer vacation, the largest number of tourists (82%) spend their time enjoying and relaxing without any activity.

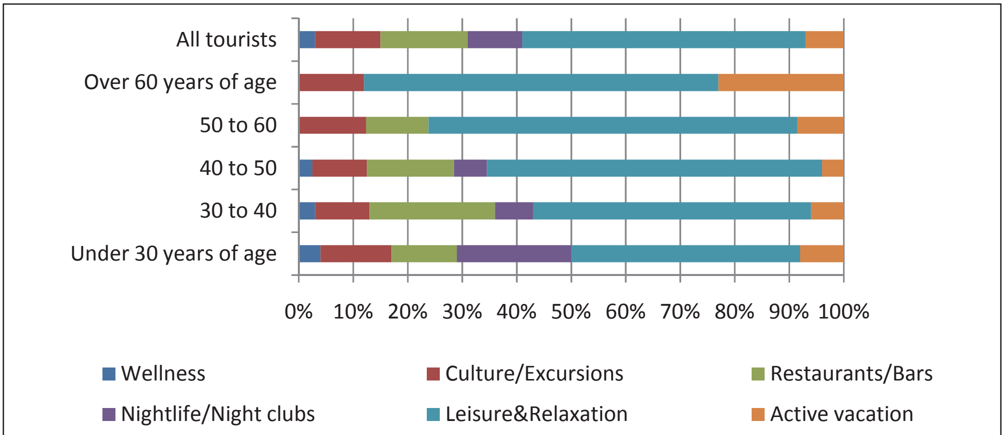


Chart 7. Distribution of tourists in summer season by preferences and by age

Consideration of age categories shows that the largest percentages of tourists who prefer nightlife and spend their time at the night clubs are the youngest visitors and that share decreases as tourists age raises. Inversely, the proportion of those who spend time in leisure and relaxation increases with age. The percentage of people who spend time in cultural activities and excursions is constant among all age groups. When we talk about percentage of tourists who spend time in activities, primarily walking and hiking, it is 90%. Individually, the number of people who prefer riding a bike (25%) or playing tennis (10%) is not insignificant either. Looking at the age structure, people older than 40 years prefer walking and hiking only, with a small exception of people aged between 40 and 50 years, who enjoy riding bikes.

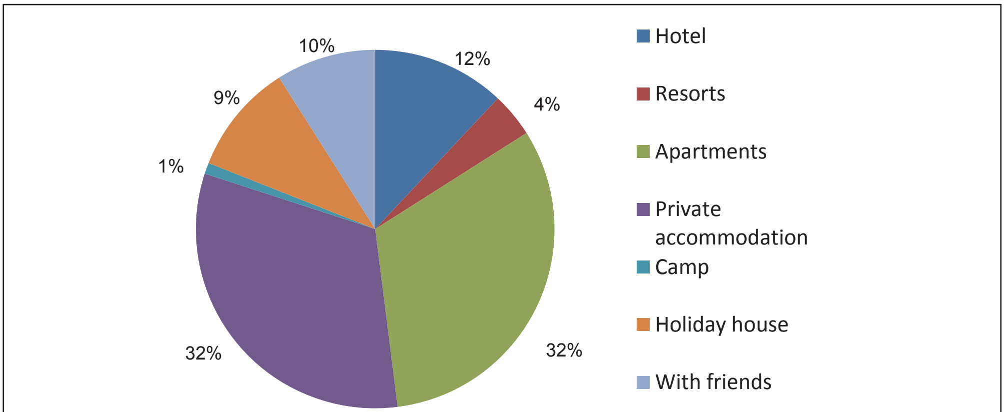


Chart 8. Distribution of tourists by type of accommodation

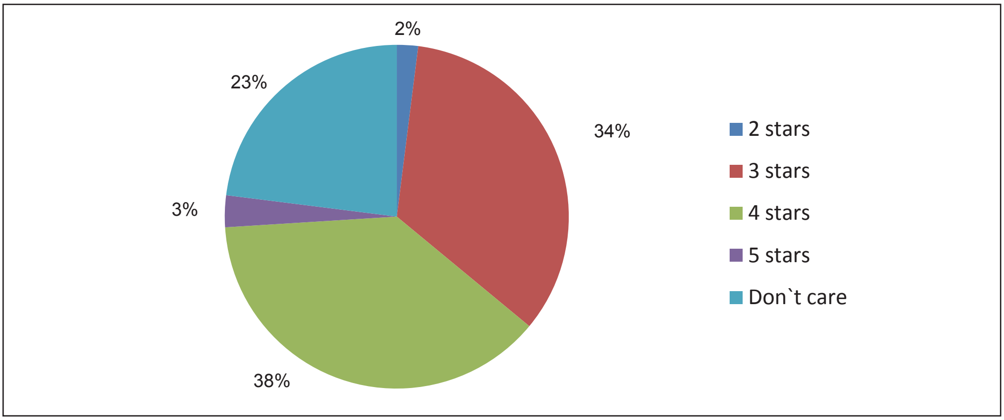


Chart 9. Distribution of tourists by quality of accommodation

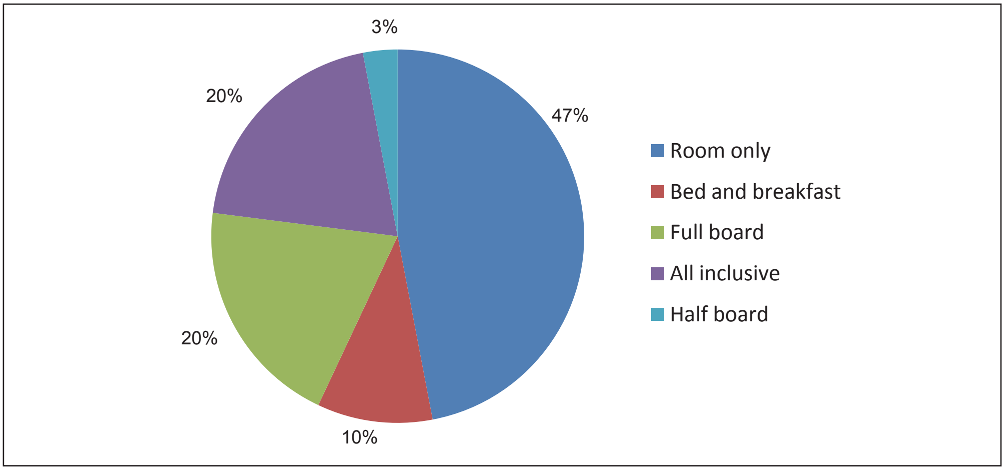


Chart 10. Distribution of tourists by type of services they prefer

Tourists in destination usually choose private accommodation and apartments (32%), about 12% choose the hotels and approximately the same number of tourists who stay with friends or in their own holiday houses (10%). The most wanted are 3 and 4-stars services, 72% of tourists say they prefer this level of service. A significant number of tourists (23%) are completely indifferent towards this issue. Tourists usually take overnight service (i.e. no meals included - 47%), and 20% of tourists opt for a full-board or all inclusive service. Tourists who come both in summer and wintertime have very similar desires in terms of accommodation type, level and type of services.

Characteristics of winter holiday in the destination

During the winter season, only 32% of active skiers visit the observed destination and that number is mainly composed of younger people.

In wintertime, three-quarters of tourists spend time in leisure and relaxation and are not occupied with activities. It is a similar situation in the summer, and 31% of tourists spend time in restaurants and bars and nightlife (28% of tourists). The most common activity is skiing and one-fourth of all the guests at the resort are interested in it.

Habits of tourists who come in the destination in winter and those who visit in summer are very similar and no significant differences between tourists in terms of type of accommodation, quality of accommodation and type of services have been noticed.

2.2.5. Evaluation of tourism offer in destination

Tourists rated the different aspects of quality of the destinations offer. They generally have a positive impression of the destination, with an average grade 4.38. None of the respondents reported that they have a bad impression of the destination. There is a high correlation between the answers.

Tourists consider that natural and climatic conditions are the strongest point of this destination and the interesting thing is that all tourists agree on this (nobody graded this aspect of the offer lower than "good"). Among the most appreciated aspects are food quality and the hospitality of local population, and they are followed by accommodation quality and offer of food, beverages and local products. Tourists are less satisfied with the offer of entertainment and cultural activities, transportation services and price/quality ratio.

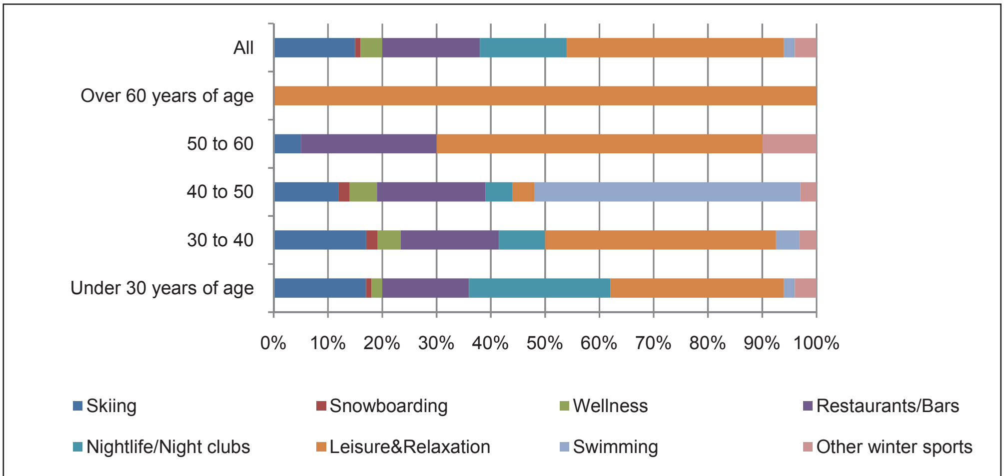


Chart 11. Distribution of tourists in winter season by preferences and by age

Aspects of the tourism offer in destination	Sample size	The lowest grade	The highest grade	Average value
Quality of accommodation	300	2	5	4.42
Quality of food	300	2	5	4.46
Hospitality	300	1	5	4.46
Offer of the entertainment events	300	1	5	3.71
Offer of the food and beverages	300	1	5	4.41
Local products offer	300	2	5	4.25
Transportation service quality	300	1	5	3.50
Price and quality ratio	300	1	5	3.43
Natural and climatic conditions	300	3	5	4.63
Offer of the cultural events	300	1	5	3.32
General opinion about the destination	300	2	5	4.38

Table 1. Tourist evaluation of the main aspects of tourism offer

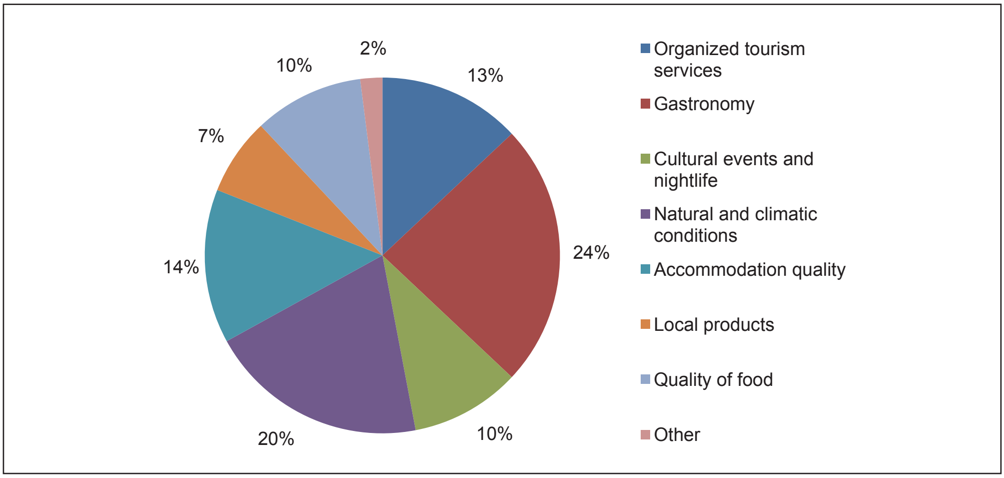


Chart 12. The highest rated elements of tourism offer

Talking about three aspects of tourism offer the guests are mostly satisfied with, about 24% of answers included some aspects of the gastronomy, and then follow natural and climatic conditions (20%) and quality of accommodation (14%). On the other hand, they point out that they are the least satisfied with the price/quality ratio of the offer (15%), tourism offer, communal problems and poorly planned urbanization of micro-locations (both 14%). It is interesting that 40% of respondents did not state any objection so it can be concluded that they are satisfied with the offer.

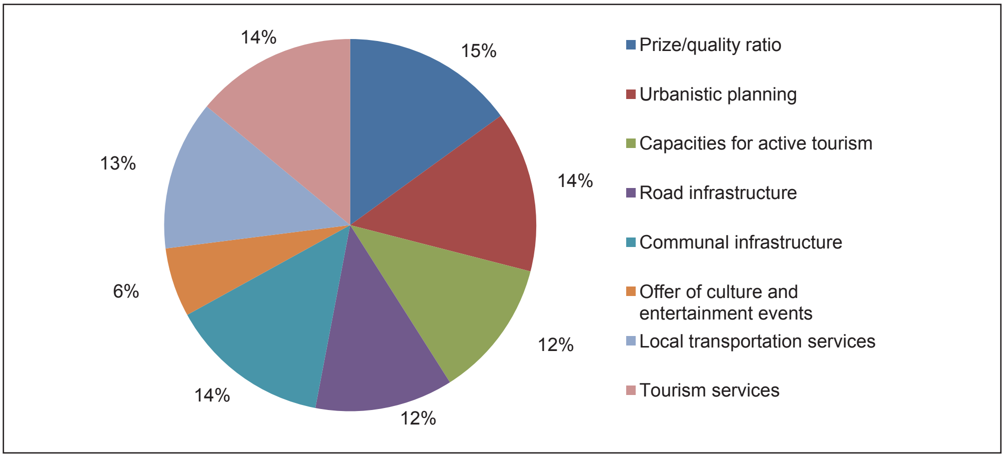


Chart 13. The lowest rated elements of tourism offer

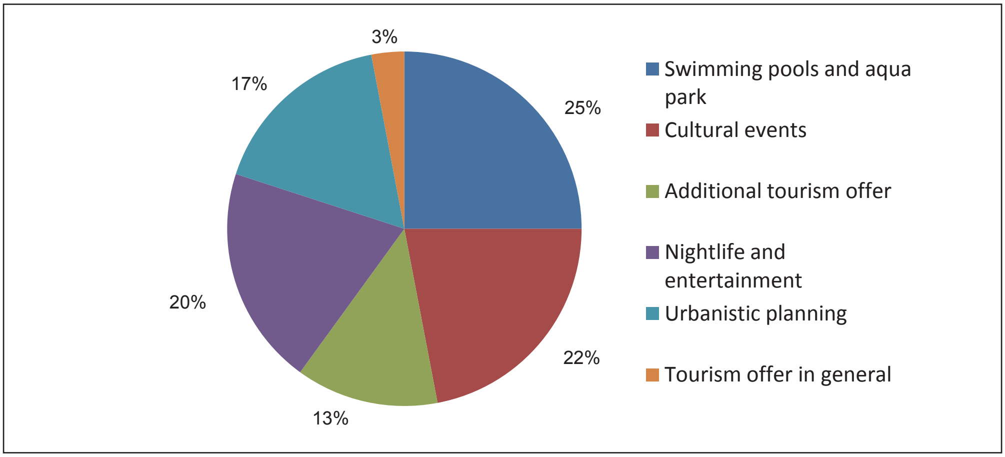


Chart 14. Suggested elements for improving the tourism offer

Only 30% of the tourists gave a suggestion for improving the offer and none of the proposals were supported by more than 10% of the tourists. The most common are proposals for the opening of the new swimming pools, aqua parks and introducing the new cultural events.

Tourists usually spend money on local traditional food (52%), souvenirs (47%), local drinks (24%) and local clothes (15%). They usually buy goods at local marketplace (64%), then in the shops in the centre of town, shopping malls and ethno shops (15% of tourists). Only one in twenty tourists buys products directly from the producers.

Products	Sample	Minimum amounts	Maximum amounts
Local souvenirs	170	RSD 100	RSD 6,000
Local clothes	40	RSD 300	RSD 14,500
Smoked meat products	159	RSD 500	RSD 10,000
Dairy products	149	RSD 100	RSD 50,000
Vegetables and spice crops	20	RSD 200	RSD 5,000
Fruits	25	RSD 100	RSD 10,000
Juices	14	RSD 200	RSD 3,000
Jams	14	RSD 250	RSD 3,000
Honey, propolis, honeycomb	54	RSD 250	RSD 3,000
Herbal tea	39	RSD 20	RSD 2,000
Brandies	78	RSD 350	RSD 10,000

Table 2. Average tourist expenditures by categories of local products

Tourists think that dairy products originating from this destination are its most valuable brand. They also have the opinion that smoked meat products are very well known. Local brandies are in the third place, and only one-tenth of tourists think that brandy is the most famous local product. According to the previous conclusion, tourist spend the most money on dairy products, approximately 4,000 dinars, as well as on local handcrafts products (such as sweaters, vest, socks, caps etc.), but they are not recognized as a brand of this region.

Tourists buy products after receiving the recommendation from friends (63%), on the basis of previous experience (14%) and sometimes do their own research (13%). Promotion of products has not significant role in purchasing the local products.

2.2.6. Tourist attitudes about offer in the destination

Tourists have similar attitudes and agree that this mountain provided them the opportunity to enjoy. They agree that the offer of local products is very good, the quality is very important factor that affects purchasing and that the general quality of local products is very good. Neither do tourists praise the offer of cultural events in destination, nor the range of activities available to tourists and price/quality ratio of the services. However, none of these claims is negative.

Tourist attitudes towards offer in destination	Sample size	The lowest grade	The highest grade	Average value
I enjoy spending time here	300	3	5	4.33
This destination has wide range of activities	300	1	5	3.60
The offer of cultural events is very good	300	1	5	3.16

Tourist attitudes towards offer in destination	Sample size	The lowest grade	The highest grade	Average value
The local souvenirs offer is very good	300	2	5	3.97
The offer of local food and beverages is very good	300	1	5	4.18
Quality of local products is very high	300	1	5	4.00
Quality of local products is the key factor for purchase	300	2	5	4.22
Price/quality ratio of local products is very good	300	1	5	3.50
Assortment of local products in HoReCa facilities is very good	300	1	5	3.92
Assortment of local products in wholesale/ retail stores is very good	300	1	5	3.88

Table 3. Evaluation of tourism offer in destination

2.2.7. Conclusion

The presented research results are a confirmation of the basic assumptions about the demand characteristics and guests evaluation of offer and indicate on the necessity of more intensive promotion and placement of local products in hotels and restaurants in order to create brand and to complete the offer of destination.

This is the so-called "chain reaction" - local products enhance the destination identity and that identity make sale easier and stimulate the longer stay in accommodation facilities, bring new and old guests which increases capacity utilization throughout the year (higher average annual usage) and generates greater consumption expenditures. Higher demand requires a higher supply, which involves the re-employment of unused production capacities and workforce, and contributes to the economic welfare of the local community.

Global tourism market increasingly offer products tailored to individual preferences and requirements of tourists or specific market segments, where competitive advantages and special features of tourist destinations are particularly important, such as natural and climatic conditions, rich and also high quality gastronomy offer, as within the observed destination. Food and beverage segment provides the basis for further diversification of tourism offers and adjustment to the requirements of users focused on health preservation - back to nature, organic food consumption, use of medical herbs and natural cosmetics, etc. Such conscious guests are also willing to spend more money, which affects the change in the guest structure, in favour of those with higher purchasing power, and goes beyond the local domestic market and the region.

We can conclude that this study on the tourist attitudes confirms that there is a justifiable reason and plenty of room for more diverse portfolio of local products in tourism offer.

Some findings of this research are not the subject of this project, but are important for comprehensive destination offer and should be mentioned in this report. Because tourists are less satisfied with the offer of entertainment and cultural activities, transportation services, the price/quality ratio, communal infrastructure, services etc., it is a message for local authorities' decision makers to examine these problems and try to solve them within a short period of time.

2.3. Characteristics of demand and attitudes of HoReCa sector representatives

During demand research in tourism industry, 100 representatives of HoReCa sector from Zlatibor, Zlatar and Tara were surveyed, of which 53% were food service providers (restaurants), and the remaining 47% were providers of accommodation and food services (hotels, lodgings and ethno villages). Overall research results obtained by analysis of collected data through survey and semi-structured interviews are presented in the following sections. The main criterion for the selection of 100 representatives of HoReCa sector was the annual turnover/revenue in 2012.

Preliminary survey results were basis for further assessment conducted through semi-structured interviews of 50 HoReCa sector entities, with the aim to define key conclusions related to this sector as one of the key channels for distribution and promotion of local products. The criteria for the selection of the 50 subjects for the interviews included the following:

- Performance data of catering facilities (total annual turnover, seasonality).
- Information about HoReCa sector demand and the availability of local products in the offer
- Type and size of the tourist facility

Duration of interviews depended on the importance of the HoReCa entity, size of a company (capacity, turnover), as well as on respondents` interest to participate in this assessment. Interviews were held in business premises of the respondents.

Contrary to surveys that were filled in by the available staff within the company (mostly procurement manager, head of accounting, the owner or a manager, and in some cases the chef, chief waiter or waiter), interviews were conducted only with the owners or senior management representatives (in smaller enterprises, chef falls into the specified category).

The interviews were conducted in a manner that provides additional comments on answers obtained through survey (the unanswered questions or incomplete/unclear answers given in a survey) and further explores them with the aim to identify key problems and barriers to the local products use and supply, in case mentioned products were important for the offer of the specific HoReCa facility.

2.3.1. General overview of the sample

About half of the hotels included in the research (51%) have up to 35 beds and 75 seats in the restaurant, while the remaining half consists of hotels with a capacity up to 100 and over 100 beds (24.5%), and the average number of restaurant seats is between 141 and 392. Restaurants have an average of 94 seats and only a one fifth of them have the capacities above average levels, what indicates that small capacity restaurants are dominant in the destination. All surveyed entities are characterized by a large number of working days in a year. The average number of working days is 350 and 81% of facilities operates throughout the year.

The analysis show that summer marks the high season, and during the wintertime HoReCa sector is faced with low tourism season. Medium tourism season is noticed during May and September. An exception in regard to the mentioned trends is a New Year holiday, when there is a peak season, in contrast to trends.

Considering guest structure by country of origin, domestic visitors (90%) are dominated, then there is a small percent of foreign tourist from former Yugoslavia countries as well as tourist from Western and South-western Europe.

The hospitality marketing mix consists of leisure guests (individuals, groups/syndicates, sports teams), but there is also significant share of business guests - congress tourism and transit tourists (on the way to seaside during the summer months). Overnight with breakfast and half-board service are the most frequently sold service within accommodation facilities, while within the restaurants that is lunch and dinner service.

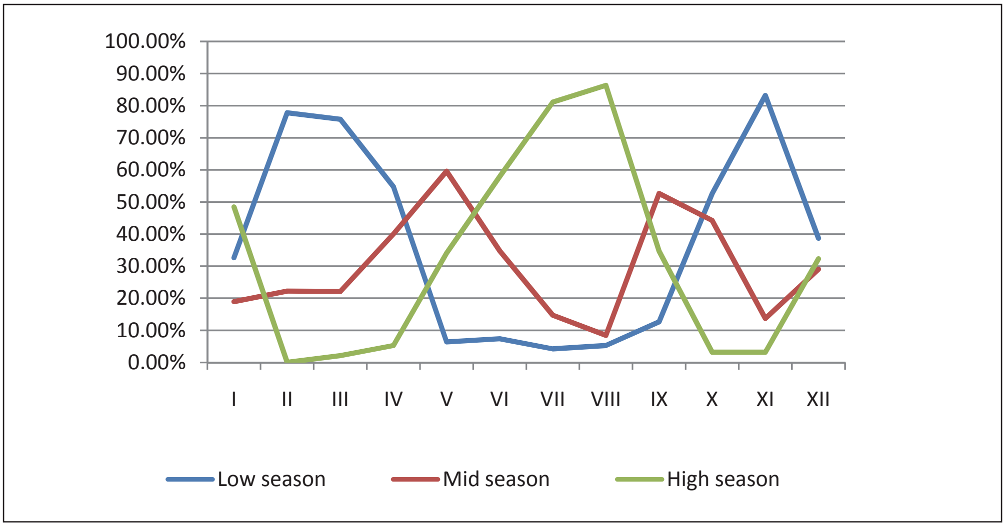


Chart 15. Tourist turnover by months

2.3.2. Evaluation of tourism offer in the destination

Evaluation of the offer	Sample size	The lowest grade	The highest grade	Average value
Accommodation quality	100	2	5	3.85
Food quality	100	1	5	4.14
Hospitality	100	2	5	4.04
Offer of the activities	100	1	5	3.07
Offer of the food and beverages	100	1	5	3.95
Local products offer	100	2	5	3.47
Transportation service quality	100	1	5	2.81
Price/quality ratio	100	1	5	3.18
Natural and climatic conditions	100	1	5	4.30
Offer of the cultural events	100	1	5	3.11
General opinion about the destination	100	1	5	3.78

Table 4. The evaluation of the elements of tourism offer in destination

The respondents rated the offer in the destination as very good, with an average grade 3.78. The overall impression of the destination is graded as „very good". All surveyed entities are satisfied with the natural and climatic conditions (4.30), and it is noticeable that

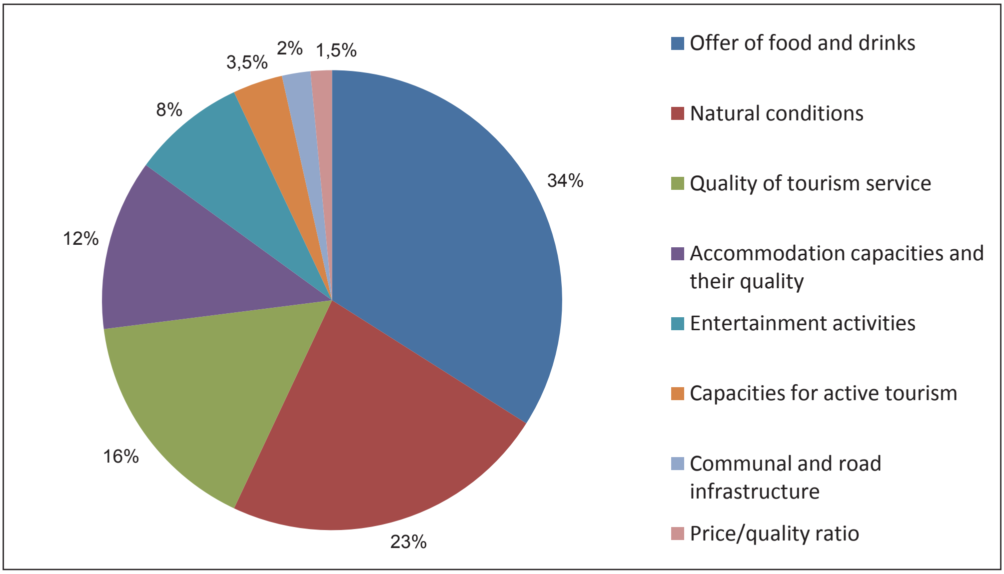


Chart 16. The highest rated elements of tourism offer

the hotel owners are significantly more satisfied with this aspect of tourism offer (approximately 70% of them graded 5). It has been observed that there is a great disproportion between the grades of food quality and hospitality, which were rated with the lowest grades by restaurateurs. The transportation service quality is the lowest ranked aspect of tourism offer.

In addition to previous questions, we asked the respondents to list three aspects of offer they are mostly satisfied with. It is interested that they highlighted the offer of food and beverage as the best element of tourism offer (33% - every respondent named at least one type of food or beverage as the best). 23% of the respondents marked natural and climatic conditions as the best element of tourism offer, while in the previous question this was the highest-ranked aspect. There are also overall quality of tourism offer (16%) and quality of accommodation capacities (12%).

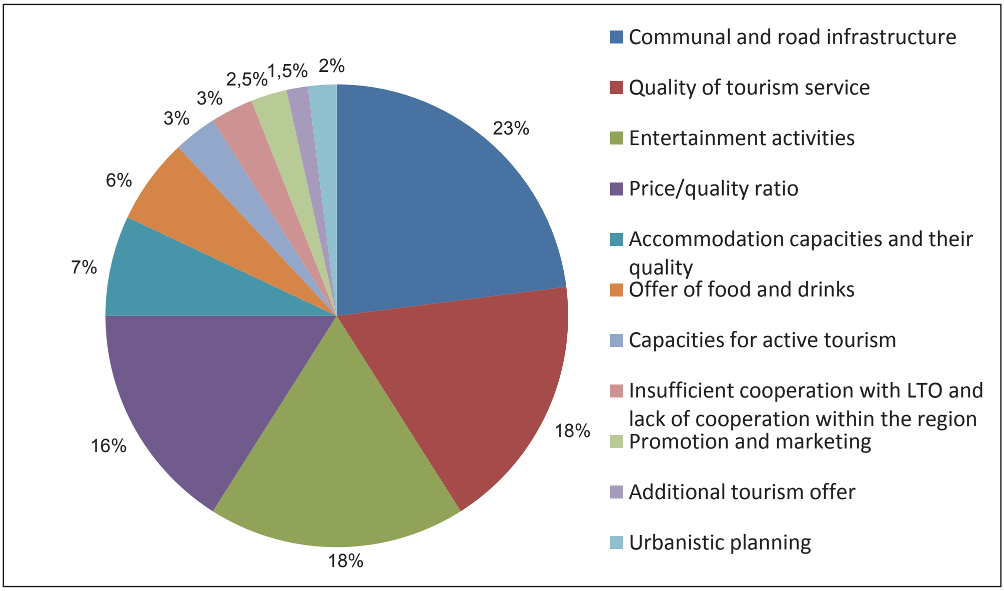


Chart 17. The lowest rated elements of tourism offer

Similar to the previous question, the lowest-ranked aspects of tourism offer are communal and transport infrastructure (23%). Among others shortages, there are also poor services and lack of entertainment and cultural events (18% per each aspect) . The interesting thing is that respondents, especially those who participate in creation of tourism services prices, emphasise the price/quality ratio as the negative element of offer.

According to the opinion of hotels and restaurants, there is a lack of tourism service quality (21%), additional tourism offer (14%) and higher quality in regard to the regarding to the current prices (14%).

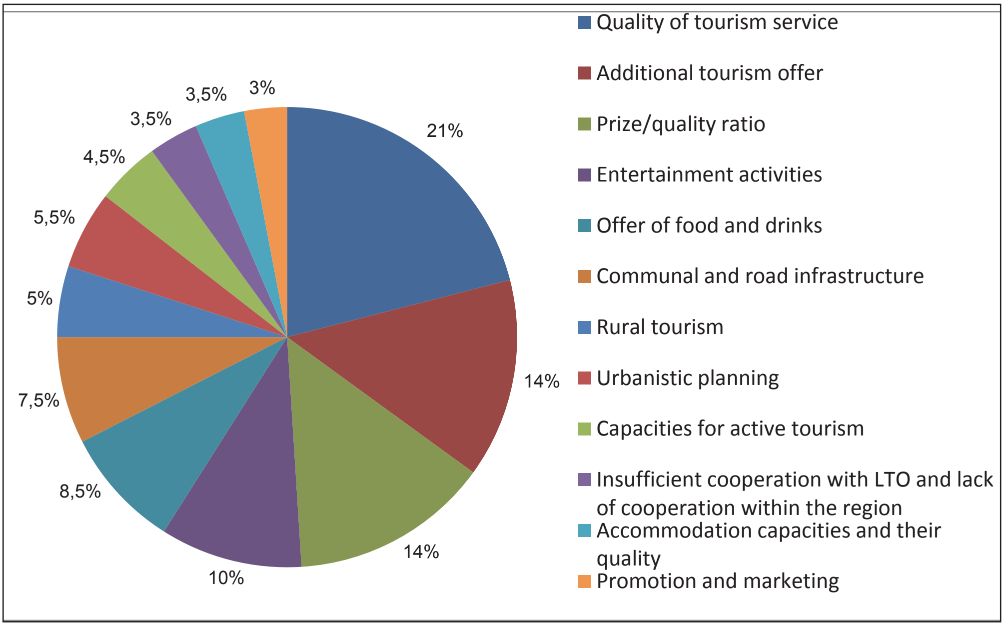


Chart 18. Suggested elements to be improved within the destination tourism offer

2.3.3. Proportion of local products in total offer

According to the analysis of collected data, the average proportion of local products in offer of hotels and restaurants in the destination is 37%. Only in 15% of surveyed facilities, share of local products in the offer is more than 70%.

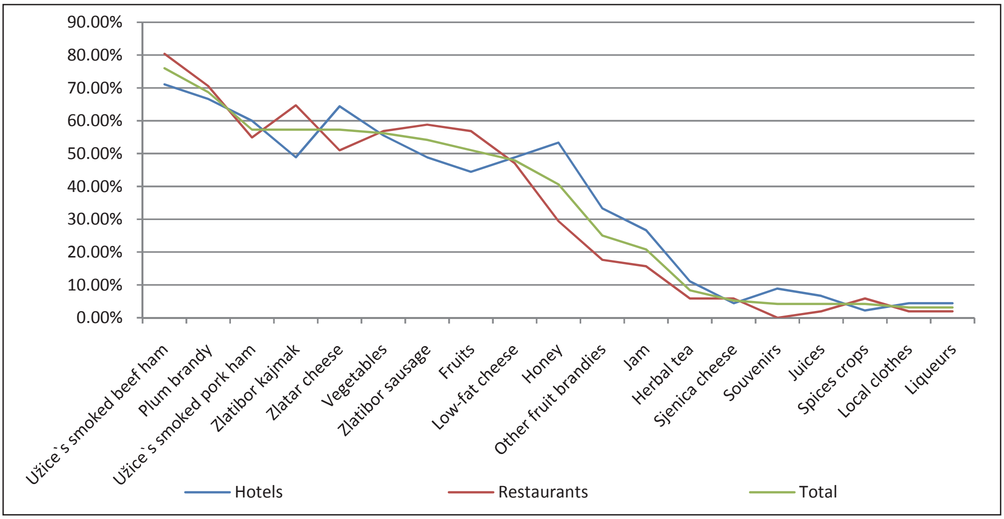


Chart 19. Distribution of HoReCa facilities by the categories of local products

It is important to note that the proportion of local products in the total offer of destination is not realistic and is based on estimation – 'feeling' of HoReCa entities, because exact data could be derived from goods balance sheet that shows 10% share of local products in total offer.

HoReCa sector entities use local smoked meat products (smoked beef prosciutto, smoked pork prosciutto and 'Zlatiborska' sausage), plum brandy and dairy products (cheese and kaymak) mostly. A very few of them can offer souvenirs and local clothes. Only 15% of the surveyed respondents answered the question related to quantities of local products they use; large variety of answers disabled precise determination of the average quantities and because of that the average value is not a good indicator. Further decomposition of statistical sample has resulted in too small groups and so it was not possible to determine the quantities of local products that were consumed.

HoReCa attitudes about barriers	Hotels	Restaurants	Average
Lack of standardization	88 %	66 %	77 %
Lack of distribution channel of local products	33 %	36%	34 %
Insufficient promotion of local products	30 %	28 %	29 %
Insufficient quantities of local products	21 %	28 %	24 %
High prices of local products in comparison to industrial products	16 %	21 %	19 %
Non-flexible payment terms	2 %	11 %	7 %
Low quality of products	5 %	4 %	4 %
Other factors	5 %	4 %	4 %

Table 5. The greatest obstacles to the use of local products in HoReCa facilities

77% of respondents marked standardization as the greatest barrier to the use of local products. It is evident that hotels often emphasize the importance of standardization (88%), and that opinion may be a result of the fact that standards are more important to larger tourism entities. 34% of the respondents answered that underdeveloped distribution may be the main problem associated with the use of local products in hotels. Restaurants pay a bit more attention to the problem of local products distribution in relation to hotels, what can in connection with the fact that provision of food and beverage is their basic service.

2.3.4. Supply of local products in HoReCa sector facilities

Managers and owners are responsible for supply (77%) in the HoReCa sector facilities. This is typical for the restaurants where 90% of the supplies are conducted by owners. Approximately 20% of the facilities have staff and separate department in charge for supply. Owners or managers are in charge of supply in small restaurants, while increasing of capacities implies involvement of procurement department employees.

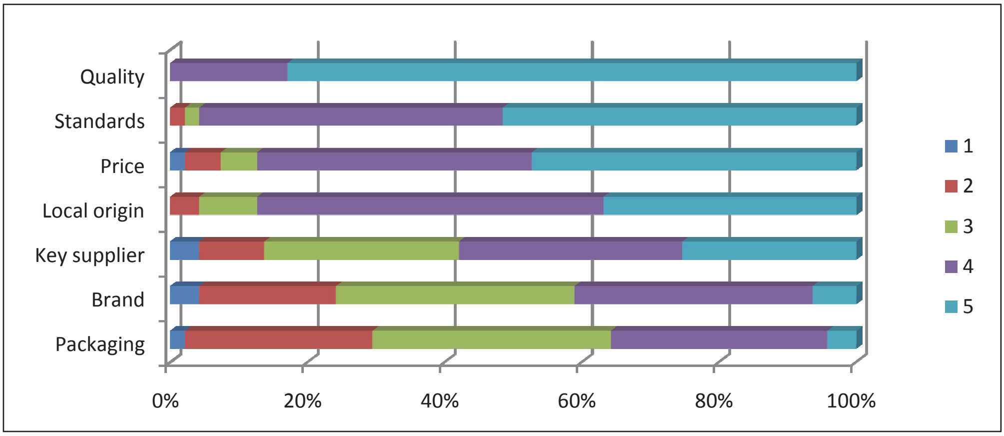


Chart 20. Importance of certain factors in supply chain decision-making

HoReCa sector members usually purchase local products directly from the manufacturer (53%), and interesting thing is that one third of them buy local products from the manufacturer exclusively. Wholesale distributors also have significant share (40%) and approximately 20% of the respondents choose wholesalers exclusively for local products purchase only 6% of the respondents buy these products in the retail stores.

Speaking about purchase frequency of local products, fruits and vegetables are the most commonly purchased, more than once a week. Dairy products are purchased once a week and smoked meat products once a week or once in two weeks. Answers to this question are in accordance with the average values, with a few exceptions of extreme values. Honey, Rakia and jams are purchased on per month.

About 35 % of the respondents reported that they produce some of the products they offer (preserved vegetables - 38%, meat, smoked meat products, fruit processing products - 18%). HoReCa representatives prefer payment upon delivery (59%) or delayed payment for goods. There is no strong correlation between the payment terms and the facility size.

The product quality is the most important factor in the purchase decision-making process, but in many cases price represent prevailing factor for decision. It is evident that quality is much more important for hotels and bigger restaurants. 27% of the restaurant rated quality with average mark 4, while there was only 7% of hotels graded quality with the same mark. Production standards are also very important, especially for hotels that deal according more rigorous business rules.

2.3.5. HoReCa sector attitudes about offer of local products in destination

HoReCa sector attitudes towards offer	Sample size	The lowest grade	The highest grade	Average value
Insufficient quantities of local products	100	2	5	4.08
Local products are important for the offer of the tourism facility	100	1	5	4.05
Quality of local products is high	100	2	5	3.88
Tourist recognize the value of local products	100	2	5	3.85
Good price/quality ratio of local products	100	2	5	3.38
The offer of local food and beverages is good	100	1	5	3.13
Local products are sufficiently presented in the offer	100	1	5	2.92
Industrial products are consumed more than local products	100	1	5	2.39

Table 6. Attitudes of the HoReCa sector representatives about offer of local products

Talking about the offer of local products, hoteliers and restaurateurs agreed that promotion should be improved (average grade 4.08) and that local products are very important for the offer of each HoReCa facility (4.05). The general opinion is that tourists recognize the value of local products, but their quality is not on satisfactory level.

Respondents' opinions on other issues are different, but they think that the offer of food and beverage is good (3.13) and that local products are not sufficiently presented in the tourism offer of the observed destination. They think it is necessary to improve the promotion of local products through the destination marketing and to put emphasis on offer of local specialties, the creation and sale of souvenirs.

HoReCa sector attitudes towards offer	The lowest grade	The highest grade	Average value	
Food safety standards are very important	100	4	5	4.58
Standardization of production is very important	100	3	5	4.37
Products quality is the key factor in supply process	100	1	5	3.34
It is easier to buy industrial products	100	1	5	3.95
Payment terms are important for purchase	100	1	5	3.79
There is a great demand for high quality products	100	2	5	3.65
Buyers spend more money on local products	100	1	5	3.62
The offer of local souvenirs is good	100	2	5	3.35
Medium quality products are the most wanted	100	2	5	3.21

Table 7. Attitudes of the HoReCa sector representative tabout offer of local products

Food safety standards are rated as "very important" for HoReCa sector business (average grade 4.58). Surveyed HoReCa entities pay attention to quality mark when buying products (4.37), but they are not sure that there is a great demand for high quality products. It is interesting that a large number of respondents think that medium quality products are the most wanted what provides indicators of the existing tourist structure.

44% of all facilities include local products in the promotion – more precisely, 56% of hotels and every third restaurant. They promote meat and smoked meat products (29%), milk and dairy products (27%) and roasted meat (12%).

Only 8% of respondents have special place for local products within their facilities. There is a special section in the menu dedicated to local products in 37% of the HoReCa facilities, but the problem is that the local specialties are not described (meal components), and the menus are in Cyrillic in many cases, what represents a problem for foreign visitors. Only 8% of the respondents sell the souvenirs, mainly hotels (usually small honey packages, preserves, pottery and local clothes). A small number of HoReCa facilities (12%) have organized tasting of local products and those who have it are usually the same facilities that sell souvenirs. Only two entities organize special dinners with an emphasis on local cuisine, which indicates a low level of awareness on the importance of local products promotion in order to diversify and enrich the offer.

2.3.6. Conclusion

Information about the use of local products, in terms of type of products, distribution channels, payment terms, seasonality, frequency of use, etc. were obtained through the surveys and interviews. However, data on quantities of placed local products, as well as on total turnover and turnover per types of local products were neither accurate nor complete, because a large number of respondents did not want to provide such data because of a lack of trust (fear of tax administration, tourism and sanitary inspection), due to competition or operating in informal economy (unregistered production, purchase from unregistered local producers).

HoReCa sector attitudes, which could not be included in survey, indicate that respondents were not familiar with the opportunities, channels and procedures of local products supply; in process of creating and adding value for the destination by increasing the proportion of local products in total offer they expect support of local authorities and local tourism organizations.

According to HoReCa sector opinion, problems and barriers for greater production and better placement of local products in tourism-catering facilities can be summarized in the following points:

- Lack of local raw materials for production (e.g. beef prosciutto - meat is imported from the South America since there are no domestic oxen, then honey is imported from China and sold as a local product etc.)
- Some of the local producers have introduced standards required by HoReCa sector entities

- Low level of hygiene and sanitation (e.g. dairy producers who do not have sanitary and bacteriological certificates cannot supply hotels and restaurants because they cannot guarantee safety of the products)
- Large number of small producers do not have labels and some of them don`t have an adequate packaging (the problems of storage, expiry dates and promotion of the products to the guests)
- Large number of unregistered small producers (so-called „black market“) and selling of products without fiscal bills
- Registered agricultural households are out of VAT system and that is barrier for cooperation (that is stated during interviews with HoReCa sector)
- Lack of protection of origin, lack of control and standardization of products
- Unstable quality of products
- Insufficient quantities of local product in the offer, because there are no farmers associations that could serve for joint placement of the products on the market (joint brand, promotion and sale)
- There is no strong association of etrepreneurs which could boost education and improve the existing capacities (to modernize the production), products and services;
- Poor offer of local souvenirs, exeption is pottery and local handcrafts clothes
- Lack of state subsides
- Lack of information of local products available for foreign guest (most of the menus are in Cyrillic, they have to be translated into 1-2 world languages and include short description of meals)

These problems were further elaborated through focus groups meetings and discussion between representatives of HoReCa sector, producers, members of tourism organizations and local self-governments, which were necessary for proposing possible solutions presented in the last section of this publication.

3. QUANTITATIVE AND QUALITATIVE ANALYSIS OF THE LOCAL PRODUCTS OFFER

3.1. Introduction into segments of the local products offer

Local products are very important because they have economic as well as traditional and cultural values which create significant elements of the overall experience of tourists and visitors of each destination. Contemporary tourists and consumers as representatives of the global and almost unified society the more they want to consume typical products of the tourism destination they visit – locally produced food and beverages, craft products as souvenirs, local customs and traditional events, i.e. they look for authentic experience of the destination. Local products provide additional value to the overall destination tourism offer and decrease promotion and transport costs of small and medium producers, what at the end provides better profitability.

Upon performed demand analysis, it has been kept on with conduction of supply analysis in order to identify which products are offered and what can be additionally done to meet and satisfy expectations of the identified demand. The offer of typical food and craft products such as dairy products, dry meat products, vegetables and fruits as well as fruit processing products (like Rakia - the most known Serbian alcohol drink), honey and grains, buckwheat, medical herbs and pottery, present huge potential for growth and development of small and medium enterprises. Information collected from the private sector – wholesales (assortment, procurement conditions, promotion and distribution characteristics) and producers about their production capacities, conditions and standards, distribution channels, promotion approaches and partial data on quantities and prices due to limited and confidential information related to the competitiveness, taxes etc.

3.2. Characteristics of SMEs as the segment of the local products offer

During local products supply research related to the small and medium producers, conducted in November 2013 within the destination, 100 companies has been surveyed and 50 interviewed. Base for sample selection were groups of the products previously identified in the scope of RDA Zlatibor implemented projects, as valuable and important for further development and analysis – dairy products, dry meat products, vegetables, fruits and processing products including Rakia, honey, grains, buckwheat, medical herbs and pottery.

Preliminary research findings were a base for further assessment conducted through semi-structured interviews with 50 producers, all in order to get more reliable and relevant information necessary to get familiar with current offer and problems of the producers in production and placement of products. Results related to the specific categories are presented in the following sections.

3.2.1. General overview of the sample

The most of questionnaire respondents are managers, directors or owners of production facilities, while smaller percentage is related to production workers, sales managers and employees in administration. Majority of companies have up to 10 employees (77%), between 10 and 20 employees have only 8%, and while above 20 employees have 15% of the companies. Interesting data is that more of the half of interviewed companies has annual gross income up to 4 million RSD, 35% have revenues above 28 million and other categories make 12% of the sample. In line with the above mentioned, the companies which have reported income and have above 10 employees achieved a profit above 24 million RSD.

3.2.2. Producers, products and production practice

Producers of local products mainly manufacture one of the products which have been analyzed through this Project. Survey sample consisted of local souvenirs producers (15%), Užička beef prosciutto (14%) and Zlatibor sausage (12%). Interesting data is that those companies use their capacities and do not have possibility for production of other kind of products. Sample of interviews included also producers of local products being identified as key products for this research.

In accordance with available and in particular observed data it seems that buckwheat producers have the biggest potential for growth of the production (more than 50%, what is about 5.5 es). The jam producers have potential for growth of 42%, actually 4.175 kg per company. There are a great number of producers who are able to start with intensive production and respond to the increased demand.

Average utilization of production capacities with surveyed producers is 60% (majority of respondents stated capacity occupancy between 60% and 80%, and among interviewed respondents between 40% and 60%). The most of respondents use a local raw material for production of the final product what impose seasonal production in certain cases. In accordance with collected information the most of producers have all conditions required for storage and labelling of products.

Product	Production	Potential production	Potential growth	Potential growth in kg
Local souvenirs	1	1.5	50.00%	1250 units
Užička beef prosciutto	1.08	1.33	23.15%	625
Zlatibor sausage	1.09	1.6	46.79%	1275
Fruits	8.09	8.09	0.00%	0
Užička pork prosciutto	1	1.3	30.00%	750
Zlatibor kaymak	2.11	2.75	30.33%	1600
Low-fat cheese	2.89	3.13	8.30%	600
Vegetables	6.86	7.6	10.79%	1850
Honey, propolis	1.71	2.14	25.15%	1075

Product	Production	Potential production	Potential growth	Potential growth in kg
Buckwheat	4.2	6.4	52.38%	5500
Plum brandy	1.5	1.5	0.00%	0
Jams	4	5.67	41.75%	4175
Zlatarski cheese	4.67	5	7.07%	825
Other fruit brandies	2.33	3.33	42.92%	2500
Sjenički cheese	5	5	0.00%	0
Liqueur	1	1	0.00%	0
Juices	1	1	0.00%	0
Herbal tea	2	2	0.00%	0
Clothes	1	1	0.00%	0

Table 8 . Growth potential of key products

Majority of respondents stated that more or less conduct monitoring, sampling and examination of production process conditions and products through chemical and microbiological analysis of products, contamination control, storage and transport control, maintenance of production and storage premises (cleaning, waste management, pest control) and staff hygiene.

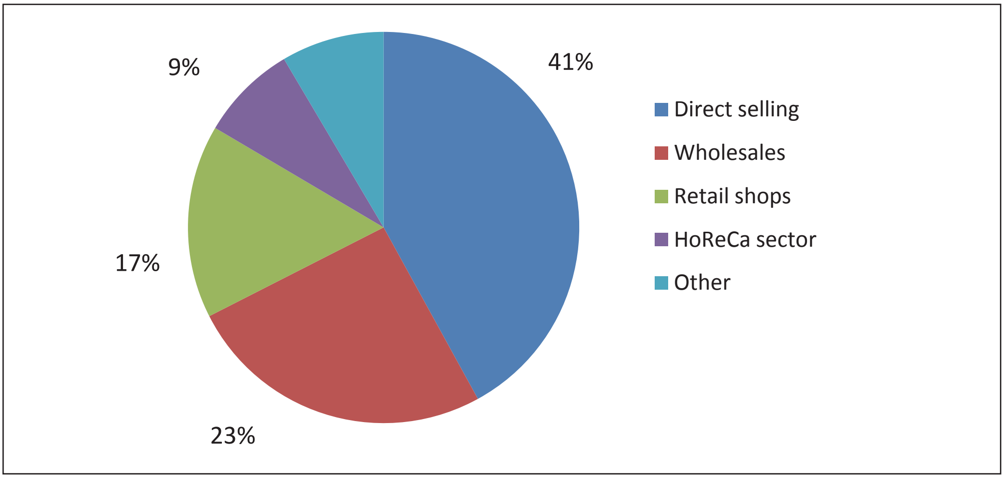


Chart 21. Distribution of products per consumer categories

The producers pay attention to standardization and even 77% has standardized production. 62% of producers implement HACCP standard and one third of those who have not implemented yet claim a need for this standard, but no possibility for its implementation. Apart of HACCP, ISO 9001 is the standard which is very often implemented and mainly all producers who have already implemented ISO 9001, possess HACCP as well. Other standards such as FSSC 22000, Global GAP, OCS, IFS, BRS, EN 14214, HALAL, CE, Organic Card System etc., are rare and available in less than 5% of the sample.

A great part of their production producers place directly to consumers (41%), wholesales (23%) and retail trade (17%). Those producers who place their production directly to consumers place 2/3 of their total production in such way. Also it has been noticed that huge part of the production exporters are placing to the same category of consumers (44%). Exporters have fully standardized production, one or more standard certificates and meet the highest sanitary and food safety requirement.

3.2.3. Sales of products

The majority of local products producers in this area prefer payment upon delivery while only few of them accept delayed payment.

Key factors	The lowest grade	The highest grade	Average value
Price	1	5	4.56
Quality	3	5	4.85
Local origin	2	5	4.59
Standards	1	5	3.96
Recognizable brand	1	5	4.12
Key supplier	1	5	4.11
Packaging	1	5	3.71

Table 9. Producers' opinion on key factors relevant for production sale

The quality has been considered as the key element for products sale, then price and local origin. The producers consider that packaging does not play a big role in the sale. It is quite interesting that they do not consider that packaging and quality standards could be useful for the sale of the local products.

In general, following listed problems with the highest risk for products placement and business success have been identified and ranged per importance:

1. Price (non) competitiveness in regard to the industrial products
2. Poor promotion
3. Non-standardized product
4. Distribution
5. Unstable and unpredictable supply related to quantities and qualities of raw materials
6. Insufficient utilization of the production capacities
7. Poor payment conditions

3.2.4. Producers attitudes about local products offer and promotion

Attitudes about offer	The lowest grade	The highest grade	Average value
There is great potential and interest to increase production	1	5	4.21
Local products are insufficiently promoted as the element of tourism offer	2	5	4.18
Terms of payment are important for purchase	2	5	4.07
It is more easy to buy the industrial products	1	5	3.90
Tourist recognize the value of local products	1	5	3.54
Industrial products are consumed more than local products	1	5	3.18
I am satisfied with the sales of local products on the local market	1	5	3.00
HoReCa facilities very well promote and sell local products	1	5	2.32
Local products are sufficiently presented in tourism offer	1	5	2.28
Quality of local products is the most important factor in selling process	1	5	4.00
Quality of local products is high	1	5	3.99
Mid-quality/standard products are the most wanted	1	5	3.50
The price/quality ratio of the local products is very good	1	5	3.31
There is a great demand for high-quality products	1	5	3.29
Consumers are ready to spend more on local products than on industrial products	1	5	3.29
Food safety standards are important for sales	2	5	4.29
Production standards are very important for sale	1	5	3.83

Table 10. Producers' attitudes about local products offer

The producers consider that the quality of product is the key factor for sale (grade 4), as well as standards of food safety, but relation between price and quality is still marked with lower grades. The payment conditions are considered as very important for the products supply.

The producers agree that there is huge potential and interest for an increase of production (4,21). Only small number of producers deviates of the collective opinion. Also they consider that local products are insufficiently promoted as an element of the tourism offer and they are not satisfied with the manner of their presence in the catering facilities.

On the other hand they do not encourage cooperation by themselves, although they were supposed to initiate it in order to sell their products.

Direct promotion of the local products to the consumers is still dominant approach (64%), and promotion through wholesale and retail support 25% of producers. They agree that serious promotion of the local products in function of tourism should emphasis diary and dry meet products and Rakia as well.

Promotional-sale tools like 'organic food', 'healthy food', and 'non-gluten product' are rarely used, even though they could enhance market size and improve products placement as well as participation at various ethno-gastronomic fairs. Protection of geographic origin also contributes to development of the image and values of the local products, but also is used enough. Only few products like '*Zlatna dolina*' (Rakia of plum, apple, quince and honey), '*Zlatna biserka*', dairy products '*Zapis Tare*' have been branded so far.

In spite to the fact that there are various registered entrepreneurs associations, there are only 15 active associations, constituted of dairy and honey producers. Answers provided by respondents do not give a clear picture about associations' contributions in terms of education, promotion and distribution of products.

3.2.5. Evaluation of the destination offer

The producers agree that climatic and natural characteristics are the best advantage of this destination. Also they consider that the quality of food is at the very high level. It is quite interesting that none of producers of traditional products has assessed the offer of these products less than 4 (in the scale from 1 up to 5). The general impression on this destination is very good.

The ratio between price and quality individually is the lowest valued aspect of the destination offer, and producers are almost fully agreed in this assessment (95% of questionnaire respondents marked good or very good). The producers' opinions most differ in regard to hospitality.

The producers have emphasized an infrastructure, ratio between price and quality and tourism services as the negative aspects. Recommendations for improvement of the offer in the most cases are related to the better planning of development (urban development) and enriched offer of cultural and entertainment events.

3.2.6. Conclusion

As it was the case with HoReCa sector, local products supply analysis performed through survey and interviews of SMEs and farmers, collected data on product kinds, conditions of production capacities and standardization, distribution and payment methods, seasonality of production, promotion etc. But, data on quantities of local products were incomplete and imprecise, because huge number of questionnaires respondents do not want to provide such data due to general distrust (fear of sanitary and tax inspection), competitiveness or partial business in, so called, "grey economy" (the question of official registration, evidence of employees, issue of declarations-labelling, sale without issuing bills).

It is necessary to finalize process of quality standardization and include all local producers, what will provide a base for an achievement of sustainable product quality. The producers are aware that communication with representatives of HoReCa sector is necessary and therefore it should be intensified and improved, because they play important intermediate role between producers and end users - tourists. Also, a better presentation should be created (degustation of products in hotels and restaurants, organized visits to production capacities and participation in production as a part of hotel arrangement etc.) and packaging should be adjusted to HoReCa requirements. Many producers consider that small quantities of products what is usually complained by HoReCa sector can be solved by development of cooperative, i.e. purchase station which should enable common presentation at the market, products labelling and guarantee of quality.

Mentioned problems were further elaborated through focus groups meetings and discussion between representatives of HoReCa sector, producers, members of tourism organizations and local self-governments, which was necessary for proposing possible solutions presented in the last section of this publication.

3.3. Agrucultural producers as segment of local products supply

During supply analysis of local products in November 2013, in addition to 100 enterprises 200 representatives of agricultural households have been surveyed. Sample selection has been based on the same criteria as for companies – groups of the products previously identified in the scope of RDA Zlatibor implemented projects, as valuable and important for further development and analysis in previous research studies developed by the RDA Zlatibor.

3.3.1. General overview of the sample

Majority of surveyed through questionnaire were owners of households (72%), and the rest were family members and employees (14% per each).

The households included in research mostly carry out intensive production and approximately half of those have six or more persons actively involved in production. It is not unusual that the household have presented the high annual incomes taking into consideration that only one-eighth have accepted to respond to this question. It is interesting that the average number of employees who actively participate in production is the lowest at the households with lowest as well as with highest profit (up 300,000 and above 1,1 Mil RSD). In average the most of employees work at the households with profit from 300,000 RSD to 500,000 RSD (in average 3.75 persons). An increase of income imposes decrease of average number of persons who actively participate in production.

3.3.2. Agricultural households, products and production practise

Agricultural production on the observed territory is diversified – 49% of households produce fruits, 34% vegetables and 24% fruit brandies – Rakia. As for dairy products, sour cream – kaymak is produced by 21.5% surveyed households, while 11.5% produce Zlatarski cheese. Meat processing products and honey are produced by 5% of households.

A great number of households produce large quantities of fruits and vegetables. In the average, a household growing fruits produce 3.71 ne while household growing vegetables produce 4.27 ne in vegetables household.s Deviations between producers are significant. There are significant differences among producers in terms of production volume - producers whose production is less than 1,000 kg as well as those who produce above 11 tons of products. Production of plum brandy (Rakia 'šljivovica') and kaymak (sour cream) is 1 ene per household and there is no significant difference in production of these two products among households.

Research findings show that available production capacities are insignificantly bigger in relation to existing production volume. Growth potential of vegetables production is 2.5%, and only 2% of Rakia sljivovica. All other products have potential up to 0.5%.

Products	Proportion	Production	Capacities	Growth potential
Fruits	49.00%	3.71 t	5.26 t	1.55 t
Vegetables	34.00%	4.27 t	4.99 t	0.71 t
Plum brandy	24.00%	1.15 t	1.43 t	0.29 t
Zlatiborski kaymak	21.50%	1.16 t	1.44 t	0.28 t
Low-fat cheese	11.50%	2.05 t	2.80 t	0.75 t
Zlatarski cheese	6.00%	3.43 t	3.85 t	0.41 t
Užička beef prosciutto	6.00%	2.50 t	2.92 t	0.42 t
Zlatiborska sausage	5.50%	1.92 t	2.58 t	0.67 t
Užička pork prosciutto	5.50%	2.45 t	2.73 t	0.27 t
Honey and propolis	3.50%	2.55 t	3.64 t	1.09 t

Tabela 11. Growth potential of key products manufactured by agricultural households

Potential for growth in the fruit sector is 42%, since almost half of the surveyed households deal in the fruit sector and for that reason growth potential is significant. It is similar with honey and propolis production (approximately 40%).

Storage capacities for products are below the average and only 56% possess standardize storage facilities and only 18% deal in highly standardized conditions. Great number of households has seasonal production (62%), i.e. summer period represent peak of the season, while there is no production during winter.

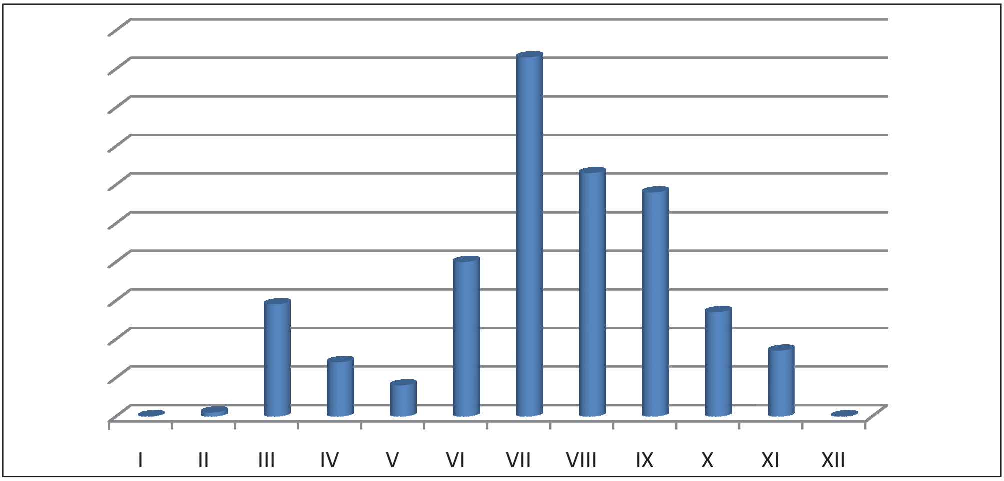


Chart 22. Seasonal character of agricultural production

According to information provided by household's representatives the average utilization of their production capacities is about 60%.

Speaking about production standardization, it could be noticed that household production is insufficiently standardized. Approximately 21% of households have standardized production, while in 53% of households there are no production standards. The mostly implemented standard is HACCP. Considering surveyed sample, 8.5% of households introduced HACCP, while 2.5% use geographical indication. On the contrary, 11.5% households answered affirmative on the question related to the implementation of HACCP standard.

Following chart shows main reasons why HACCP standard has not been introduced by surveyed households.

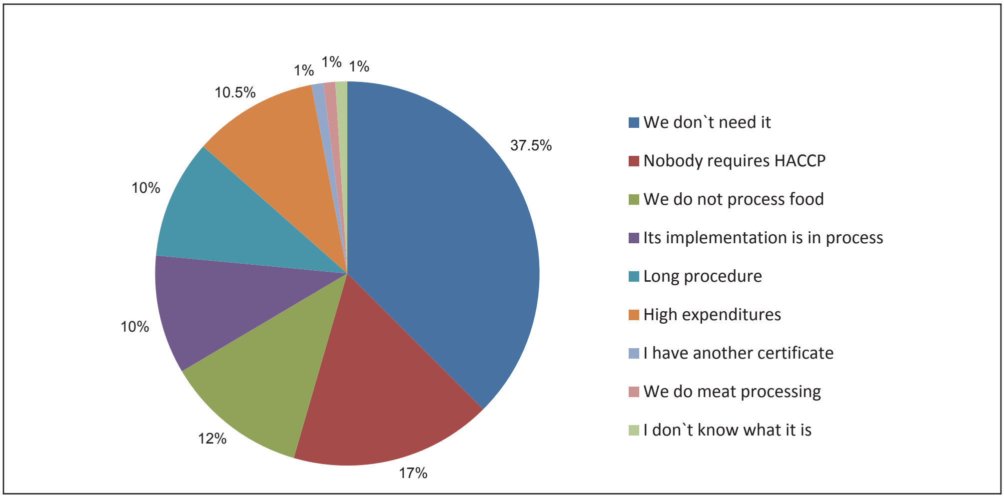


Chart 23. Main reasons why HACCP standard is not introduced

3.3.3. Sales of products

More than one third of households do not deliver goods out of the season (38%). Great number of households has not stated methods of goods delivery out of the season. Those who answered this question stated that sale is conducted within their household. Besides mentioned, there is direct delivery to buyers, such as dairies and green market sellers.

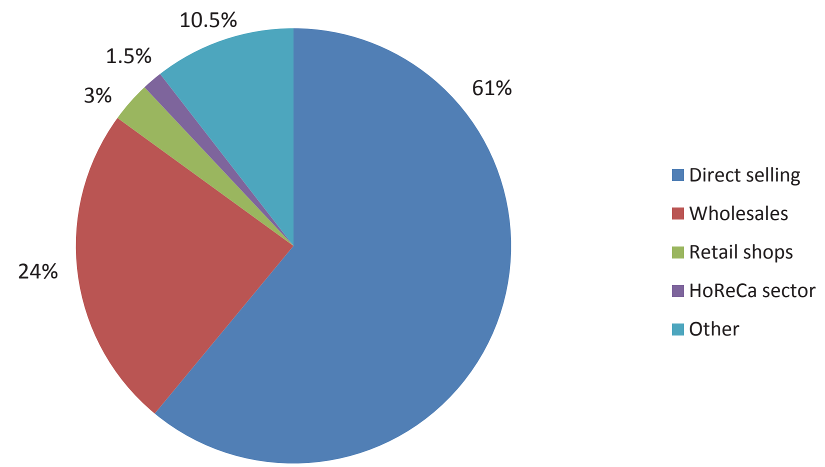


Chart 24. Distribution channels within households

Majority of households place goods directly (61%) and among important buyers, share of wholesales is 24%. Only 1.33% of production is delivered to HoReCa sector.

Key factors	The lowest grade	The highest grade	Average value
Quality	3	5	4.59
Price	1	5	4.37
Key supplier	2	5	4.31
Local origin	1	5	4.20
Packaging	1	5	3.87
Recognizable brand	1	5	3.72
Standards	1	5	3.56

Table 12. Key factors for distribution of products

The households consider payment terms and poor promotion as the main barriers for better placement of local products (27% each). 20% of households recognize underdeveloped distribution chain as a barrier, while small quantities of the local products offered by households has been identified as the biggest problem by 14% of households.

Producers agree with statement that the quality of products is the key factor for the sale of their products, and marked it with very high grade 4,59. Also they consider that standards do not affect production significantly (3.56), what indicates insufficient education and knowledge on demand and supply requirements.

3.3.4. Households attitudes about offer and promotion of the local products

Attitudes about offer	The lowest grade	The highest grade	Average value
Payment terms are very important for purchase of the local products	2	5	4.19
Local products are insufficiently promoted as the element of the offer	2	5	4.12
It is easier to buy the industrial products	1	5	3.75
There is a great potential and interest to increase production	1	5	3.71
Tourist recognize the value of local products	2	5	3.55
I am satisfied with the sales of local products on the local market	1	5	2.92
Industrial products are more demanded than local products	1	5	2.73
Local products are sufficiently present in tourism offer	1	5	2.65
HoReCa facilities very well promote and sell local products	1	5	2.42
Quality of local products is the most important factor for sale	2	5	3.96
There is a great demand for high-quality products	2	5	3.79
Quality of local products is high	2	5	3.78
Consumers are ready to pay more for local products than on industrial products	2	5	3.73
The most demanded are products of medium, standardized quality	1	5	3.58
Price/quality ratio of the local products is very good	1	5	3.19
Standards of food safety are very important for a sale	2	5	3.79
Standards of production are very important for a sale	2	5	3.66

Table 13. Households attitudes about offer of local products

The households find a quality of the product as the key factor for a sale (average grade 3.96). It is interesting that in the previous question a quality as the factor which has impact on the sale has been valued with average mark 4.59. Also, they are not sure is there bigger demand for products of high or medium quality (3.79), and medium quality products are the most demanded according their opinion (3.58). The lowest grade has ratio between price and quality. The standards in production are recognized as important, but still they are not considered seriously.

Representatives of households consider that it is necessary to promote more local products within tourism offer and that catering facilities insufficiently place local products on tourism market.

Also they consider that promotion of local products have the best effects if it is directly targeted towards consumers (81%). 17% of households find that promotion in co-operation with wholesales is sufficient for growth of their products sale.

Speaking about local products which should be promoted as the part of tourism offer, almost all producers consider that the greatest attention should be given to dairy products what is in accordance with tourists' attitudes about dairy products as destination brand. Also, half of respondents have stated that fruit and fruit juices should be involved in tourism offer of the destination.

3.3.5. Evaluation of offer in the destination

Households consider that natural and climatic characteristics are the greatest advantage of the destination. It is interesting that the second best ranked aspect of tourism offer is 'general impression on destination'. All other aspects of the tourism offer within the destination are marked with lower grades, but there are significant differences between provided opinions.

Concerning households' opinion in regard to tourism offer aspects which they evaluated with the lowest/the highest grade, among few respondents who answered this question, food and beverage are evaluated as the best aspect, while infrastructure and traffic as the poorest aspects of the tourism offer. Food and beverage offer at the national restaurants as well as the offer of cultural and entertainment events are the most often indicated as the elements which should be improved.

3.3.6. Conclusion

In comparison with company producers, the households' representatives provided more reliable data on quantities of the local products, in individual as well as overall business flow. The small number of households has potential and capacities for improvement of production in regard to quantities and quality. Translated into numbers, about half of the total number of households are fruit growers who can increase their production for 42% on average. The producers of low-fat cheese have potential for additional 750 kg per year, vegetables producers for 710 kg, and honey producers for 1,000 kg on average. There is low level of capacity utilization within households (approximately 60%), which is in line with information about available capacities per kind of product.

The worrying findings of this research are that storage facilities within the household are below standard level and the small number of producers apply HACCP standard. Majority of household's representatives state that they do not have need for this standard considering that standards do not affect significantly sales of products. Geographical indications are used by small number of households. The label of geographic origin of the product use very small number of households, that considering previous findings indicates the necessity for education of respondents and modernization of their production facilities.

Delivery of products directly to HoReCa sector entities is rare and that is directly linked to the problems of small quantities, non-standardized offer and unstable quality.

Similar to companies' producers, the households' representatives consider that HoReCa should improve promotion of the local products. They are not satisfied with current situation and believe that producers have to find a way to compete with industrial products, improve quality and cooperation with hotels and restaurants and in general encourage HoReCa segment to use more and promote their products in the offer.

3.4. Intermediaries – wholesale and retail trade

The research involved five wholesales dealing within destination. Number of employees in surveyed wholesales is between 30 and 150, while revenues are ranged between 50 and 300 million RSD. They possess one distribution centre and one retail trade unit. Smaller wholesales do not possess distribution vehicles, but bigger wholesales own more than 10 vehicles.

Average share of local products within offer of wholesales is 12% . Wholesale specialized for fruit and vegetable distribution has the highest percentage of the local products in the offer. The greatest demand for local products in surveyed wholesales is during winter months.

Smaller wholesales do not distribute the goods directly, but place to retail trades. Bigger wholesales distribute 80% on average (to retail trade out of local environment), and one part of products place towards hotels and restaurants (max up to 50%, on average 15%). High price is recognized as a barrier for greater share of local products, and then follows poor promotion and unfavourable payment terms.

They purchase local products on average once per two weeks what also depends on the product type (dry cured meat dairy products, while fruit and vegetables are purchased more often). As for the payment terms, it is performed upon delivery or with a delay.

They consider the price and quality as the key factors for making decisions on purchase. Also they highly evaluate a local origin of the product, implementation of required standards and key producers. On the contrary to the other participants of this research (HoReCa, enterprises and agricultural households), wholesale representatives highly evaluated brand recognition and packaging.

They are united in findings that local products insufficiently participate in tourism offer of the destination and that ratio between price and quality is very disadvantageous.

Wholesale representatives find that special attention should be given to dairy products, vegetables and fruits in order to perform seriously promotion and involve local products in destination tourism offer.

General impression on the destination is assessed as very good, with an emphasis on quality of accommodation, food and hospitality. The offer of local products individually has been marked as the poorest element of the total tourism offer.

During evaluation of the best aspects, the wholesales have stated quality of accommodation as the best element of the offer, then follows food quality and hospitality. Ratio between price and quality of received service they consider as the poorest aspect of the offer. It is interesting that the quality of food has been listed as the second poorest characteristic of the offer, although previously has been marked in the list of the best evaluated aspects. Their recommendation is to pay more attention to development of urban plan and improvement of restaurants' offer.

4. KEY BARRIERS FOR INTRODUCTION OF LOCAL PRODUCTS IN THE TOURISM MARKET

Key findings of demand and supply of local products were tested through focus group meetings attended by representatives of HoReCa sector, producers, tourism organizations and agencies and local authorities. Identified problems and challenges related to demand and supply, as well as to the barriers for introduction of local products on tourism market, were presented during 3 focus group meetings:

1. The offer has not been based on tourists needs and expectations
2. The low level of cooperation of the local service providers
3. Undeveloped synergy between gastronomy, tourism, traditional crafts and other service providers
4. Insufficient utilization of tourism capacities and capacities for production of food and craft products
5. Low quality and quantities of local products

Discussion between supply and demand representatives in focus groups provided base for determination of identified problems and barriers as well as for identifying possible solutions and recommendations.

Also, characteristics of local products supply chain have been identified, including main reasons for non-utilization or insufficient utilization, and they are in line with research findings obtained through questionnaire, interviews and focus groups:

- Lack of price competitiveness (impossibility of "fitting" into required price what is frequently observed with accommodation capacities of low categories with 2 or 3 stars, holiday resort for children etc.)
- Low standardization and unstable quality
- Lack of products declarations/labels and other required certificates
- Small or insufficient quantities of the products
- Inadequate packaging
- Underdeveloped distribution

- Payment terms (advance payment or payment upon delivery is in line with interest of producers, but not of consumers and representatives of HoReCa sector).

In addition to features of local products supply chain, in the following sections basic assumptions and identified barriers (one is related to legal issues, the other one is insufficient promotion of local products in contest of destination promotion) are also elaborated. Representatives of HoReCa sector, producers, local tourism organizations and agencies, as well as local authorities, agreed and proposed key products for further development and branding.

4.1. Discrepancy between offer and tourist needs and expectations

The offer in hotels, restaurants and other facilities is not designed in accordance with tourists' needs and expectations from the following reasons:

- Small and limited share of the local products within the offer of hotel and catering facilities
- Insufficient and inadequate promotion of local products – a few hotels and restaurants have separate menu sections dedicated to local meals; even in the case there are separate sections, information about specific meal are insufficient; also, provided information are almost always in Serbian language and written on a Cyrillic alphabet what is a serious barrier for foreign guests; very small number of tourism service providers organize introduction with local tradition, customs and testing of local products either in hotel/restaurant or at the production place in cooperation with producer
- Only three groups of products – dairy products, dry meet products and Rakia are identified as recognizable by tourists, what indicates insufficient tourists' familiarity and knowledge on overall offer of the local products, what is caused by inadequate and insufficient marketing activities of tourism organizations, insufficient engagement of HoReCa sector entities and their interest in usage and promotion of local products, poor cooperation between producers and HoReCa sector
- Insufficient utilization of 'sales tools' such as *healthy food, organic production*, *gluten free and slow food* by producers and HoReCa sector. In the last time at the global market, these 'sales tools' are the strongest marketing weapon because modern consumers are back to the nature and look for healthy food and products which will help them to mitigate consequences of stressful and fast lifestyle
- Lack of souvenirs in the offer – a few HoReCa sector entities offer souvenirs, and also, there is as well very little number of souvenir shops at the observed territory; the question related to recognizable souvenir of the destination - some pottery products, small 'three leg chairs', wooden buckets, flowers, fruits and other wooden handmade and painted objects, are present on the market, but they are not recognized as characteristic souvenirs; tourists purchase souvenirs (clothes of local production, Sirogojno sweaters, sour cream - kaymak, cheese, prosciutto) mostly at the green markets what is unacceptable for serious tourism destination.

4.2. Low level of cooperation among local service providers and undeveloped synergy between gastronomy, tourism, old crafts and other service providers

Lack of communication and cooperation among local service providers (especially relationship between HoReCa sector entities and producers) is considered as serious barrier for greater placement of local products. One of the reasons is lack of entrepreneurs association – a few hotels are members of The Association of Hotels and Restaurants in Serbia, and similar local organization has been established recently on Zlatibor. In regard to producers there is a great number of associations (e.g. association of honey producers, raspberry producers or milk producers), which should provide support, boost cooperation and represent interests of specific sectors.

One of indirect approaches of networking of local service providers and development of the platform for creation synergy between gastronomy, tourism, old crafts and other service providers are gastronomic and other similar events which should be additionally created and improved. In the following table are listed local and regional events, with increasing importance:

Ref.no.	Title of the event/manifestation	Location
1.	International colony of artistic pottery	Zlakusa, Užice
2.	Prosciutto fair (Pršutijada)	Mačkat, Čajetina
3.	Rakia fair	Šljivovica , Čajetina
4.	Fair of the old crafts	Sirogojno, Čajetina
5.	Autumn in Zlakusa	Zlakusa, Užice
6.	Zlakusa in song and dance	Zlakusa, Užice
7.	Homeland days of Mokra Gora	Mokra Gora, Užice
8.	Sheperd days	Kosjerić
9.	Days of village tourism	Kosjerić
10.	Sopotnički fountains	Prijepolje
11.	Zlatarski cheese fair	Božetići, Nova Varoš
12.	Gold hands of Zlatar	Nova Varoš
13.	Honey fair – Užice	Užice
14.	Agricultural exhibition	Požega
15.	Zlatarfest (the first was held in 2013)	Nova Varoš

Above listed gastronomic events should be linked to other cultural, entertainment and similar events, for example to the Kustendorf festival which has international significance or create new one, like Days of restaurants' open doors – promotion of national cuisines per promotional prices affordable and attractive for wider population of tourists and visitors. .

The best practice example is open air museum Old village in Sirogojno that presents traditional architecture and life of Zlatiborski region. Zlatibor knitters and their jumpers and other handmade clothes which are like artworks, could serve as the guidelines to others to show them the way how to renew old handcrafts through tourism offer, because that element is missing in the system of tourism experience within the destination.

Local products like honey, jam, dried mushrooms, 'slatko', 'ajvar', kaymak - sour cream, cheese, Rakia, smoked prosciutto, local cosmetic products in small packages, which are available for tourists to buy them as souvenir gifts are very rare, what indicate the lack of communication and cooperation among producers and HoReCa sector. Listed products in souvenir package could become the best promotion of this territory and its overall offer. Also very small number of local products is in function of health and other motives of visit – sport, physical and psychical recovery, enjoying in relaxing walks, mounting, bicycling, riding horse and swimming. Wellness centres with "local cosmetics" based on medical herbs, honey and other local products represent great development opportunity.

The package arrangements which link the services of local producers, hotels and restaurants directly or via tourism agencies are rarely offered. It would provide possibility for diversification of HoReCa offer through introducing activities of local customs and gastronomy through involvement of tourists in production and testing of local products at the production place, for example picking plums, Rakia production, educative picking mushrooms, cooking polenta of buckwheat flour etc.

4.3. Insufficient utilization of tourism and food and handcrafts products production capacities

Insufficient utilization of tourism capacities is the answer on monoous destination offer (lack of cultural and entertainment events, unused potential for development of healthy tourism and inadequate/poor offer of the healthy and wellness centres, lack of luxury accommodation), relatively poor traffic and communal infrastructure, poor tourism signage and urban development, what cause domination of local visitors, i.e. almost 90% of domestic tourist participate in tourist structure). In regard to that, passive holiday is the main motive of visits during summer season from June to September and during winter holiday in January (the period of high utilization of capacities) what indicate seasonal character of business.

Low utilization of tourism capacities partially affects insufficient utilization of food and handcraft products production capacities that place them on the local market.

4.4. Low quality and quantity of products and services

The problem of variable products' quality is closely linked to the low level of quality standardization of products, lack of knowledge and skills (especially with agricultural households). Small and insufficient quantities for continuous HoReCa sector supply are caused by lack of cooperatives, i.e. purchasing stations which could increase offer, fulfil all sanitary and other requirements prescribed by legal regulations, guarantee quality, be competitive in terms of price to the industrial products and decrease seasonality of the offer affected by seasonal production. In some cases inadequate packaging of local products, both for storage or presentation to the potential consumer give an advantage to the industrial product. On the other hand, lack of information about wishes and expectations of HoReCa sector guests, as well as lack of communication between HoReCa representatives and producers have negative impact on placement and promotion of local products.

4.5. Legal regulations

One of the reasons of poor usage or non-usage of the local products is problem of unregistered enterprises' businesses that deal in informal economy zone ('black market'). Then follows the lack of necessary and legally regulated products declaration, certificates on bacteriological food safety (low level of hygiene and sanitary condition has been noticed with some producers, e.g dairy producers do not have hygiene bacteriological analysis and certificates which are obligatory for hotels and other catering facilities in case they use these products). One of the barriers for local products placement is the fact that small enterprises and agricultural households are not in the VAT system, so they are automatically less attractive for cooperation with HoReCa sector. Also high taxes, complicated rules for participation on public tenders, lack of state subsidies for SMEs, subsidies for local products utilization are not favourable in terms of integration of local products in tourism offer.

4.6. Lack of local products' promotion

As mentioned within previous examples and assumptions, insufficient promotion of local products represents the crucial barrier for greater presence of local products in the tourism offer. One of the preconditions for overcoming this barrier is cooperation of producers and HoReCa sector and includes facilitation of tourism organizations with all other supply chain actors.

It is necessary to conduct identification and branding of 5-10 local products (for further develop in terms of quality, production quantities and promotion of specific characteristics, healthy and clean environment of production). These products should be promoted through gastronomic and other fair events and old crafts should be renewed through tourism offer. In addition, food (small packages of jam, ajvar, jelly, Rakia, cosmetic creams of herbs etc.) and handcrafts products (pottery, jumpers and other clothes of the local production) should be developed in such a manner to become souvenirs which are very important marketing tool in the tourism offer. Lack of communication and cooperation among all actors (producers, hotels, catering, shops, tourism agencies, tourism organization) complicate creation of destination package arrangement where local products play multifunctional role – link actors through supply chain, offer souvenirs and enrich tourists' experience participating in the image and destination recognition development. In that sense, quality brochures and tourism guides are necessary to present historical stories, natural and cultural attractions, gastro offer – local products and list of catering and other objects where they could be consumed.

4.7. Proposal of local products for further development and branding

On the basis of research findings, following 3 key product groups with potential for further growth and development have been identified and they are recommended to be used for branding tourism destination:

- dairy products (kaymak, cheese)
- prosciutto and other dry cured products
- tea herbs, honey, medical herbs, and other products in the function of health

Cheese, kaymak, prosciutto and other dry cured meat products are currently the most recognisable products of this territory and there are already existing or potential producers who are ready to invest into additional capacities and production improvement. Those are wide consumption products which could be produced in greater quantities and support financial effects for the benefit of entire region.

Tea herbs, honey and medical herbs are products which require additional investments although they have a big potential in relation to the topic of 'healthy life' and 'return to the nature', what perfectly fits into the story of Western Serbia tourism destination. Considering short term period, there is no potential for production of much larger quantities and achievement of greater financial results, but the advantage of this group of products lies in low initial investments. As for the long term period, this sector has a great perspective for linking with highly profitable pharmaceutical and beauty industry, development of wellness tourism etc.

Fourth group with growth and development potential consists of **fruits and fruit processing products**. Profitability in this sector is not questionable even with the small investments, but basic barrier for development is 'black market'. By reducing negative impact of black market, it is possible to start quality standardisation process and development of recognisable local brands which are precondition for market growth.

5. KEY RECCOMENDATIONS FOR OVERCOMING IDENTIFIED BARRIERS

5.1. Introduction

Preliminary recommendations for creating a platform for better networking of stakeholders and stimulation of regional supply chain were defined through the following three steps:

1. Identifying the key issues and barriers for growth and improvement of the local products supply in the tourism offer as a result of the research (surveys, interviews, focus groups)
2. Mapping possible options for overcoming identified barriers for growth and improvement of local products supply of in the tourism offer and discussion with key stakeholders
3. Development of Action Plan for removing barriers for growth and improvement of local products supply in the tourism offer (what, how and who should be responsible)

5.2. Key barriers for growth and improvement of local products supply

Key issues and barriers for growth and improvement of local products supply in the tourism offer are elaborated in the previous section and they represent starting point for defining a set of measures and instruments for overcoming barriers and „unlocking" potentials of local products in terms of utilization in the tourism industry. Following issues were identified and confirmed through research findings:

- Offer is not based on the needs and expectations of the tourists
- Low level of cooperation between local service providers
- Underdeveloped synergy between gastronomy, tourism, handcrafts and other service providers
- Low utilization of tourist facilities and food staff and handcrafts production capacities
- Variable quality and insufficient quantity of products and services as a consequence of lack of knowledge and skills
- Inadequate legislative and sub law regulations
- Inadequate promotion of local products

5.3. Mapping possible options for overcoming identified barriers

Mapping possible options for overcoming identified barriers for growth and improvement of local products supply of in the tourism offer is actually a key part of the answer in terms of defining solutions for overcoming barriers and provides an overview of the tasks that should be performed in order to improve utilization of the local traditional products potentials in the tourism sector. In regard to that, it is necessary to:

- Match requirements and expectations of demand with tourism offer
- Boost and improve cooperation of local service providers and develop synergy between gastronomy, tourism, old handcrafts and other service providers
- Increase exploitation of tourism facilities in order to create opportunity for greater utilization of foodstuff and handcrafts production capacities
- Improve and standardize the quality and increase quantity of local products and services
- Initiate and support improvement of law and regulations related to traditional production
- Improve and increase promotion of local products in terms of synchronization with promotion of the Western Serbia destination

5.4. Set of measures and Action Plan for overcoming barriers for growth and improvement of local products supply in the tourism offer

In the couple of recent years, Regional Development Agency Zlatibor made continuous efforts towards professionalization of development and management of tourism potentials and performance of West Serbia tourism region. During implementation of this project, the consultants were introduced with the reports completed in the scope of RDA Zlatibor projects that are indirectly connected with exploitation of local traditional products as an integral part of the identity and value chain of the tourism industry in this region. Key reports that were considered and used for the preparation of the action plan are:

- Proposal for Western Serbia Tourism Destination management model, Horwath HTL, 2012
- Strategic and Operational Marketing Plan of the Tourism Destination Zlatibor-Zlatar, Horwath HTL, 2013.
- Report on implementation of the project – Chefs education in hotels and restaurants in Western Serbia Tourism Region, Culinary Federation of Serbia, 2012.
- State and development perspectives of typical products in Zlatiborski County, SEEDEV (2012.)
- Meat and milk in Zlatiborski County – state analysis, Private sector development PSD, RDA Zlatibor (2011.)
- Analysis of fruit sector in Zlatiborski County, Private sector development PSD, RDA Zlatibor (2011.)
- Golden flavours – a guide to improving traditional products manufacturing, SEEDEV (2012.)

The identified problems and barriers for growth and improvement of the local products supply in the tourism offer and the proposed tasks for overcoming current confirmed situation, cannot be considered separately, but must be part of an integrated action plan for the professionalization of tourism marketing and management of this tourism region.

Creating distinctive values and standards of quality local products

Mismatch between supply and demand	→	Adjust the supply of local products to the expectations and needs of tourism industry
Unstable quality and insufficient quantity of local products	→	Improve and standardise the quality and quantity of local products
Low utilisation of existing capacities in the context of tourism performance; Underdeveloped synergy - the absence of a joint offer	→	To increase the utilisation of existing tourist facilities and allow tourist visits to producers as a part of the overall travel experience
Inadequate regulatory framework	→	Actively advocate for the elimination of deficiencies in regulations

Mutual trust and cooperation

Poor cooperation among the parties in the marketing channel	→	Encourage and promote cooperation between local producers and service providers

Local products as part of the identity of the destination

Inadequate promotion of local products	→	Improve the promotion of local products through branding and integration in the joint system of destination marketing
		Improve the promotion and sales of local products at the point of consumption (in restaurants)

Competitiveness Programme

- Improvement of traditional products through the establishment of product clubs that will grow into a form of cooperatives (or clusters)
- Enhancement of internal collaboration among producers of local products and cooperation with other representatives of the tourism industry in the region
- Branding of local products and establishing a system of integrated marketing communications
- Specialization of gastronomy in the Tourism Region of Western Serbia

In this context, the proposed model of tourism management gives necessary stages in the professionalization of the Western Serbia tourism destination management, while the Marketing plan provides proposals for pragmatic, goal-oriented solutions in terms of market positioning and performance of the destination on the global tourism market. In addition, for the implementation of the chefs training program, Culinary Federation of Serbia has made a preliminary assessment of the situation in terms of gastronomy offer in the Western Serbia tourism region, which, besides already presented findings, indicates possible courses of action directed to improvement, promotion and growth of catering services.

Having in mind above mentioned analyzes, we propose a set of measures, three basic and one additional measure, elaborated through a kind of "Competitiveness programme", which influence not only the development of performance and operating conditions of small producers, but also have a direct impact on development of uniqueness and market success of entire tourism destination. Competitiveness is defined as the ability to generate more profitability than the average of other comparable production sectors/regions, which sell the same product to the same clients, through the same system of commercialization and distribution, by using the same technological tools. Framework for competitiveness development is complex and diverse, and sometimes opposite to interests, although the socio - cultural and natural features of the area can greatly contribute to the utilization of the development potentials that local products have.

The aim of the competitiveness programme is ***to minimize shortages affecting competitiveness of local products, especially in terms of placement and synergy with tourism industry***. Synergy implies utilization of marketing channels in tourism and achievement of high additional value (and price) on the local products' market, including utilization of local products as motive of increased visits of tourists , but utilization as a tool for creation of unique experience during stay in Western Serbia tourism region.

Considering key barriers for growth and improvement of local products, as well as proposals for their overcoming, management of destination and proposed marketing system, following activities should be realized in the future:

Competitiveness programme, as integral part of turistification of the region, as illustrated above, could be realized by implementation of following measures:

1. Improving traditional products through foundation of Local product clubs that could in the further stages transformed to cooperatives or clusters
2. Improving internal cooperation between local producers and enhancing cooperation with other tourism actors in the region
3. Branding local traditional products and establishing integral system of marketing communication

Additionally, implementation of fourth measure should also be realized in order to strengthen the link between traditional products and catering sector

4. Specialization of the gastronomy offer of Western Serbia tourism region

Detailed description of measures and implementation maps which include objectives, tasks, target groups, expected results, indicative budget and proposed responsibilities, are in the next section.

5.4.1. Measure 1: Establishment of products' clubs

Product clubs will be established with aim to provide support for development of existing and new products, services and markets for local traditional production.

In further stages, product clubs could be transformed in other organizational forms (cooperatives or clusters), according favourable legal framework – it has been assumed that this will be possible after adjusting legal framework according rural development needs and European Union regulations. It is important to mention Italy, where cooperatives are very successful and supply the market with agricultural and foodstuff products.

One of the most important tasks of the product club is **improvement and standardization of quality as well as optimization of quantity of local products and services.**

Lack of standard quality and low quantities of local products come as a consequence of lack of knowledge and skills, as well as lack of communication between main actors of supply chain. Tasks of product clubs, in cooperation with key stakeholders and according to the needs of supply chain actors, are following:

- To organize trainings and educations for the improvement of conditions for production and quality of local products (engagement of domestic and foreign experts, presentation of the best practice examples within the country and abroad, study tours etc.)
  Key partner: RDA Zlatibor
- To ensure free-of charge sanitary and veterinary controls of final products before they are placed on the market
  Key partner: relevant ministry
- Modernize green markets (ensure good hygiene and sanitary conditions, refrigerating facilities etc...), as one of the most important placement channels of local product (responsibility of local community/government).
  Key partner: local self governments
- Encourage the establishment of entrepreneurs associations, professional associations (for example chefs), as well as local action groups (LAGs - territorial) in order to strengthen cooperation
  Key partner: RDA Zlatibor
- Organize meetings of value chain actors – panel discussions or informal meetings of producers and HoReCa sector actors which are elaborated in the measure related to improvement of cooperation between key stakeholders
  Key partner: RDA Zlatibor
- Develop synergy between gastronomy, tourism, old handcrafts and other service providers through improvement of the existing and creation of new gastronomy manifestations and introduction of old handcrafts in tourism offer
  Key partner: destination marketing system, local tourism organizations

- Connect local products with health and other motives for visit - recreation and sport, physical and mental recovery, enjoying in walks and hiking, bicycle riding, horse riding and swimming. The existing wellness facilities should offer "local cosmetics" made and based on local medical herbs, honey, brandy etc.
  Key partner: destination marketing system, local tourism organizations, HoReCa sector

- Initiate distribution of local products in different packages
  Key partner: destination marketing system, local tourism organizations, HoReCa sector

- Create and advocate proposals for improvement of legal regulations according needs (taxes, subsidies, inspection controls, procurements etc.)
  Key partners: relevant ministries, local self governments, associations

- Match local products offer with demand (research of tourists' satisfaction with destination's offer, satisfaction research according Mystery shopping method in HoReCa facilities, survey of tourists' satisfaction within accommodation facilities
  Key partner: destination marketing system, local tourism organizations, HoReCa associations

- Initiate improvement of the destination overall offer (promotion of local products with accent on food, beverage and handcraft products including souvenirs) within HoReCa sector entities through close cooperation with producers; support HoReCa sector in preparation promotional materials and menus (translation on at least 2 foreign languages), participate in improving information and education of tourists about local products offer by utilization of smart marketing tools such as – organic food, healthy food, gluten free, slow food etc., which are in line with modern trends and return to nature and everything that comes from nature
  Key partner: destination marketing system, local tourism organizations, HoReCa associations, associations of producers

For the start, we propose establishment of 4 clubs for the key products: milk and dairy products, dry cured meat products, products in the function of health – honey, tea herbs, medical herbs fruits and brandy.

Regional Development Agency Zlatibor will have role of facilitator of product clubs establishment, be in charge for administration and play role of the agent of transformation process if necessary. As regional development institution, RDA Zlatibor will ensure synergy of activities between clubs and other development initiatives.

Each club will be managed by managers appointed for a specific product category and engaged through the projects designed with the purpose to establish the clubs. That means that cost for clubs establishment and initial activities will be funded through the projects, while their sustainability will be provided through membership fees and income gained from increased commercialization of the products.

MEASURE 1.	GOALS	TARGET GROUPS	TASKS	RESPONSIBLE FOR IMPLEMENTATION	EXPECTED RESULTS	ESTIMATED BUDGETS
1. Establishment of product clubs	To adjust supply and demand of local products to the tourism needs To standardize of local products quality To optimize of quantities of local products delivered for tourism and other markets To develop new products To increase commercialization of the existing and new products To strengthen cooperation between producers and other tourism actors of Western Serbia Tourism Region To provide technical assistance in development and implementation of programmes and projects related to local products that could be funded by IPARD and/or other bilateral donors	- producers (SMEs) - agricultural households - local action groups (LAGs) - HoReCa sector - destination management organization of Western Serbia Region - destination marketing system – TO of Western Serbia and network of local tourism organizations	1.1. Establishment of product clubs and initial phase of its operations 1.2. and 1.3. Quality improvement and standardization, optimization of local products quantities through -organization of trainings - provision of free sanitary and veterinarian controls of products - modernization of green markets - support to foundation of professional associations and LAGs 1.4. Improvement of destination tourism offer through local products integration - cooperation between producers and HoReCa sector based on marketing fee - improving promotion of the existing and creation of new manifestations linking culture and customs with local food - improving knowledge of tourists on offer of local products 1.5. and 1.7. Development of synergy between gastronomy, tourism, old handcrafts and other service providers - renew old handcrafts through tourism offer - link local products with health and other motives of the visits - creation of souvenirs - packing local products in the small packages and offer them as souvenirs 1.6. Adjusting local products offer with demand - assessment of satisfaction, attitudes and needs of tourists/guests 1.8. Support to foundation of Local action groups and development of projects to be financed by IPARD	RDA Zlatibor and established product clubs, in cooperation with destination marketing system (LTOs and RTO), HoReCa sector and professional associations	1.1. Improved quality of local traditional products 1.2. Provided optimum quantity of local products according to market requirements 1.3. Increased knowledge and skills of key actors related to production and commercialization of local products 1.4. Improved destination offer through integration of local products in the tourism products 1.5.Turistified production through increased producers capacities for reception of tourists 1.6. Increased recognisability of tourism products of the region 1.7. Improved cooperation with local tourism industry 1.8. established LAGs and created base of development projects to be financed by EU and other bilateral donors	**140.000 EUR**

5.4.2. Measure 2: Improvement of cooperation between key stakeholders

One of the priority tasks of RDA Zlatibor and established clubs should be implementation of cooperation tactics gathered in the competitiveness programme and that should be done in cooperation with all stakeholders interested in development of local products. The aim is to **boost and improve cooperation of local service providers and develop synergy between gastronomy, tourism, old handcrafts and other service providers**. Considering mentioned, following proposals were presented during organized focus groups meetings:

- Improve existing (redefine mission, objectives and activities) and establish new associations of entrepreneurs – specific groups of producers, hotels, restaurants etc. These associations should be leaded by successful entrepreneur who could be a good practice example and poses relevant authority for managing and leading other members and establishing cooperation with other associations and entrepreneurs/service providers.
  Responsibility: product club, RDA Zlatibor

- Facilitate establishment of Local Action Groups (LAGs) in targeted municipalities in accordance with LEADER approach in rural development, which will include all stakeholders – producers, hotels and restaurants, accommodation services providers in rural households. This model of sustainable local development is based on identified priorities and planned actions of the population living, working and acting in the targeted territories (so called „bottom up approach“)
  Responsibility: RDA Zlatibor

- Organization of regular meetings of all stakeholders dedicated to development aspects of the destination, and these meetings will be organized and managed by regional chamber of commerce or similar local organization
  Responsibility: Regional Chamber of Commerce

- Networking of all actors and service providers through creation of destination special arrangements (set of services provided by local producers, hotels and restaurants linked directly or through tourism agencies in a specific product/experience).
  Responsibility: destination marketing system, local tourism organizations (destination management companies – DMCs should be in charge for implementation and should be supported in the initial phase to develop sustainable model for business based on the previous proposal)

- Organize information and networking of key stakeholders through publishing Newsletter of local producers (topics should be related to state and perspectives for development and commercialization of local products and integration in tourism value chain)
  Responsibility: product clubs, RDA Zlatibor, associations

- Organize annual meeting of producers and establish annual reward for the best local producers per determined categories
  Responsibility: destination marketing system, local authorities, product clubs, RDA Zlatibor

MEASURE 2.	GOALS	TARGET GROUPS	TASKS	RESPONSIBLE FOR IMPLEMENTATION	EXPECTED RESULTS	ESTIMATED BUDGETS
2. Improvement of cooperation	To boost and improve cooperation between local service providers To ensure synergy between gastronomy, tourism, old handcrafts and other service providers To ensure institutional frame for cooperation of different entities interested in production and promotion of local traditional products To strengthen cooperation within tourism destination related to delivery of special experiences To motivate producers to improve quality and production performances	- producers (SMEs) - agricultural households - local action groups (LAGs) - HoReCa sector - destination management companies DMCs - receptive tourism organization - destination marketing organization of Western Serbia tourism region - destination marketing system	2.1. and 2.2. To improve existing and establish new associations of entrepreneurs - producers, hotels, restaurants. Additionally, to initiate establishment of local action groups (at least 3 on the territory of the destination) 2.3.To organize regular meetings between actors of value chain of Western Serbia tourism region 2.4. 2.5. and 2.6. To establish continuous internal information and communication system through: - preparation and distribution of newsletter for local producers - organization of annual meeting of local producers - award annual prizes for the best producers per categories 2.7. To create destination package arrangement that will include producers (directly or with intermediation of tourism agencies), and utilize local products for creation of destination image which will include producers as well and they will be identity of the destination. Additionally, it is necessary to increase utilization of tourism capacities through: -enriching and improving offer through utilization of local products - attracting greater number of other new markets and market segments 2.8. Creation of online B2B platform for presentation of offer and ordering system for HoReCa	Product clubs, RDA Zlatibor, local authorities Regional Chamber of Commerce Product clubs, associations Destination marketing system, tourism organizations RDA Zlatibor supported by product clubs Destination marketing system, agencies and HoReCa sector	2.1. Improved cooperation of key stakeholders and created institutional platform for utilization of EU and other bilateral funds, through Local action groups in accordance to LEADER approach 2.2. Improved cooperation between key stakeholders due to a better communication and common vision 2.3. Improved internal communication between key stakeholders 2.4. Improved external communication system related to local products 2.5. - 2.8. Valorised and positioned local producers in the tourism value chain of Western Serbia tourism region 2.7. Improved cooperation with local tourism industry	**60.000-80.000 EUR**

5.4.3. Measure 3: Branding local traditional products and system of integrated marketing communication

Creation of the brand is one of the most important decisions related to product development strategy. It is a method of creating the specific identity of the product, where in combination of the name, design, character, symbol or mark, different in comparison to other competitive products, we try to achieve a double effects: the brand gives consumers certain promise related to the quality, but also contributes to emotions and memories related to the experience gained during consummation of the certain product.

Generally speaking, brand is a set of touchable and untouchable attributes of products or services. Touchable elements of the brand are logo, specific colour or shape of package. Untouchable elements are connected with associations, values and symbols which are directly connected to the brand.

The essence of the brand is the emotion that it evokes in consumers and that represents its greatest value - successful brands multiply value of the products on the basis of the emotional effects. **A brand is a promise that must not fail**. Brands, therefore, must have an integrity - a wide range of people have to know him, and brand is a subject of discussion even those who do not like him. The point is to get the fans, not customers.

Branding local traditional products requires clearly defined elements which differs that product from others. In additon, elements of brand could be further characterized and branding process should be performed by specialized institutions/agency:

- Primary attributes – richness and diversity of local traditional products within the offer
- Rational benefits – quality of products, gastronomy, tradition/experience in the production process
- Emotional benefits – enjoying in tastes, colours and smells of Western Serbia, what has an relaxing effect including enjoyment of all senses
- Personality – different, unique, with long tradition
- Value of the brand – discovery, authenticity, high value
- Essence of the brand – experience tradition through authentic products, gastronomy and souvenirs of Western Serbia

Considering branding of local traditional products, it is necessary to bear in mind that quality of the products is *conditio sine qua non* for growth and market success of the brand. Consumers want to be introduced with following:

- How the product is manufactured?
- What are the ingredients?
- Are there 'healthy' or 'unhealthy' ingredients in the product?
- How does the production affect environment and health of the workers and population in the local community?
- Link of the product with the territory where it is manufactured

Having in mind that local products within this Project are linked to the territories of Zlatibor, Zlatar and Tara or wider area of Western Serbia, marking products with the name of the tourism region or mountain/city represent important designation of the product.

When we speak of the original (authentic) products (**Protected Designation of Origin – PDO**), we are talking about products that originate from specific region/place and whose quality and characteristics are predominantly or exclusively determined by the influence of specific natural and human factors specific for certain geographic area, and all production phases (preparation, processing and manufacturing) of such a product are performed within a specific geographic area.

Products with protected **geographical origin (Protected Geographical Origin –PGI)**, are those that originate from specific region and have special quality and goodwill or some other characteristic which comes from geographical origin. That means one of the production phases, production and/or processing and/or finalisation of the product is performed on a specific geographical territory.

Traditional specialty guaranteed (TSG) is a label used for products with special attributes which clearly distinguish that product from other similar products in the same category. The product must be manufactured from traditional materials, or it must be characterized by a traditional composition or means of production and/or processing are related to the traditional type of production and/or processing. This kind of protection is not linked to a geographic area.

Protecting denomination of origin or geographical indication represents only initial phase in the development strategy of the specific product. Therefore, strict rules have to be considered and respected in order to protect the product on national and EU level.

Why system of protection with geographical indications is important?

- Producers are able to achieve premium prices on the market, based on quality and way of production
- Increase of production and development of small communities
- Allow better distribution of values within the chain of production and consumption
- Increase value of the area – geographical region and protected products become unique selling propositions of the tourism destination
- Enhance diversification of production and protection of biodiversity
- Preserve local knowledge, tradition and natural resources
- Contributes significantly in a positive manner to tourism development

Having in mind mentioned above, it is necessary **to improve and intensify promotion of local products within promotion of the destination**, according measures identified in the Strategic and Operational Marketing plan of the tourism destination Zlatibor-Zlatar. Some of the following conclusions and proposals are already mentioned and require:

- Define a list of products and type of protection, as well as action plan for implementation
- Further development actions and branding of products already recognized as a kind of destination brands, which are protected and are used in a promotional campaigns such as Soul food (dairy products – cheese and kaymak, prosciutto and dry cured meat, tea herbs, medical herbs and honey as a products in the function of health, fruit and fruit processing products, brandies)
- Improve existing and create new gastronomic manifestations and events
- Design small souvenir package for products (small package for jam, ajvar, jelly, brandy, creams made of medical herbs etc.)
- Renew old handcrafts through tourism offer
- Establish communication and cooperation between actors (producers, hotels, restaurants, tourism agencies, tourism organizations)
- Create touristic package arrangement of the destination

  Responsibility for implementation: destination marketing system and tourism organizations, product clubs, associations of entrepreneurs and individual actors within associations.

Integrated marketing communication system represent a set of instruments which are used for placement of certain product and message related to the product to the relevant targeted markets.

Communication mix is constituted of 8 main communication models, which are dependent on position and requirements of the product and/or entity carrier. Recommended communication platforms (models) are listed in the below table (both direct and interactive marketing):

Advertising	Sales improvement	Events and experiences	Public relations and publicity	Direct and interactive marketing	Marketing "from mouth to mouth"	Personal sales
Newspapers and electronic advertising	Competitions, awards, lottery	Sport	Material for newspaers	Catalogues	Blogs	Selling presentations
Package (internal and external)	Awards and gifts	Enterta-inment	Spechees	Post	Chat rooms	Selling meetings
Films	Samples	Festivals	Seminars	Tele-marketing		Supporting programmes
Brochures	Fairs and trade exhibitions	Art	Annual reports	E-shopping		Samples
Posters and leaflets	Promotional islands	Motives	Charity donations	TV shopping		Fairs and trade exhibitions
Directoriums	Demonstra-tions	Visiting local products production facilities	Publications	Fax, post		
Repeating advertisings	Cupons	Museums of local products	Relationship with community	E-post		
Bilboards	Discounts	Street events	Lobbying	Voice mail		
Advertising boards	Low interest credits		Specialized media	Blogs of the company		
Boards on selling points +HoReCa	Compen-sations		Newsletter of the company	Websites		
	Continuous programmes			Youtube Twitter Facebook		

Recommended communication models cover all most all options related to the placement of branded and protected local products, which could be used by all producers and cooperatives, regardless to their size and production volume.

MEASURE 3.	GOALS	TARGET GROUPS	TASKS	RESPONSIBLE FOR IMPLEMENTATION	EXPECTED RESULTS	ESTIMATED BUDGETS
3. Branding and integrated marketing communication system	To position local products brands on local, regional, national and international market Protection of geographical indications and registration of marks To ensure synergy between gastronomy, tourism, old handcrafts and service providers To improve sales of local products and Western Serbia tourism region through establishment of integrated marketing communication system	- producers (SMEs) - agricultural households - local action groups (LAGs) - HoReCa sector - destination management companies DMCs - receptive tourism organization - destination marketing organization of Western Serbia tourism region - destination marketing system	3.1. To develop strategy of branding, visual identity and communication platform 3.2. To identify products for protection of geographical indication and conducting procedure 3.3. To ensure online presence through usage of Web 2.0 tools 3.4. Introduction of branding islands for sales of local products within HoReCa sector entities 3.5. To organize local manifestations 3.6. To support preservation of old handcrafts 3.7. To establish integrated marketing communication system and realization of tourism campaign on targeted markets by utilization of unique sales propositions of the tourism destination	Product clubs Destination marketing system HoReCa sector, producers Product clubs, destination marketing system	3.1. Improved recognisability of Western Serbia brands in the wider region 3.2. Created portfolio of products with protected geographical origin or indications 3.3., 3.4., 3.5., 3.6. Increased sales of local products in all marketing channels, especially in HoReCa sector 3.7. Improved performances of Western Serbia tourism region (increased number of arrivals, spending per guest, higher accommodation prices etc.)	**30.000 – 50.000 EUR** (this indicative amount does not include costs of branding procedure and communication campaign of the product)

5.4.4. Additional measure 4: Specialization of gastronomic offer

Local gastronomy (food and wine) is integral part of the experience gained in tourism destination, and destinations are always competing in offering various adventures of their tradition. Furthermore, local population identity is reflected and become stronger through gastronomic experiences which destination delivers to its guests. Considering that, Regional Tourism Organization of Western Serbia has to offer high quality traditional meals, organic food traditional products of this area. This project should be realized in close cooperation of private and public sector, with the aim to provide recognition of food and beverage characteristic for this destination, and therefore it is necessary to brand gastronomic products that are already recognized and represent expression of its identity, culture and way of living.

Gastronomy rich in traditional meals originating from different areas of this region (kaymak, cheese, ham, buckwheat pie, plum brandy etc.) is very important resource of tourism offer. This competiveness programme will support specialization of gastronomy and its differentiation in relation to other mountain destinations in Serbia and wider region.

Specialization of gastronomic offer should enrich experiences and adventures offered by Western Serbia. In order to achieve this, it is necessary to pay attention to systematic problems this sector is facing with, which were identified and confirmed during research. Following are conclusions made by Culinary Federation of Serbia:

- Non-standardized supply system – low level of purchase of authentic - local products and irregular
- Producers are not networked and there is a lack of supply system that could satisfy needs of HoReCa sector
- Poor working conditions in cuisines – outdated cuisine facilities and generally bad working condition
- Lack of knowledge and skills within employees dealing in catering sector, and at the same time, investments in increasing their capacities through educations and trainings are irregular or do not exist at all
- Current gastronomic offer is inadequate to the existing potentials of Western Serbia Tourism Region – it represents mixture of inconsistent elements from foreign cuisines, what does not represent clear identity of this region and potential of authentic products of this tourism region
- Quality is not standardized and there is no system which could provide quality of gastronomic offer with the aim of creation consistent elements in tourism offer, what could contribute to improving experience during stay in Western Serbia Tourism Region

It is clear that there are serious problems related to the creation of authentic gastronomic offer of Western Serbia, but also to the technical capacities to deliver superior gastronomic experience. In that sense, key tasks necessary to be realized are as follows:

- Creation of concept and implementation of programme related to vocational education of chefs and other employees in catering sector, who promote and present authentic meals and beverage characteristic for this region. This vocati-

onal education could be realized through formal long-life learning programmes or through informal trainings and education
Responsibility: *RDA Zlatibor, HoReCa associations, National Employment Service*

- Creation of attributes with added value within gastronomic offer of Western Serbia Tourism Region – the destination will through design of special marks (labelling) establish a differentiation model in relation to other mountain destinations in Serbia. These marks will be designed to confirm that certain product carries certain attributes. At the same time, marks contribute to stressing differences in comparison to other competitive destinations. And result is offer rich in different experiences and adventures of the destination.
Responsibility: *destination marketing system, local tourism organizations*

- Specialized workshops '*Cook and taste*' – half day or couple of days lasting cooking workshops for tourists (individuals, groups, couples, companies etc.), organization of team building workshops for companies etc.
Responsibility: *destination marketing system, local tourism organizations, HoReCa sector*

- Creating programme "local products for local cuisine" – production of local organic food for local restaurants – supply agreements between producers of organic food with local hotels and restaurants
Responsibility: *product clubs, HoReCa sector, local authorities*

- Promotion focused on main markets through organization of days of Western Serbia cuisine (the name should be determined in accordance to the local products branding and marketing communication strategy)
Responsibility: *destination marketing system, local tourism organizations, HoReCa sector*

- Improving existing and creating new gastronomic manifestations and linkage with other cultural, entertainment and similar events – for example *Honey days* or *Open days in national restaurants* offering special food at special prices. These events should be organized in the top season in the beginning in order to introduce greater number of tourists with offer, and later after 3-4 years, in a period of low season with the aim to extend the duration o f season.
Responsibility: *destination marketing system, local tourism organizations, HoReCa sector*

MEASURE 4.	GOALS	TARGET GROUPS	TASKS	RESPONSIBLE FOR IMPLEMENTATION	EXPECTED RESULTS	ESTIMATED BUDGETS
4. Specialization of gastronomic offer	Branding local gastronomy specialties To increase quality of gastronomic experience within Western Serbia tourism region To structure tourism offer To develop different perception of the tourism experience within the destination To establish institutional vocational trainings and professional education in the gastronomy of Western Serbia	- HoReCa sector, cookers and chefs - tourists and visitors - destination marketing system - producers of local products - agricultural households - households dealing in rural tourism	1.1. To create local gastronomic specialities (simultaneously with branding process) 1.2. To network producers and use B2B platform for presentation of offer and ordering of products 1.3. To design special labels, create new image, aesthetic and interior design of catering facilities 1.4. To realize following programmes: - cooking workshops for tourists - 'Local products for local cuisine' – production of local organic food for local restaurants - promotion on key markets through organization of Western Serbia Cuisine Days - improving existing and creation of new manifestations – 'Honey days' or 'Open days in national restaurants' during peak of the season 1.5. to create and realize programme of vocational education of cookers and other HoReCa sector employees, as addition to the formal secondary school education	destination marketing system RDA Zlatibor, products' clubs destination marketing system destination marketing system, chefs association, HoReCa sector chefs association, HoReCa sector	1.1. Recognised brands of local gastronomy specialities clearly marked with designed graphical elements (marks) 1.2. Local producers integrated in tourism value chain within entire Western Serbia tourism region 1.3. Determined criteria for marking catering entities including defined and designed marks and logos 1.4. Gastronomy offer of Western Serbia diversified in accordance with tradition and heritage of this area 1.5. Created database of skilled staff specialized in the gastronomy of Western Serbia	**70.000-100.000 EUR**

Čajetina Nova Varoš Prijepolje Priboj Užice

6. ACTION PLAN

Measures and Activities	2014	2015	2016	Estimated Budget
Measure 1: Establishment of product clubs				**140.000 EUR**
Activity 1.1.1 Assessment of already identified 4 categories of the strategically important local traditional products				
Activity 1.1.2 Selection of the manager of each product category				
Activity 1.1.3 Identification of the potential product clubs members				
Activity 1.1.4 Presentation of the product club concept to the identified potential members				
Activity 1.1.5 Selection of the product clubs members				
Activity 1.1.6 Preparation of the business plans for each product club in accordance with the Action Plan directions				
Activity 1.1.7 Organization of the monthly meetings of product clubs (annually 12 meetings x 4 clubs x 4 hours)				
Activity 1.1.8 Implementation of the product clubs members regarding product development and product marketing				
Activity 1.1.9 Support to potential transformation of some product clubs into other organizational forms (e.g. cooperatives, clusters)				
Activity 1.2.1 Identification of the key quality standard in certain local product categories				
Activity 1.2.2 Assessment of the economic and social impact of the quality standards implementation				
Activity 1.2.3 Creation of the brochures on the benefits of higher quality standards introduction				
Activity 1.2.4 Distribution of the brochure to the local products producers and sellers				
Activity 1.3.1 Training needs assessment of the local products producers in the field of production and quality improvement				

Implementation period of the action

Continuous implementation of the action

Čajetina Nova Varoš Prijepolje Priboj Užice

Measures and Activities	2014	2015	2016	Estimated Budget
Measure 1: Establishment of product clubs				140.000 EUR
Activity 1.3.2 Preparation and organization of the education (selection of the trainers, location, handouts)				
Activity 1.3.3 Implementation of the selected topics (trainings, workshops, seminars)				
Activity 1.4.1 Assessment of the funding opportunities and fundraising for free of charge hygienic and veterinary product controls				
Activity 1.4.2 Providing free of charge hygienic and veterinary final products controls				
Activity 1.4.3 Assessment of the funding opportunities and fundraising for local product market places renovation				
Activity 1.4.4 Local product market places renovation (ensured hygienic and sanitary condition, cold storages) – task of local self-government)				
Activity 1.6.1 Identification of the needed data about local products and defining of important market research (minimum 3 researches)				
Activity 1.6.2 Tourist satisfaction survey regarding tourism destination offer, particularly local products aspect- preparation of the methodology and survey tools.				
Activity 1.6.3 Tourist satisfaction survey regarding tourism destination offer – field work				
Activity 1.6.4 - Tourist satisfaction survey regarding tourism destination offer- data processing and analyzing				
Activity 1.6.5 Tourist satisfaction survey using Mystery shopping in hotels and hospitality facilities- preparation of the methodology and survey tools.				
Activity 1.6.6- Tourist satisfaction survey using Mystery shopping in hotels and hospitality facilities-field work				
Activity t 1.6.7 Tourist satisfaction survey using Mystery shopping in hotels and hospitality facilities- data processing and analyzing				
Activity 1.6.8 Tourist satisfaction survey using questioners within accommodation capacities- preparation of the methodology and survey tools.				

Implementation period of the action
Continuous implementation of the action

Measures and Activities	2014	2015	2016	Estimated Budget
Measure 1: Establishment of product clubs				**140.000 EUR**
Activity 1.6.9 Tourist satisfaction survey using questioners within accommodation capacities- field work				
Activity t 1.6.10 Tourist satisfaction survey using questionnaire within accommodation capacities- data processing and analyzing				
Activity 1.6.11 Planning and adjusting long term activities in accordance with survey findings				

Implementation period of the action

Continuous implementation of the action

Measures and Activities	2014	2015	2016	Estimated Budget
Measure 2: Improvement of the key stakeholder cooperation- internal cooperation between local products producers and wider tourism industry in the Region				70-90.000 EUR
Activity 2.1.1 Identification of the existing entrepreneurs associations and other professional associations				
Activity 2.1.2 Identification of the field and methods for improvement of existing associations				
Activity 2.1.3 Creation of the platform for cooperation of identified associations and product clubs				
Activity 2.1.4 Implementation of cooperation with identified associations in improvement of their performances				
Activity 2.2.1 Communication with programmes which support establishment of Local action group (LAG) - financial and technical support)				
Aktivnost 2.2.2 Establishment of Local Action Groups (LAGs)				
Activity 2.3.1 Permanent meetings and experience exchange among all identified stakeholders.				
Activity 2.3.2 Creation of the destination offer(services of local producers, hotels and restaurants linked in one product)				
Activity 2.3.3 Cooperation with Destination management companies (DMC) in tourism packages creation which would include local products producers in tourism programmes and visitor ,,experience chain'' in the destination				
Activity 2.4.1 Establishment of editorial office for newsletter preparation, publishing and distribution.				
Activity 2.4.2 Defining structure and content of the newsletter				
Activity 2.4.3 Presentation of this initiative s through product clubs				
Activity 2.4.4 Publishing of the newsletter with RDA Zlatibor supervision.				

Implementation period of the action

Continuous implementation of the action

Measures and Activities	2014				2015				2016				Estimated Budget
Measure 2: Improvement of the key stakeholder cooperation- internal cooperation between local products producers and wider tourism industry in the Region													**70-90.000 EUR**
Activity 2.4.5 Monitoring of the audience satisfaction continuously								▒	▒	▒	▒	▒	
Activity 2.5.1 Selection of the member of organizational committee for annual meeting of local products producers					■				■				
Activity 2.5.2 Selection of the location for the event					■				■				
Activity 2.5.3 Defining the structure and programme of the event					■	■			■	■			
Activity 2.5.4 Communication with stakeholders and media through product clubs							■	■		■	■		
Activity 2.5.5 Annual meeting of local products producers									■			■	
Activity 2.6.1 Annual reward for the best local products producers- within the defined product categories					■								
Activity 2.6.2 Defining competition terms and conditions						■							
Activity 2.6.3 Launching campaign for attracting candidates in cooperation with media , through newsletter as well						■	■	■			■		
Activity 2.6.4 Organization of award ceremony in the scope of annual meeting									■				
Activity 2.6.5 To ensure relevancy for awarded producers to use the benefits gained through prizes – promotion of relevanczy of award within destination marketing system									▒	▒	▒	▒	
Activity 2.7.1 Identification of potential tourism products to be developed and, sales improvement of offer and enriching tourists experiences ("touring", "gastro roads", "Rakia roads", "relaxation in air spa")		■	■	▒	▒	▒	▒	▒	▒	▒	▒	▒	
Activity 2.7.2 Identification of key preconditions for development of tourism products		■	■										
Activity 2.7.3 Definition of business strategy for development of tourism products and presentation of benefits for local producers that could be gained				■	■	■							
Activity 2.7.4 Introduction of local producers with business development opportunities related to linkage with tourism						▒	▒	▒	▒	▒	▒	▒	

■ Implementation period of the action   ▒ Continuous implementation of the action

Measures and Activities	2014	2015	2016	Estimated Budget
Measure 2: Improvement of the key stakeholder cooperation- internal cooperation between local products producers and wider tourism industry in the Region				**70-90.000 EUR**
Activity 2.8.4 Development online B2B platform for communication and presentation of local products offer including placing through HoReCa sector				

Implementation period of the action

Continuous implementation of the action

Čajetina Nova Varoš Prijepolje Priboj Užice

Measures and activities	2014	2015	2016	Estimated budget
Measure 3: Branding local products and integrated marketing communication system				30-50.000 EUR 120-150.000 EUR
Activity 3.1.1 Preparation of Scope of Work and supporting documents necessary for public procurements and engagement of specialized agencies for local products branding in accordance with priorities of product clubs				
Activity 3.1.2 Launching public procurement and selection of the best bidders				
Activity 3.1.3 Monitoring of branding process and cooperation with the selected agency				
Activity 3.1.4 Development of guidelines for implementation of branding in accordance with strategy of priority local products				
Activity 3.2.1 Conducting protection of geographical indication in accordance to laws and sub laws (establishment of associations, preparation of specification, registration, certification)				
Activity 3.2.2 Utilization of protected geographical indications and marks				
Activity 3.2.3 Preparation of promotional campaign of registered brands and marks				
Activity t 3.2.4 Implementation of promotional campaign of registered brands				
Activity 3.3.1 Creation of internet presentation content and structure of local branded products				
Activity 3.3.2 Development of local products internet presentation				
Activity t 3.4.1 Identification and creating database of recognized local products				
Activity 3.4.2 Presentation of database through selected communication channels				
Activity 3.4.3 Public call for appliance of new products in the database				
Activity 3.4.4 Support to development of identified local brands				
Activity 3.5.1 Identification and creation of database of local manifestations linked with placement of local products				
Activity 3.5.2 Defining development concept of manifestations linked with local products				

Implementation period of the action

Continuous implementation of the action

Measures and activities	2014				2015				2016				Estimated budget
Measure 3: Branding local products and integrated marketing communication system													30-50.000 EUR 120-150.000 EUR
Activity 3.5.3 Creation of Action Plan for linkage of manifestations and local product and achievement of synergy effects						■							
Activity 3.5.4 Improvement and support in development of the existing manifestations							▨	▨	▨	▨	▨	▨	
Activity 3.6.1 Identification and creation of old handcrafts database			■										
Activity 3.6.2 Presentation of database through selected communication channels				■	■	▨	▨	▨	▨	▨	▨	▨	
Activity 3.6.3 Public call for appliance of new old handcrafts producers in the database						■	▨	▨	▨	▨	▨	▨	
Activity 3.6.4 Support to development of identified old handcrafts							▨	▨	▨	▨	▨	▨	
Activity 3.7.1 Definition of instruments and priorities of the local products marketing communication in cooperation with destination marketing system, by using tactics proposed within Strategic and Operational Marketing Plan of Tourism Destination Zlatibor – Zlatar			■	■	■								
Activity 3.7.2 Continuous PR activities – communication with media in regard to all conducted actions		▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	
Activity 3.7.3 Support local producers in online sales and promotion			▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	
Activity 3.7.4 Social networks utilization in local products promotion		▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	
Activity 3.7.5 Participation at international fairs, conferences and other events		▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	
Activity 3.7.6 Regular distribution of information to all identified stakeholders		▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	
Activity.7.7 Development of guide on package and distribution as an manual for producers, old handcrafts and sellers of local products				■	■	■							
Activity 3.7.8 Creation and distribution of promotional material (brochure, posters, flyers, tables on selling points)						▨	▨	▨	▨	▨	▨		
Activity 3.7.9 Definition of activities and development of material for sales improvement (competitions, fairs, demonstrations, samples etc.)						▨	▨	▨	▨	▨	▨		

■ Implementation period of the action

▨ Continuous implementation of the action

Measures and activities	2014	2015	2016	Estimated budget
Measure 4: Specialization of Western Serbia gastronomic offer				70-100.000 EUR
Activity 4.1.1 Creation of common Western Serbia gastronomy map, with receipts and instructions for cooking a meal				
Activity 4.1.2 Gastronomy map distribution within catering facilities in the region				
Activity.1.3 Online promotion of gastronomy map				
Activity 4.2.1 Boost establishment of chefs professional association of Western Serbia tourism region – selection of potential members				
Activity 4.2.2 Support establishment of the association				
Activity 4.2.3 Support defining of associations strategic directions and activities				
Activity 4.3.1 Engagement of culinary expert for support in development of activities				
Activity 4.3.2 Development of curricula and implementation of education programme of cookers, chefs and other employees				
Activity 4.4.1 Design of visual identity of different catering facilities and marking with graphical signs – preparation of Scope of Work for the expert and engagement of designer				
Activity t 4.5.1 Engagement of expert – cooker to create concept of the offer catering facilities in the region, considering local tradition, organic food and other local staff				
Activity 4.6.1 Create and realize 'Cook and taste' and Western Serbia cuisine days' on key targeted markets and in cooperation with destination marketing system				

Implementation period of the action

Continuous implementation of the action

7. ANNEX – relevant legal framework

- Law on Trade marks (Official Gazette of the Republic of Serbia no. 104/2009 and 10/2013)
- Law on geographical indications (Official Gazette of the Republic of Serbia no. 18/2010)
- Law on tourism (Official Gazette of the Republic of Serbia no. 36/2009, 88/2010, 99/2011 and 93/2012)
- Regulation on terms and conditions of hotel operations, provision of catering services, categorization of catering facilities and minimum technical conditions for decoration and equipment of catering facilities (Official Gazette of the Republic of Serbia no. 48/2012)
- Regulation on standards for accommodation facilities categorization (Official Gazette of the Republic of Serbia no. 41/2010, 103/2010 and 99/2012)
- Regulation on minimal technical and sanitary-hygienic conditions for the provision of catering services in rural households (Official Gazette of the Republic of Serbia no. 41/2010)
- Law on food safety (Official Gazette of the Republic of Serbia no. 41/2009)
- Law on wine (Official Gazette of the Republic of Serbia no. 41/2009)
- Law on brandy and other alcohol beverages (Official Gazette of the Republic of Serbia no. 41/2009)
- Law on beer (Official Gazette of the Republic of Serbia no. 30/2010)
- Trade Law (Official Gazette of the Republic of Serbia no. 53/2010 i 10/2013)
- Regulation on minimal technical conditions for trade of goods and provision of services in transport of goods (Official Gazette of the Republic of Serbia no. 62/2011)
- Regulation on minimal technical conditions for trade on purchase places (Official Gazette of the Republic of Serbia no. 32/2011)
- Law on agriculture and rural development (Official Gazette of the Republic of Serbia no. 41/2009 and 10/2013)
- Law on regional development (Official Gazette of the Republic of Serbia no. 51/2009 and 30/2010)
- Law on health of plants (Official Gazette of the Republic of Serbia no. 41/2009)
- Law on well-being of animals (Official Gazette of the Republic of Serbia no. 41/2009)
- Law on associations (Official Gazette of the Republic of Serbia no. 51/2009 and 99/2011)
- Law on consumer protection (Official Gazette of the Republic of Serbia no. 73/2010)